Public Hearing: Department of Finance

Mr. Vice-Chairman: — I will call the meeting to order. Any questions of the auditor before we call in the officials?

Mr. Rolfes: — Mr. Chairman, before we do that, I had talked to you last week about next Tuesday, and I would appreciate a statement from you as to your side. You're the only one that can tell us.

Mr. Vice-Chairman: — All I can tell you is that in talking with our side, the House Leader, is that if your House Leader would agree to go to government business on Tuesday and waive the private members, I believe it was, you know, so that we wouldn't fall behind schedule on government business, we could possibly have Monday off. But other than coming . . .

Mr. Rolfes: — Yes. The next question is, if we have Monday off, do we sit — I mean, as Public Accounts, do we sit?

A Member: — I wouldn't think so.

Mr. Rolfes: — The practice has been not to.

Mr. Vice-Chairman: — I would agree with Mr. Martin. I think that would be a travel day for members to come in . . .

Mr. Rolfes: — Okay, good enough. If there are no further questions on that then I have a few questions of the Provincial Auditor.

A Member: — Are we sitting next Tuesday?

Mr. Vice-Chairman: — Well, no, no. That's to be . . .

Mr. Rolfes: — To be decided today, I guess, or tomorrow.

Mr. Vice-Chairman: — It depends on the House leaders, if they can make some sort of an agreement. Okay, do you have any questions of the . . .

Mr. Rolfes: — Yes, I do. I want to ask the Provincial Auditor to make the same observations as we usually do. You have stated a few concerns. I wonder whether you could go through those. Could you go through those that have been corrected, in your opinion, and then we don't have to waste the committee's time on going through those again.

Mr. Lutz: — Mr. Chairman, I'm on page 53 of my report . . .

Mr. Rolfes: — What about 52?

Mr. Lutz: — Well, 52 is a qualification on the Consolidated Fund financial statements, and I think that qualification will probably continue, provided things are done in the same way in subsequent years.

Mr. Rolfes: — I want to ask you a question on that before the officials come in, and that is, have you got any indication from the government or from the Department of Finance that that will be changed?

Mr. Lutz: — You would have to ask Mr. Kraus, I think. I haven't heard anything suggesting that they will change their method of . . .

Mr. Kraus: — I don't believe the government policy will be changed in this regard, Mr. Chairman.

Mr. Rolfes: — Okay, I will ask a question later on in this regard when the officials are here. Okay?

Mr. Lutz: — On page 53, Mr. Chairman, education and health tax, we have not completed the audit for '89 yet, so I have no further comment on that.

The mortgage protection plan on 53, we have not yet completed '89, so I really can't comment on that.

Municipal employee superannuation fund, I am advised that this is being fixed, if I can use that term — corrected. The problems we have encountered here, I am informed, have been addressed.

Public employees benefits agency is a December year end, and they're not yet finalized for December '88.

On page 56, on the investment income, Public Service Superannuation Board, not done yet. But the management . . . at the top of 57, yes, management control deficiencies for the Public Service Superannuation Board, not necessarily fixed, but they are addressing the problems, and I have, if you will, a question mark after that one because it's still pending.

SaskPen Properties Ltd., we have not yet finished '89, so I cannot comment on whether or not it's been corrected.

And on the sinking funds . . .

Mr. Rolfes: — Well we'll just leave that one anyway, because I want to ask a question when the officials are here, and then I won't ask it twice.

Mr. Lutz: — All right.

Mr. Rolfes: — Okay. I have no further questions on it.

Mr. Vice-Chairman: — Anyone else? Would you like to call in the officials.

Before I start and ask you, Mr. Wakabayashi, to introduce your officials, I have to read into the record here. I have to make you aware that when you're appearing as a witness before a legislative committee your testimony is privileged in the sense that it cannot be the subject of a libel action or any criminal proceedings against you.

However, what you do say is published in the minutes and the verbatim report of this committee and therefore is freely available as a public document. You are required to answer questions put to you by the committee, and where a member or the committee requests written information of your department, I ask that 20 copies be submitted to the committee Clerk who will distribute the document and record it as a tabled document.

I ask you, sir, to address all your comments to the chair, through the chair, which is also . . . and also the committee members. So I'd like you to begin by introducing to us your officials.

Mr. Wakabayashi: — Thank you, Mr. Chairman. On my immediate right is Keith Laxdal, associate deputy minister, treasury board division; and on my immediate right is Bill Hoover, who is our director of financial services. Of course you would know our comptroller, Gerry Kraus. Sitting around the table is Bill Jones. Bill is the assistant deputy minister, treasury and debt management.

Then at the back, Margaret Johannsson. She is the associate director, cash and debt management for the treasury and debt management branch. Len Rog, many of you may know our executive director of our revenue division. And around the corner there is David Wild. David is assistant executive director of the public employees benefits agency; and next to David is Brian Smith, who is our executive director of PEBA (public employees benefits agency).

And we have Doug Matthies, who is director of financial administration services for the Saskatchewan pension plan. Right behind me is Jim Marshall. Jim is our director of revenue and economic policy in our taxation and economic policy division.

Mr. Vice-Chairman: — Thank you. The floor is open for questions. Anyone wish to be on the list first?

Mr. Rolfes: — Mr. Chairman, as a comment to begin with, I really didn't have too many questions that I was going to ask because I went through the auditor's report and didn't see too many problems. But noting that all these people are here, I had sort of anticipated that you people had thought there were great problems. So I did some quick reading here for details — and no, that's just a facetious comment.

Mr. Wakabayashi, on the auditor's report, 11.01, he . . . I believe this comment was, not only believe, I know this comment was made, I think the year previous too, and that is the disbursements of loans to the SPMC (Saskatchewan Property Management Corporation), and considering them as assets of the government and thereby affecting really the balance line of the net worth of the government.

I wonder if you could explain that in layman's terms as to why you feel that that is a legitimate way of calculating the assets of the government — and I mean in layman's terms. If you go into accounting terms I will not be able to follow you, okay. Could you do that?

Mr. Wakabayashi: — I think . . . maybe should we go back prior to when the government established the Saskatchewan Property Management Corporation. And that is for . . . essentially we made no distinction prior to the establishment of the Saskatchewan Property Management Corporation in terms of capital expenditures. They were all considered budgetary expenditures. That is to say, a dollar spent on, say a building was charged as a budgetary expenditure, no different than paying the salaries of Department of Finance officials.

So it was determined that . . . or a rationale was established that for buildings one could argue that the nature of a building is a capital asset that one could . . . that the lifetime is, say for example, 30 years for a school building or a university building, and that one could legitimately, in effect, amortize the cost of that building.

So rather than say spending . . . let's use an example, the College of Agriculture building. The normal treatment before we established the SPMC, we would have, say the College of Agriculture building, the actual construction costs was, say $20 million in one year. That would have been charged to the budgetary expenditure, no different than any other type.

Now with the establishment of the Saskatchewan Property Management Corporation, we in effect use the SPMC to in effect finance, say, the construction of the College of Agriculture, so that we would make a loan to the Saskatchewan Property Management Corporation to finance the cost of, say, the College of Agriculture building, University of Saskatchewan. And then we in effect amortized, say the College of Agriculture building, say, for a 30-year period.

What that would then show in terms of our budgetary expenditure . . . then what we show as a budgetary expenditure then is amortized payments to the Saskatchewan Property Management Corporation, presumably a fixed amount established once the building was constructed. We would in effect make a payment as a budgetary expenditure, repayment to SPMC for the financing of the construction of, say, the College of Agriculture building over a period of, say, 30 years.

And I think that's in essence the essence of the change that was established when we established the Saskatchewan Property Management Corporation.

Mr. Rolfes: — Just a quick question then. Are you telling me that only the loan that is made in a particular year is considered as asset, or is it accumulative?

Mr. Wakabayashi: — The loan to SPMC would be considered a non-budgetary expenditure and it would be cumulative, as we've provided the . . .

Mr. Rolfes: — So each year your assets would increase.

Mr. Wakabayashi: — Each year the asset, which is in the form of a loan to SPMC . . .

Mr. Rolfes: — Yes. Would be considered by government as an asset.

Mr. Wakabayashi: — . . . as an asset, yes.

Mr. Rolfes: — And therefore the net debt of the province would be reduced by that amount.

Mr. Wakabayashi: — The net debt is not . . . How we would show this on our financial statements is that we would likely . . . if we make a loan to the Saskatchewan Property Management Corporation, say $100 million. That, of course, would be an asset on our financial statements, but on our liability we would probably have gone out and borrowed the $100 million to finance the loan to the Saskatchewan Property Management Corporation.

Mr. Rolfes: — Okay, let me rephrase my question then. I should not have used the term "debt", I should have probably used the term "deficit", meaning in that particular current year, is your deficit reduced by the amount of the loan that is made to SPMC?

Mr. Wakabayashi: — No, the loan to SPMC is considered a non-budgetary transaction and does not affect the budgetary deficit for the province.

Mr. Rolfes: — Where is it calculated then? Just in the long-term debt?

Mr. Wakabayashi: — If we . . .

Mr. Rolfes: — I mean, if you take a loan . . . Okay, you make a loan to SPMC, right? The government then has to borrow that on the international market, or wherever. Let's say they borrowed on the international market, or wherever they borrowed it.

Mr. Wakabayashi: — Yes, yes.

Mr. Rolfes: — Well, all right you make that loan, you consider that as an asset to the government, but you borrow on the international market and therefore that has to be calculated against your long-term debt.

Mr. Wakabayashi: — Yes, yes.

Mr. Rolfes: — Now what effect does the loan that you make to SPMC, because it's considered as an asset, what effect does that have on the deficit in that particular year as recorded in the accounts?

Mr. Wakabayashi: — It doesn't have any effect on the budgetary deficit because we would consider that as a reimbursable debt on the part of the SPMC in the same way as we make a loan, say, to the power corporation or Saskatchewan Housing Corporation.

Mr. Rolfes: — Okay, fine. I want to . . .

Mr. Wakabayashi: — And where it shows up on the budgetary is in the future because, as I said before, we the government will provide for the amortized costs of carrying that loan by way of a budgetary expenditure to SPMC.

Mr. Rolfes: — But if it is cumulative, if it is cumulative and let's say all the capital works that you have — let's just take a figure that you used, the last 30 years — what happens at the end of the 30 years?

Let's say all those buildings . . . let's say they're all buildings.

Mr. Wakabayashi: — Yes.

Mr. Rolfes: — At the end of the 30 years — let's take a hypothetical case — all those buildings collapse, they're worn out, have to be replaced, no longer have any capital assets, but on your books you have recorded capital assets of millions and millions of dollars.

Mr. Wakabayashi: — Let's just take the one project . . .

Mr. Rolfes: — Okay. Take the agricultural building that you used.

Mr. Wakabayashi: — As I said before, before we set up SPMC we would simply have paid out by way of maybe a grant to the University of Saskatchewan the actual cash requirements to build that College of Agriculture building. Let's assume that we built that College of Agriculture building in one fiscal year . . .

Mr. Rolfes: — Right. Okay.

Mr. Wakabayashi: — And let's assume that it, say, cost $100 million. Formerly we would have made a grant probably to the University of Saskatchewan, $100 million — and we'll forget about private sector financing and everything else — say our share was 100 million, the Government of Saskatchewan.

Now with the setting up of the SPMC, SPMC would finance the construction of the College of Agriculture building. And say it's $100 million, we probably would . . . or we would advance to SPMC, a Crown corporation, $100 million, and we would consider that as a reimbursable loan to SPMC for $100 million.

We probably . . . let's assume then we went out to borrow $100 million for the purpose of advancing the $100 million to SPMC. That would be shown, of course, as an increase in our gross debt for the province, but we offset that gross debt with the reimbursable debt from SPMC. So in terms of our cash position, there's no effect; and in terms of our budgetary effect on our budgetary deficit, that non-budgetary transaction had no effect on our overall government budgetary deficit, say, in that year.

Then, say year two then, there would be then a calculation made, after the cost of construction for that building.

You would have to add to that $100 million, interest costs during the period of construction. So let's assume that's $10 million. So we would . . . or SPMC would establish then the amortized . . . for the purpose of amortization, the costs would be, say, $110 million for the College of Agriculture building.

And then let's assume the lifetime is established for 30 years. Then you work out the annual amortized cost to repay that $110 million over 30 years. And I haven't got this mentally calculated, but let's assume it's $3.5 million, then what you'll probably . . . then see in year two — and just assume that's the only project — year two then in our budget probably in the Department of Agriculture we would show a payment to SPMC of $3.5 million as a budgetary expenditure.

That is a payment to SPMC to repay the amortized costs of that building. That 3.5 million then would go on for 30 years, so that the total cost for that college would be probably $110 million. And I think that's exactly how the transaction would work.

Mr. Rolfes: — Mr. Wakabayashi, yes, okay. If this change had not been made, if this change had not been made and we would have continued as we had in the past, and let's take your case of $100 million advanced then directly to the university, now to SPMC, if we had not made that change, then your deficit in that particular year would have increased by $100 million. Right?

Mr. Wakabayashi: — Surplus down 100 million. That's exactly right.

Mr. Rolfes: — Okay, the point that I wanted to make was that because of this change, because of this financial change that was made in calculating how we pay for capital buildings — I'm not saying right or wrong; I'm not making a judgement on that — all I'm saying is that if the government had not made that change, then the deficit in that particular year would have been increased by the amount of the capital expenditures that are now advanced to SPMC.

Mr. Wakabayashi: — Yes.

Mr. Rolfes: — Okay. That's what I thought. It took a long time to get there, but I'm glad . . .

A Member: — I'm sorry.

Mr. Rolfes: — No, no, I appreciate the explanation. I read through this a number of times last night and just couldn't get the explanation, and I'm glad you . . .

A Member: — Economics 101.

Mr. Rolfes: — Yes, I had Economics 101 and more, Bill. Yes I did — not as much as my colleague over here, but did have a few.

Mr. Lutz, I'd like to ask you a question. Now you have noted this in your report. Do you have any difficulties with the explanation that Mr. Wakabayashi has made, or is this, in your opinion, a legitimate way of calculating government expenditures and reporting those expenditures in the public accounts?

Mr. Lutz: — Mr. Chairman, I qualify the financial statements of the Consolidated Fund for this very thing. So I guess Mr. Wakabayashi and I have a philosophical difference of opinion which I think will continue as long as they do this.

Mr. Rolfes: — Could you give me your explanation as to . . .

Mr. Lutz: — My explanation's contained in 11.02 on page 52 where I say you cannot have an asset in the way of a loan if the only way you can get your asset paid back is to pay it to yourself. I think there is not an asset if the only way I can liquidate it is to pay it from me to me to me.

Mr. Rolfes: — I don't disagree with you on that. It's a government decision to make that change, and of course it was expedient to do so. So the actual deficit of the province in that particular year would have been considerably higher than when it was actually reported if the same method had been used.

Mr. Lutz: — That's disclosed in the middle paragraph of this particular audit report on the financial statements, that's right.

Mr. Rolfes: — Okay. I have no further questions on that particular one unless somebody else does.

Mr. Lyons: — I'd just like to clarify a couple of things in my own mind. The ultimate responsibility for the repayment of the loan in the case of the agricultural college, the ultimate responsibility rests with the Consolidated Fund. Is that correct?

Mr. Wakabayashi: — Yes.

Mr. Lyons: — So there is no acquired physical asset by the Consolidated Fund, is there? Or is the acquired physical . . . or the asset that's acquired, is it the property then of SPMC or of the Consolidated Fund?

Mr. Wakabayashi: — I'll just check on that. Back to the College of Agriculture, the asset, the College of Agriculture building would remain and belong to . . . the ownership would be the University of Saskatchewan, as I recall it. As far as the SPMC's books are concerned, it's in effect a loan receivable from the university. In other words, SPMC is in effect a financing instrument so SPMC's books would show as an asset a loan receivable from the university.

Mr. Lyons: — So you have the . . . basically what you have is a transfer then, a transfer of obligation from SPMC, which actually on its book looks like it's in a better financial position because its assets in terms of accounts receivable would show a more favourable balance, but in the reality is that the Consolidated Fund is the one who ultimately is the real accounts receivable.

Mr. Wakabayashi: — In effect the Consolidated Fund is responsible for paying for whatever the government's share is of that building. The effect on SPMC, I think, is neutral unless they mark up or have some financing charge that I'm not aware of. But SPMC is neutral because the cost of financing this is . . . SPMC will in effect get reimbursed from Consolidated Fund for the actual cost of financing that College of Agriculture building. So the effect on SPMC should be neutral.

Mr. Lyons: — But do they . . . are they balanced by an accounts payable to the Consolidated Fund for that similar amount?

Mr. Wakabayashi: — Yes, yes.

Mr. Lyons: — Okay, so that . . . internally . . . Can you explain perhaps for us the policy reason for doing it. not to question the policy reason, it's just what is the rationale, the economic rationale for utilizing this accounting method? Is it for tax purposes, or . . .

Mr. Wakabayashi: — No. I think the central rationale is — and there is debate on this — that one could make a rationale that in financing a capital asset that has a long-term value, like a College of Agriculture building, that one could argue that one should only charge as a budgetary expenditure the appropriate amortized cost of carrying that . . . or the value of the asset, rather than charging it all as a budgetary expenditure in one year and valuing the asset at $1.

I think the only rationale I could put forward is that one could argue that the value of the asset is a longer period of time and that it's appropriate to reflect that in terms of the costs, in terms of the effect on our budgetary deficit . . . or budgetary expenditures.

Mr. Rolfes: — Mr. Wakabayashi, I'd like to just ask a question on . . . you made a statement to Mr. Lyons that the loan . . . well it's . . . the loan from government to SPC and SPC loaned to the university— I think that's what you said — that that loan, the university is responsible for paying that loan back to SPMC.

Does that mean, therefore, that the capital expenditures for the university have also increased in the Consolidated Fund? I mean, like, in the past, if we built on the university, it was simply an expenditure of whatever amount, and that was simply recorded in the Consolidated . . . So if the university would have to pay it back, someone has got to give the university the money to pay SPMC back again.

Mr. Wakabayashi: — Yes, okay. Now you caught me here. In the illustration that I've described in the case of the College of Agriculture, we actually pay the university the amortized payment that I thought we paid directly to SPMC. So the $3.5 million that I used as an illustration, say first year of the amortized payment, we pay through the Department of Education, as a budgetary expenditure, a grant to the university for $3.5 million, who in turn would pay that to the SPMC . . .

Mr. Rolfes: — And that was not done in the past?

Mr. Wakabayashi: — No. In the past it was back to my previous example . . . or in the past we would have made the hundred million dollar as a direct construction grant to the University of Saskatchewan. Now what we're doing, and I made a mistake here, is that the amortized payment of 3.5 million is paid to the university to repay SPMC for the financing of the College of Agriculture.

Mr. Rolfes: — That seems a very complicated way of doing it. It was very simple before. If you needed a building at the university you paid for it.

Mr. Wakabayashi: — Yes. As I say, the effect then is we're paying for the College of Agriculture over three years at $3.5 million for 30 years rather than $ 100 million dollars in the one year.

Mr. Rolfes: — I know what you're doing. Anybody else a further question on that? Otherwise I want to go on to something else.

Mr. Chairman, I would like to . . . on health and education tax, it had been noted in the auditor's report, 11.05, the committee had reported in 1980, the Public Accounts Committee recommended that the procedures used in the department be reviewed to ensure that there's a balance reaching a number of detailed field audits and the cost of those audits. The auditor notes that, I guess, you people really have not addressed that recommendation. My only question is why has that not been addressed? It's been some time now.

Mr. Wakabayashi: — I don't think it's fair to say we haven't addressed the problem. We recognize the validity of the Provincial Auditor's observations. There is, at some point, how much more resources does one put into the assessment and audits for the purposes of ensuring that we are obtaining entirely the tax liability out there. And it's a question, as pointed out by the Provincial Auditor, where is the balance in terms of how much additional resources do you put in to obtain the foregone revenue that we may not have obtained if we hadn't carried out these additional audits.

What we did was when this observation was put to us we did engage two consultants from the College of Commerce at the University of Saskatchewan, a Bruce Irving and a Daryl Lindsay. This was in 1986. And they determined that maybe one way of trying to ascertain what point we might want to put in more audits was to maybe suggest that we take a random sample of files, and in '86-87, I guess, we randomly selected 86 files and carried out audits on these randomly selected files.

The results of those random samples were analysed by these consultants, and they felt that it was too small a sample to really come up with conclusive evidence as to whether we should increase our audits or not, and suggested that maybe we should go for a larger sample. So we said, yes let's redo that. We agreed on a random selection of 300 additional files for '87-88, but we didn't achieve that objective. We only actually did about 60 random audits in '87-88. We chose to divert many of our audit resources to deal with the capital gains tax rebate program which I think the deadline was . . . December 31, 1987 as the termination date of the capital gains tax rebate program.

So as a result we only did 60 random audits in '87-88. Now just to bring you up to date now, going beyond '87-88, we actually carried 287 of those audits in '88-89, and we also selected an additional 101 audits over and above the 287, and those have been all carried out in 1988-89.

Now the results of those random audits, we have now provided to the Provincial Auditor's office and we're, you know, we're analysing the results of those. I think the only other thing I could say then, just to take the current fiscal year, ‘89-90, we have selected an additional 100 random files to carry out in ‘89-90, and we have increased the audit staff by 10.5 person-years since 1986, but five and a half of those were for fuel tax when we reintroduced the gas tax. So we have increased the staff to some extent, but there still is . . . the overall question is still out there as to, you know, at what point do we add additional resources and gain the revenues from these audits.

Mr. Rolfes: — On the random samples that you did, what was your finding?

Mr. Wakabayashi: — I don't know exactly what the findings are. I'll ask Len, Len Rog, our executive director of revenue division to maybe . . .

Mr. Rog: — Well what we found was that for the randoms that we use . . .

Mr. Rolfes: — But that doesn't amplify. It just . . .

Mr. Rog: — No, that doesn't amplify it.

Mr. Rolfes: — No, none of them do.

A Member: — Oh, none of them do . . .

Mr. Rog: — For the randoms that we conducted in '87-88, we found that the average revenue per audit was $728. Our regular audit program generated average revenue of $9,036. And for the '88-89 fiscal year, the audits that we did then, the average revenue per random audit was $595, compared with average revenue of $3,872 per regular audit. So generally we found that the revenue that we generated from the random audits was considerably less than that that we generate through our normal selection process.

But as Mr. Wakabayashi said, we've provided additional details as well to the Provincial Auditor, and they're reviewing this to determine their position for next year.

Mr. Wakabayashi: — So it is, to put it in perspective, as a result of the random audit we did realize additional revenues as a result of carrying these to the extent of, as you said, the average of 600.

Mr. Rolfes: — Did you calculate whether it was cost-effective to do that?

Mr. Wakabayashi: — Well that's really what the process we're going through now is to come to some conclusion as to whether . . .

Mr. Rolfes: — Okay. Well at least you're making an attempt at it.

Mr. Wakabayashi: — Yes, that's right.

Mr. Rolfes: — Okay. I can't determine whether you should do more.

Mr. Neudorf: — What would be the reason — maybe I missed it, maybe he did explain it — but what would be the reason why the regular audits would have that much more cost-effectiveness to it than the special audit or the random audit?

Mr. Rog: — We have an audit selection system whereby we select the audits based on various criteria such as the size of the . . .

Mr. Neudorf: — Okay, so you know what you're going after before you start.

Mr. Rog: — Yes, yes.

Mr. Rolfes: — I'm sure that the size of the company in your regular audits are much larger than the ones in the random sample.

Mr. Rog: — Yes, yes.

Mr. Neudorf: — Is there a figure that you can give us for the cost of doing a random audit? Is there an average figure, or does that vary with the client that you have?

Mr. Rog: — I can give you a . . . Unfortunately the only information I have is the hours that . . . the number of direct hours that were required for a priority audit or a non-priority audit in various years. Unfortunately I don't have information with me that can equate that to a cost, but in 1987-88, for example, a priority audit required approximately 29 direct hours, and a non-priority E&H audit required about 11, between 11 and 12 direct hours.

Mr. Neudorf: — A priority audit, would that be an audit that's your standard audit?

Mr. Rog: — Yes.

Mr. Neudorf: — As opposed to your random audit.

Mr. Rog: — Yes, the priority audits are what we consider larger audits. Ipsco, for example, would be a priority audit. A non-priority audit might be a small . . . you know, the Co-op in Lipton is an example. It doesn't generate a lot of revenue or a lot of sales. We haven't had problems in the past with that particular firm, so therefore in our audit selection system it's categorized as a non-priority audit. We do those generally for coverage, to ensure . . .

Mr. Neudorf: — What do you reckon to be the cost of a audit official per hour, average?

Mr. Rog: — Well, a revenue officer 4, a standard auditor makes between 32 and about $37,000 a year.

Mr. Neudorf: — That's based on a 40-hour week?

Mr. Rog: — That's correct, 37 and a third.

Mr. Wakabayashi: — About 220 working days in a year?

Mr. Rog: — Yes, about approximately 1,600 . . . 16 to 1,700 hours a year.

Mr. Wakabayashi: — So maybe about $25 an hour, maybe?

Mr. Rog: — We can provide that information very quickly.

Mr. Neudorf: — It's just that we're dealing with cost effectiveness, and I want to try to get a handle on that.

Mr. Martens: — Mr. Chairman, could I just make a point here. If we take numbers that are half way through the system, we're not going to get actual numbers. So why don't we wait till the auditor and the gentlemen here have concluded it and then have them send it to us so we can see. I'd be interested in knowing those numbers too, and then we can take a look at them.

Mr. Rog: — We can do that.

Mr. Rolfes: — I just have one further question. In your random selection, I know that random selection means you don't put any criteria on it.

But you could, however . . . There is a different ways other than just random selection. Surely you could instruct your computer to only make a random . . . pardon me, random selection from those businesses that have sales over a certain amount. And if, for example, your revenue that you would receive therefore would increase, it would become much more cost effective. Have you looked at that or did you do that?

Mr. Rog: — Well that's precisely the situation that we're in with the . . . over the past few years with the Provincial Auditor with our audit selection system. We knew that as a matter of course. So therefore, in order to ensure that there's an effective check, the proper way to do it would be, I think, as the consultants recommended, and that is to look at a random sample.

Now what we did was we did take out the out-of-province audits, for example, because those are ones that were . . . we generally do on a very regular basis because they are the larger firms.

Mr. Rolfes: — Well I guess we'll just have to wait till next year or whenever reports . . .

Mr. Wakabayashi: — Maybe just add, by analysing the random files, that by itself might suggest additional criteria as well.

Mr. Rolfes: — Okay, at least you're making an effort to carry that recommendation out.

I would like to go onto the mortgage protection plan. Can you tell me, have you addressed the issue that the Provincial Auditor has made, simply saying that:

> . . . rules and procedures for the administration of the Mortgage Protection Plan . . . were not adequate to ensure compliance with the law.

Now I'm not sure exactly what particulars the Provincial Auditor was referring to. He does indicate a few of them here. Is that a real problem and have you addressed the problem?

Mr. Wakabayashi: — Again it's something like the previous one. I can't say we've come to any conclusions, but because of the observations again legitimately drawn to our attention, I think there were several aspects.

One, whether we've verified in fact that the person that has applied for the mortgage protection assistance indeed, that his . . . that he owned the principal residence to which he was applying; and secondly, in instances where perhaps the home owner may have benefitted from other similar plans, whether we weren't providing double assistance.

And I think the third area was in case where the person has sort of revenue-producing property and is able to deduct interest from his income tax relative to a mortgage that was related to a revenue-producing income, that we ensured that we were not paying under our program for interest that he has already deducted. I think those were the principal points.

What we have done is we have again on a random basis selected 150 files to pursue these observations. And again, could I turn it over to Len Rog? He may have some analysis of the results of the random selection of 150 files.

Mr. Rog: — These are very preliminary and we're going to have to look at them again, but I can provide you with these preliminary results. There's 150 that we selected. We found that two of the applicants had moved from their home and therefore no longer qualified for mortgage protection plan benefits. So there was an overpayment of $790.96 that resulted. Now these overpayments would not have occurred if the lending institutions had advised us of the fact that the mortgage had been discharged. But in any event, it would have come to our attention probably seven or eight months down the road when we send out that annual confirmation or renewal notice to home owners. At that point we would have discovered that there was an overpayment, and we would have taken steps to recover it.

The other concern that was expressed in the report was that some of the individuals may have been receiving assistance from other government programs. Of the files that we selected, none of them were receiving any assistance. There are two main programs that individuals could receive assistance under — the Co-op home building program and the rural housing program. And there are approximately 1,350 residents that are receiving assistance under the rural housing program, and we therefore intend to still look at all of the applicants under that program and match them to our mortgage protection plan to see if in fact there are any overpayments. But as I indicated, the sample did not result in any overpayments.

The third concern was that there may be individuals who are deducting a portion of their mortgage interest for income tax purposes and also receiving MPP, or mortgage protection plan benefits. We obtained some summary income tax information from the finance income tax tapes, but the information was generally inconclusive. In the sample, 26 did report some type of income from self employment or rental property, but there was no way of determining whether that the income from rental property was from the principal residence, or whether it was from another rental home, or whether in fact the individual was simply self-employed.

So we're going to have to look at that and determine just how we want to get that. I'm not sure that as a general rule we want to contact every home owner and request their income tax return. That's probably the only way that we could satisfy ourselves that in fact the individual is not deducting a portion of his mortgage . . . or receiving assistance on a portion of his mortgage that is deductible for income tax purposes.

Mr. Martin: — So if an individual is self-employed and has a small office in the basement or whatever, and deducts that particular portion of the house in his income tax, can he then . . . he would then not, or she would not then qualify for the mortgage home protection plan?

Mr. Rog: — Not on that portion of the mortgage. If you had a $50,000 mortgage and 10 per cent was for . . . (inaudible) . . . income, 10 per cent of that would not be eligible.

Mr. Martin: — Thank you.

Mr. Rog: — One final point I'd like to make. The review took us 71 hours at an estimated cost of $11.96 an hour for a clerk 3. So the total cost was about $849 and we recovered $791, so it wasn't too cost effective.

Mr. Rolfes: — That may be just the random audits being done may have prevented, you know . . . If people know that you're doing it, sometimes prevents them from taking advantage of a program. So I think that random audits have to continue.

Mr. Rog: — And I think we'll continue to review the information we get from Sask Housing, for example. But the points are valid.

Mr. Rolfes: — I want to turn now to the Public Employees Benefits Agency.

Mr. Vice-Chairman: — Mr. Rolfes, do you want to take your break now?

Mr. Rolfes: — Okay, good enough.

The committee recessed briefly.

Mr. Vice-Chairman: — Are you ready to continue? Okay, we'll call it back to order.

Mr. Anguish: — Mr. Wakabayashi, in the Public Employee Benefits Agency, in the pension plans, what is the unfunded liability, or is there an unfunded liability of the pension plan?

Mr. Wakabayashi: — There is an unfunded liability for the public service, the client pension plan, of approximately $600 million. In fact, why don't I refer you to page 13 of volume 1, public service superannuation plan, unfunded liability.

As at March, 1986 — $647 million. And then we identify as an unfunded liability in the teachers' superannuation fund. This liability is at June, 1986 — $1.3 billion. And then there's some smaller amounts for members of the Legislative Assembly superannuation fund, 15.7 million; judges of the provincial court superannuation fund, 6.3 million; anti-TB league employees superannuation fund, $1.2 million; and the Saskatchewan Transportation Company employees superannuation fund, $3.8 million. So we total all those up, we're just under $2 billion unfunded pension liability.

Mr. Anguish: — With your projections that you would be doing within the Department of Finance, which of those programs do you expect will encounter some financial difficulty, and at what point?

Mr. Wakabayashi: — I'm not sure. Could I ask . . . I'll ask Brian if. . .

Mr. Smith: — Maybe I could ask him a question in terms of the unfunded liability for the public service superannuation plan. The plan is closed, there's no new members in the plan, all the people will retire, 646 million is the unfunded liability at March '86. It will continue to grow marginally as we continue to pay out the pensions for those employees. I'm not sure I understand in terms of what year they would be in trouble.

Mr. Anguish: — At some point it seems to me if there's that large an unfunded liability in a pension plan that there won't be funds in the pension plan to pay the retired employees.

Mr. Smith: — They're presently paid as a budgetary item. Right now I think it's approximately $72 million this year we're paying as a current pension to the public service superannuation plan retirees.

Mr. Anguish: — And that would be a budget item then by Finance each year?

Mr. Wakabayashi: — Yes, yes. That's what we mean by unfunded liability. Because we didn't establish a separate identifiable fund, we're on a kind of, how should I say, pay as you go basis. We simply budget for and pay, as a statutory obligation, the benefits as defined under the defined benefit plan for those superannuates that are already on our payroll, plus new superannuates that retire. And we simply budget for and pay, as a statutory obligation on an annual basis, the obligations of the defined pension plan.

But we have identified, on an actuarial basis, that there is out there liability to the extent of 600 million.

Mr. Smith: — The unfunded liability is the present value of all future payments that they will make to the pensioners.

Mr. Anguish: — Yes, I understand that. I just didn't know how, if there wasn't money put in there from somewhere. . . And obviously you just told me from Finance — Finance puts money in there to make sure that the obligations of the pension plan can be met.

Mr. Wakabayashi: — No, we don't put any money into the fund.

Mr. Smith: — There is no fund.

Mr. Wakabayashi: — There is no fund. We are just paying it out as required on an annual . . . or monthly basis, I guess. So that's the difference. One could have, as a matter of policy perhaps, could have established the fund or go unfunded. We chose not to establish the fund, let's put it that way, for our pension, for our superannuates.

Mr. Anguish: — Are there any of the pension plans that are taken care of by the public employees benefits agency that are continuing to incur unfunded liability?

A Member: — Pardon me?

Mr. Anguish: — Are there any of the pension plans now that are continually incurring an unfunded liability, unfunded liabilities that are increasing in those pension plans?

Mr. Wakabayashi: — I think, is the public service the only unfunded . . .

Mr. Smith: — The public service superannuation plan is the only plan that doesn't have a fund. We pay the pensions as they occur every month.

The judges, the anti-TB league, Saskatchewan Transportation Company have funds, and so we're paying the pensions out of the fund. There's contributions going in as well. But all of those old defined benefit plans, which are now closed, the unfunded liability could increase because the benefits are based on final years' salaries. As salaries increase, service increases as well.

So the benefit is increasing. Those unfunded liability numbers will grow, potentially. We do evaluations. We're doing an evaluation right now of the public service superannuation plan to find out what the current number is for the unfunded liability for that plan, so we only find out for sure when we do an actuarial evaluation.

Mr. Anguish: — In terms of those employees who are eligible and by law need to be in the pension plan — and I've used the Lakeland Regional Library as an example where there are some employees there that have not been . . . their contributions have not been put in by the employer — and I'm wondering, in cases like that, what action is possible that could be taken to make sure that the employees are, first off, credited for their years of service; and secondly, what is done in terms of getting the employer to put in the contributions to the pension plan?

Mr. Wakabayashi: — You're talking about the Lakeland.

Mr. Anguish: — Lakeland Regional Library.

Mr. Wakabayashi: — Regional Library. That will be in the municipal employees plan?

Mr. Anguish: — Yes, but I understand it's handled under the public employees benefits agency.

Mr. Wild: — Yes, that was a situation where certain employees of the Lakeland regional college who should have been members of the municipal employees superannuation plan were not. We discovered it quite a few years after the fact. We've been discussing with that particular library board the payment of contributions.

As it stands now, Mr. Anguish, the benefits will be conferred upon the employees, there's no question there. They're due the statutory benefits. The question of money and payment of contributions is to be resolved between the Municipal Employees' Superannuation Commission and the regional library board. The employees have no obligation in terms of contributions owing. It is a matter between the board and our commission.

In terms of resolution, we are certainly going to continue to pursue discussions, and hopefully we don't have to go to extremes such as approaching the Board of Revenue Commissioners, but that again is one of our last actions that could be taken. We can ask the Board of Revenue Commissioners to withhold grant money to the library board, and we will do so if it comes to that. Hopefully it won't.

Mr. Anguish: — Are there other employees under a municipal pension plan that are in a similar situation in the province, or is this an unprecedented case, or are there other cases like this that are continuing in the province?

Mr. Wild: — There's none at the moment. Mr. Anguish, I can't say it's unprecedented; it has happened before. It's never happened where such a long period of time was under question. Here we're talking about eight years. We have had circumstances where an employer did not realize that they should have come under the municipal plan for a period of one or two years, and we've recovered . . . you know, we've come to accommodations in terms of getting contributions in. So it's unprecedented in terms of the length of time and perhaps the difficulty in coming to a resolution, but that's all.

Mr. Anguish: — How do the employees that are affected in this particular case with Lakeland Regional Library, how do they find out that in fact they will be credited with their years of service if they will qualify for the benefit?

Mr. Wild: — We will be writing each and every employee that is affected, and as well we send an annual statement, an annual benefit statement. And on that annual statement there is an indication of the pensionable service and an estimate of pension. So by both the letter and the annual statement, they should be reasonably assured that they've been credited with that service.

Mr. Anguish: — Do you know today the amount of money that Lakeland Regional Library would have to pay into the municipal employees' pension plan?

Mr. Wild: — In rough terms . . . there's interest being calculated on it, so that clock is ticking away, but in round figures we're looking at 90 to $100,000.

Mr. Anguish: — The 90 to the $100,000, is that the employees' contribution plus the employer's contributions?

Mr. Wild: — That would represent both sides plus interest charges.

Mr. Anguish: — Now if this case was to go to the Board of Revenue Commissioners, or say hopefully it wouldn't go that far, that the Lakeland Regional Library agreed to pay the money, would they then be collecting money from the employees, or how does that work? Do the employees put some of the money in and the employer puts the balance?

Mr. Wild: — We have a legal opinion that the employer had a legal obligation to deduct those contributions from salary and remit them to us. And having failed to do so, the obligation rests with the employer to make up both sides.

Now if they can come to an agreement with the employees, that's outside of our concerns. And it's our lawyer's opinion that really the employees do not have an obligation to pay the Lakeland Regional Library board. Now it doesn't mean they don't have a moral obligation, if you like, in the matter, but our understanding is there's no legal obligation.

Mr. Rolfes: — Mr. Wakabayashi, could you tell me, in the year under review, did you do any projections as to how many teachers, for example — that seems to be the biggest unfunded liability here — how many teachers would be superannuating in any particular year? You know the experience . . . (inaudible interjection) . . . You too? No, not yet.

In the year under review, did you do a projection? You know the number of the years of experience each teacher has; you know the age of the teacher; you know exactly when they're going to retire, because I know we have to fill out that purple form every year, so that information is there. Have you projected the numbers that will be retiring and the cost that will be to the treasury?

Mr. Wakabayashi: — I don't think anyone in Finance did that, unless there was a special look at that program, because the administration of that pension plan is, of course — the Teachers' Superannuation Commission — not administered by our department. So I don't know if that was . . .

Mr. Rolfes: — I recognize that, Mr. Wakabayashi, I'll know you'll be the one that's going to be paying, so I thought you might have an interest in finding out.

Mr. Wakabayashi: — Yes, we certainly do have an interest, of course, in the cost of the teachers' pension along with, you know, either programs. But I'm not aware of, and I really can't answer, I'm not aware of any projections done by Finance, you know, in the year under review.

Mr. Rolfes: — So okay, the year under review then you did not calculate what the effect of the "30 and out" would have on the treasury in paying out for our teachers' superannuation? Did you not do that?

Mr. Wakabayashi: — No, I'm not sure. The suggestion was maybe our personnel policy unit perhaps may have looked at that if that was part of an issue in collective bargaining, but I'm not aware of that in the year under review. Certainly we're looking at that, you know, currently.

Mr. Rolfes: — Did it not come in in the year under review, the "50 and out?" Okay, it's not that important. I always thought that since it was bargained that, you know, the Finance department would have said, hey look it, we want to know what the implications are for us. And the "50 and out" had, I think, probably would have a dramatic increase because I know a number of teachers retired and took the "30 and out". And that means they can retire at 50 or 51 and there are going to be long pay-outs.

And I just wanted to know if you had done a projection, not just on the teachers, but I took the teachers because that's the biggest one, but on all pensions. No, the teachers . . . (inaudible interjection) . . . I don't mind saying so. I'll only get 14,000 out of my 20 years. I don't mind saying so at all.

An Hon. Member: — Per year?

Mr. Rolfes: — 14,000 a year for 20 years of teaching . . . (inaudible interjection) . . . You calculate your MLA one, and you'll find out that it's not the teachers' pension that is better than the MLAs. I won't get into that, but . . . So no studies have been done on the future cost of . . .

Mr. Wakabayashi: — We're doing that now, but I can't honestly answer what we did in '87-88. I don't know; I mean in terms of Finance, I don't know.

Mr. Rolfes: — Well since you . . . the reason I'm asking is, I think you said there's $72 million in the budget this last year, was it?

Mr. Wakabayashi: — This is for the public service superannuates.

Mr. Rolfes: — Only for the public service?

Mr. Wakabayashi: — Yes.

Mr. Rolfes: — Oh, I misunderstood that. Could I ask you . . .

Mr. Wakabayashi: — No that was just . . . the reference to 72 million was our obligations for the public service superannuates.

Mr. Rolfes: — Oh. Could I ask you, what was your total obligation then in the year under review? I could probably find it, but you probably would know what it is.

Mr. Wakabayashi: — You mean for the teachers?

Mr. Rolfes: — No, for the total, for all superannuation — Public Service Commission, teachers, judges, anti-TB, STC (Saskatchewan Transportation Company).

Mr. Wakabayashi: — I think the . . . let's see, we have to look at Department of Education, and where is that?

Mr. Rolfes: — New question. Where did you get the 72 million from? You found that rather quickly.

A Member: — Yes, I may have the wrong number. We'll check on that.

Mr. Rolfes: — Oh, okay.

Mr. Wakabayashi: — Payments under the public service superannuation plan, '87-88 . . .

Mr. Rolfes: — What page are you on?

Mr. Wakabayashi: — I'm looking at page 27 of volume 3.

Mr. Rolfes: — Yes okay, I've got that one here.

Mr. Wakabayashi: — Vote 33 under Finance, $65.7 million is the payments under our defined pension plan. Now in addition to that we're matching the employees under the money purchase plan, the 5 per cent. So we're matching for those under the money purchase plan since.

Mr. Rolfes: — Mr. Wakabayashi, in order to expedite this matter, could you provide for the committee the total cost to the treasury in the year under review for pension plans — all pension plans? Could you do that? And that'll save us some time here then, and just provide that information through . . .

Mr. Wakabayashi, in order to expedite matters a bit, the Provincial Auditor has mentioned a number of concerns under PEBA. Can you tell me, have those been addressed or do you feel that some of them you cannot address? And you know, if you could just tell me then, we could expedite the matter a little bit faster.

Mr. Wakabayashi: — Yes. I think the main cause where we really fell behind in the year under review was we committed all of our resources to do the calculations for the early retirement program which came into effect March of '87. We, in effect, lost effectively about eight months of staff time by decision to put our priority to the calculation of the benefits under the early retirement plan. And that's just one factor; I don't mean to say that was the only factor.

The second factor is that the system in place within the public employees benefit was essentially a manual information system. So we've decided to proceed to put in an automated system as well to assist in meeting the obligations of PEBA. So having done the early retirement and having effected or putting into place an improved information system, I think generally we could say that we're not quite fully on track in all respects. I think, in terms of the reports that were identified by the Provincial Auditor, we have now been able to table the financial statements and annual reports of the public service superannuation fund, the transportation company, the anti-TB. I think we're fairly up to date on those.

The areas where we're still behind is the financial statements for the dental plan. We're still behind there, primarily attributable to not getting all the information from the previous insurance carrier, Canada Life. We've had a number of difficulties getting the information we need to finalize the financial statements for the dental plan.

In fact, we have taken steps to go to a new carrier as of July of this year — Metropolitan Life. We've changed carriers, but having done that, we still have problems in getting the information we require from the previous carrier, Canada Life, to finalize the statements for the dental plan. So we still have a problem there that we haven't completely addressed.

The other major delay is on the financial statements for the public employees contributory plan, the money purchase plan. And there, I think, there's a difference of opinion, I think, with the Provincial Auditor. In '85-86 we established a separate annuity fund for the public service, and I think there's a difference of opinion, I think commented in the previous report by the Provincial Auditor as to how much of the assets from the fund should be transferred over to the separate annuity fund, a difference in terms of valuation and establishing that amount, and that has essentially, I think, held up the final audit of the statements for the public services employees contributory fund.

Now in general, I think then I could say that we are almost on track then with respect to all of the funds in terms of the timely completion of the financial statements, in terms of then the subsequent tabling of the annual reports in those cases where the annual reports are required to be tabled. And further, with the automated information system, I think we could say that we have addressed then those areas in which the provincial auditors have drawn to our attention that we were not on top of in terms of monitoring, say, for example, premium income, to ensure that we are receiving premium incomes from the employers in terms of tracking or monitoring the investments that the insurance carriers are holding to ensure that we are getting the dividends or interest payments on investments that are being held by the insured. I think we can say we're now on top of that.

There was another issue raised by the Provincial Auditor that we have agreed with, and that was introducing another step in terms of control over the municipal employees superannuation plan where all that was done by essentially two employees. We have introduced a step where the executive secretary will authorize certain transactions like journal entries, final pay calculations.

So that's a long . . . (inaudible) . . . to save and say I think, I can't say we're on track with respect to all of the financial statements, but I think with confidence by the end of this fiscal year, we will . . .

Mr. Rolfes: — Had all those problems that you have referred to, was that the reason why there was, the annual reports were not tabled?

Mr. Wakabayashi: — Yes, yes. It was because the annual reports, we couldn't table because we didn't have the financial statements completed and audited because the fundamental part of the annual report is the financial statements of the plan.

Mr. Rolfes: — Okay. I won't pursue that any further. I assume that next year we won't see many of those same comments by the Provincial Auditor then, since you are fairly well on track.

Mr. Wakabayashi: — I can't speak for the Provincial

Auditor. There may be in the next year, '88-89, there still may be some financial statements, some financial statements not yet finalized. So I'm projecting that when you see the '89-90 Provincial Auditor's report there are hopefully no observations.

Mr. Rolfes: — Mr. Wakabayashi, I want to turn to, unless somebody else has another question, I want to turn to Sask Properties Ltd. This, my understanding is, is the Crown agency which invests the Crown-administered pension funds. Right?

Mr. Wakabayashi: — Right.

Mr. Rolfes: — Have you got with you today the three things that I would like to have? If you don't have them with you today, if you could submit those to the committee, then that would be satisfactory. And that's, number one, who are the directors of the fund . . . pardon me, who are the directors of SaskPen Properties Ltd.? What are the real properties in which they have invested? And number three, the leaseholds? Okay?

Now I don't assume that you have those with you and they would probably be too lengthy anyway. Could you submit those to the committee. That would be good enough.

Mr. Wakabayashi: — Yes.

Mr. Rolfes: — Then we don't have to spend the time on it here. I do have a question though on this, and that seems to me a very significant one, that was mentioned by the Provincial Auditor, 11.45. Why were there no minutes kept of the board, or why there were no minutes kept by the board? It seems rather strange.

Mr. Wakabayashi: — I think when we first established SaskPen, effectively the total administration and management of SaskPen was carried out by officials of the investment and financial services division. So we were kind of . . . in that period of start-up, we were in effect, you might say, both the board of directors and management of the fund.

And I think that essentially is the reason we didn't go through a formal, you know, internally, a formal kind of structure that you would have if you formally set up the board, which was not established till July of '88, or June of '88.

But perhaps I could ask Bill Jones to maybe elaborate, but as I understand, that was essentially the situation. Bill.

Mr. Jones: — I think so. I think the auditor here makes a good point, and I think that we, as the Department of Finance, have moved in that direction, and hopefully with the shareholders now being ultimately responsible for the corporation, being on the board of directors, that they have rectified the situation.

So we've moved from a situation where the Department of Finance had hands-on responsibility, to a new system where the shareholders of the pension funds themselves run the corporation.

Mr. Rolfes: — Okay. I have no further questions on it.

Mr. Martin: — I have a question on that. Would you elaborate on that for me? I'm talking about the shareholders and the hands-on thing. Who are the shareholders? Those are the people who . . .

Mr. Jones: — The shareholders are the seven pension funds that own this, or have provided funds for this corporation.

Mr. Martin: — One shareholder from each pension fund?

Mr. Jones: — Sorry.

Mr. Martin: — One shareholder from each pension fund then? You say there's seven pension funds.

Mr. Jones: — There's seven funds involved, and I think the . . .

Mr. Martin: — The board of directors consists of . . .

Mr. Jones: — . . . of representatives from those pension funds. I don't have a list here.

Mr. Martin: — No, no. But just one from each?

Mr. Jones: — For example . . . Yes. I'm not sure if there are seven members on the board.

Mr. Martin: — Okay.

Mr. Jones: — For example, I think the vice-president of finance at SGI, representing the SGI fund, is the current chairman.

Mr. Wakabayashi: — But we will get the . . . for the committee, we'll get the list of the representatives on the board. But the seven . . . (inaudible interjection) . . . Yes, and who they represent. Yes.

The seven funds are the public employees' superannuation is one; teachers' superannuation is two; the power corporation superannuation fund is three; SaskTel superannuation is four; the municipal employees' superannuation is five; and Bill mentioned Saskatchewan Government Insurance; and the Crown investments corporation.

So those are the pension funds that are shareholders of SaskPen. And we'll get the names of the directors and who they represent for the committee.

Mr. Martin: — Thanks.

Mr. Anguish: — I want to move off of the topics that are listed in the auditor's report, if that's all right, Mr. Chairman.

Mr. Wakabayashi, I note that Finance on page 133, volume 3 of the *Public Accounts*, there is a payment for travel, Hon. Gary Lane, 19,239.08, which seems to be significantly higher than most of the other cabinet ministers. And I'm wondering if you can provide us with a list of the trips that were made to total the

19,000-some-odd dollars.

Mr. Wakabayashi: — Yes, yes. We don't have it with us, but we certainly can provide the committee with a list of each trip that the minister took in the year under review. And that would be both in and out of the province travel?

Mr. Anguish: — Yes, that would make up the total. Could you tell us also, in the year under review, which of the employees that are listed in the *Public Accounts* were on the direct staff of the minister's office?

Mr. Wakabayashi: — Yes, I think we've got that right here. In the year under review, Bill Armstrong was on the minister's staff; Lynn Brucker, for one month; Shelley Dugalo was on the minister's staff for 12 months; Erna Pearson, Linda Tiefenbach, and Arlene Kenville. I think I could say they were on for the full 12 months except for Lynn Brucker, one month.

Mr. Anguish: — On page 134 of the *Public Accounts*, same volume, can you tell us what the payment was for to CMQ Communications Inc.?

Mr. Wakabayashi: — Yes, I think so. I think that's — if I could have Bill explain that — that's the Telerate system that's in treasury and debt management branch. And, Bill, would you like to explain the system?

Mr. Jones: — That's a financial wire service, if you like. It has screens of different pages to it that relate to money market, bond market, and so forth. You may be more familiar with Reuters screen. This is similar to Reuters. It's a financial management package, if you like, market information.

Mr. Anguish: — There's one called Financial Models Company, a payment of $18,000.

Mr. Wakabayashi: — Again that's a system that we employ in the treasury and debt management branch. I could ask Bill Jones again to explain that system.

Mr. Jones: — That Financial Models is a company that specializes in financial computer software systems for large pension funds and other funds. We purchased some of that software and had them help us in setting up new systems to keep track of all of the investment transactions for the various pension plans.

Mr. Anguish: — Fossil Resources Ltd., 92,000?

Mr. Wakabayashi: — I'll ask Gerry Kraus to explain this payment. It was the last payment for the Pioneer Trust.

Mr. Kraus: — It was the last pay-out under that Pioneer Trust pay-out arrangement. And while most of the other depositors were paid out obviously prior to '87-88, there was some discussion as to what should be paid and who should be paid because there were a number of shareholders within Fossil Resources, some of whom were not entitled to compensation either by law or because perhaps it was deemed they were associated with some of the insiders as defined by law.

And so eventually it was sorted out between the lawyers as to who of the shareholders could be considered to be not associated with Pioneer, and on that basis a certain sum of money — well the $92,000 was paid out.

Mr. Anguish: — Are the shareholders of Fossil Resources Saskatchewan residents?

Mr. Kraus: — Just from memory, I think most of them were, yes. I mean, I can't even remember the names, but one name I can remember for sure would be from a small city in Saskatchewan, for example. Yes, I think most of them are.

Mr. Anguish: — I'm wondering if you can provide us in writing to the committee, if it's possible, who the shareholders were of Fossil Resources; if not, at least who the directors of the company were and their addresses.

Mr. Kraus: — That's the shareholders and/or directors?

Mr. Anguish: — Well the shareholders if possible. And if you don't have a list of all the shareholders of Fossil Resources, I'd like at least who the directors are and what their addresses are as well.

Mr. Kraus: — I think if we were going to do that we'd probably want to as well explain clearly the basis on which the payment was made, because there were certain people that were not going to get paid who were shareholders.

I think Canada Pioneer Management . . . I don't want to get into a lot of detail, but obviously it was decided that all the shareholders would not be paid, all the shareholders of Fossil Resources.

Mr. Anguish: — Could you provide us with those details as well then, how you determined that some people would not receive payment and others would, within the same company.

Mr. Kraus: — I believe we could undertake to.

Mr. Vice-Chairman: — I think what you could do if you wanted to, you could find out whether it's possible to be able to provide that information to the committee.

Mr. Wakabayashi: — We'll follow this up.

Mr. Anguish: — There's a payment to Theresa Holitzki of $11,803.82. Can you tell us what services she performed for the Department of Finance?

Mr. Wakabayashi: — That was the contract with Holitzki who took over as chairperson of the board of directors of Sask Pension Plan and acting general manager of the Saskatchewan Pension Plan; general manager of the Saskatchewan Pension Plan and chairperson of the board of the Saskatchewan Pension Plan.

Mr. Anguish: — Thank you. I want to go back just a bit to Help International Ltd., a payment of 19,844.13. Can you tell us what Help International is and what that payment was for?

Mr. Wakabayashi: — Yes, I think that was for when we do the printing or the development of the budget, we arrange for budget security at the printing plant when we're printing the budget, and this firm provided the security arrangements at the printing plant.

Mr. Anguish: — Is this the same firm that the federal government uses?

Mr. Wakabayashi: — I don't know.

Mr. Anguish: — A payment to Integral Systems Inc. of $27,000.67, can you tell us what that was for?

Mr. Wakabayashi: — I think I'll ask Gerry because this is a contract for the comptroller's division.

Mr. Kraus: — These are the people that we bought our human, or our personnel payroll system from, and we have to pay them an annual fee so that they will maintain the core software, keep it updated, and provide us with new versions.

Mr. Anguish: — Is that a contracted amount?

Mr. Kraus: — Yes, it's an annual contract, yes.

Mr. Anguish: — International Minerals and Chemicals Corporation (Canada) Ltd., $14,165.62. Can you tell us what that payment was for, please?

Mr. Wakabayashi: — I think this is a corporate capital tax where the company has overpaid us on the corporate and capital tax and we reimburse the interest. This is interest on an overpayment of the corporate capital tax.

Mr. Anguish: — This is interest on an overpayment of corporate capital tax?

Mr. Wakabayashi: — Yes, yes. And maybe I could ask . . . Len, could you explain that for the committee, how that works?

Mr. Rog: — Under the corporation capital tax, corporations are required to make monthly instalment payments based on their estimated tax. At the end of the year they determine what their actual tax is, similar to income tax purposes. If they under-remit tax, we charge them interest. If they over-remit tax, we pay them interest under one of our subvotes, and that's what the payment to International Minerals and Chemicals represents.

Mr. Anguish: — What is the rate of interest to be paid?

Mr. Rog: — Prime plus the . . . prime. I'm not sure what it was back in the year under review, but the rate of interest that we pay is the prime lending rate of the bank holding the province's Consolidated Fund.

Mr. Rolfes: — And the same rate is charged?

Mr. Rog: — Prime plus three.

Mr. Anguish: — James P. Marshall Inc., $211,356.61.

Mr. Wakabayashi: — James P. Marshall was retained by the Department of Finance to develop the concept of the . . . what has ended up as the establishment of the Investment Corporation of Saskatchewan. The transfer of the investment and management activities formerly carried out by the investment and financial services, the Marshall company was retained as a consultant in developing the concept and assisting in the establishment of the corporation. That represents the fees paid to Marshall.

We considered that as part of the start-up costs for the corporation and have recovered that cost from the corporation as part of the start-up costs, although that revenue won't show up until the next fiscal year.

Mr. Anguish: — Does this company have its offices in Saskatchewan?

Mr. Wakabayashi: — No, I believe the company's office was Toronto. Bill, could you maybe elaborate.

Mr. Jones: — The head office is Toronto, and I believe they do have a small office now in Regina.

Mr. Anguish: — Well after getting that much money I think they should have an office in Regina.

A payment to Donald J. G. Leier, $10,040. Can you tell us what that was for, please?

Mr. Wakabayashi: — Leier was hired by the Saskatchewan Pension Plan as manager of processing.

Mr. Rolfes: — Who is this Donald J. G. Leier?

Mr. Matthies: — Don there was . . . I'm not sure on his background and where he came from. He was a manager that we brought in for . . .

Mr. Vice-Chairman: — Can you step up to the microphone please and get it recorded?

Mr. Matthies: — Don Leier was a manager that we brought in to oversee our contribution processing and application processing of members to the Saskatchewan Pension Plan. I don't know what his background was in terms of academics, but we can undertake to . . .

Mr. Rolfes: — Was he a Saskatchewan resident?

Mr. Matthies: — Yes he was. He was from, I believe, Saskatoon before.

Mr. Rolfes: — Well then, okay. If this is the Donald Leier that I'm thinking of, former owner of Sheraton hotel?

Mr. Matthies: — I don't believe so.

Mr. Rolfes: — Now, okay, my question . . . the reason I'm asking is what was his background in pensions?

Mr. Matthies: — His background was in data processing. He wasn't brought in to . . . he was brought in because of . . . he was helping our paper flow, our systems and just processing the volume of paper that we were going through.

Mr. Rolfes: — Donald J. Leier was a data processor?

A Member: — We can provide . . .

Mr. Rolfes: — Okay. Could you provide us with some information on that?

Mr. Wakabayashi: — Yes.

Mr. Rolfes: — I'm interested if this is the Donald J. G. Leier, that I'm well familiar with. I just want to know what his background was in pensions.

Mr. Wakabayashi: — We'll get his background.

Mr. Rolfes: — Okay, I would appreciate that. That's it for me.

Mr. Anguish: — MacPherson, Leslie & Tyerman, $28,338.04. Could you tell us what that payment was for?

Mr. Wakabayashi: — I think that was again primarily part of the process in establishing the Investment Corporation of Saskatchewan. We engaged MacPherson, Leslie & Tyerman to help us draft all of the legal documents with respect to establishment of the corporation, and also advice on the legislative requirements as well.

And similarly with the Marshall contract, we consider that as a start-up cost for the corporation and we have arranged for the corporation to repay us for that.

Mr. Anguish: — If it's agreeable, Mr. Chairman, I think if we had about 15 more minutes we can conclude with the Department of Finance, if that's all right with the committee and the officials, and we won't require them to come back.

Mr. Vice-Chairman: — I don't hear any negatives, so continue.

Mr. Wakabayashi: — I've got something on at 10:45, if you could make it 10 minutes.

Mr. Anguish: — In the building here?

Mr. Wakabayashi: — No, it's downtown.

Mr. Anguish: — We'll try and do it in 10 minutes.

Could you undertake to provide us with the total cost from the Department of Finance of the set-up costs of the Sask investment corporation?

Mr. Wakabayashi: — Yes, we can provide that.

Mr. Anguish: — Management Systems Ltd., $197,226.38, can you tell us what that was for?

Mr. Wakabayashi: — I think that was a number of contracts. Most of it was computer systems work for the Saskatchewan Pension Plan, I guess. Of that amount, 185,000 was for the computer consulting work for the Saskatchewan Pension Plan. There was a small amount of $10,400 of computer consulting work for the Public Employees Benefits Agency.

Mr. Anguish: — McDougall, Ready, $10,377.50.

Mr. Wakabayashi: — McDougall, Ready I think was engaged both by the Public Employees Benefits Agency and the Saskatchewan Pension Plan to provide them with legal advice as being proposed owners of the investment corporation to advise on the legalities of the various agreements that we were putting into place, and required the various pension funds to, you know, to sign up.

Mr. Anguish: — McKercher, McKercher, Stack, Korchin & Lang, $10,000 even.

Mr. Wakabayashi: — I believe that's where we retained McKercher, McKercher in a law suit relevant to this previous item involving Fossil Resources Ltd. I presumed we engaged them on our behalf to settle this law suit relating to the payment to Fossil Resources.

Mr. Anguish: — I don't question that. I just find it strange under those circumstances if it was tied up in the court case if you have an even $10,000 to a law firm, it just usually doesn't work like that.

Mr. Wakabayashi: — Oh, I don't know.

Mr. Anguish: — The next one I want to ask about, Musketeer Energy Ltd., $42,810.46.

Mr. Wakabayashi: — Now I think that is similar to the previous item, the overpayment . . . or payment of interest on overpayment of the corporate capital tax.

Mr. Anguish: — Peter Kiewit Sons Co., Ltd., $17,07.21.

Mr. Wakabayashi: — Same item as the previous two — interest overpayment on the corporate capital tax.

Mr. Anguish: — RL Crane Inc., $18,179.05.

Mr. Wakabayashi: — I think those are essentially forms and office supplies — business forms.

Mr. Anguish: — Southam Paragon Graphics, 82,913.77?

Mr. Wakabayashi: — I think general business forms and office supplies, again, similar to Crain.

Mr. Anguish: — Systemhouse, 118,258.81 ?

Mr. Wakabayashi: — Systemhouse, again, engaging a computer firm to provide computer systems work. This one was for the provincial comptroller's office. Gerry, do you want to elaborate on the work of Systemhouse?

Mr. Kraus: — Yes, we do engage them on an annual basis, a number of their people, to help us support the personnel payroll system.

Mr. Anguish: — Touche, Ross & Co., 165,158.75?

Mr. Wakabayashi: — I think the large item for Touche, Ross was assisting the Public Employees Benefits Agency to deal with the calculation of the retirement package. But maybe, could I ask Brian to elaborate on that?

Mr. Smith: — It was primarily to help us with the backlog of financial statements; they helped us with three financial statements.

Mr. Wakabayashi: — Oh, I got that wrong. It was because of the retirement package.

Mr. Anguish: — Transcanada Pipelines Ltd., 26,123.42?

Mr. Wakabayashi: — Transcanada Pipelines, same, interest overpayment on the corporate capital tax.

Mr. Anguish: — Trojan Security Services Ltd., 19,099.90?

Mr. Wakabayashi: — Trojan Security, this is again related to budget security. We engage commissionaires to keep track of personnel in certain floors in our building, and this is the payment for the commissionaire services at budget time.

Mr. Anguish: — Wascana Centre Authority, 1,907,900?

Mr. Wakabayashi: — This is the annual grant to the Wascana Centre Authority for landscaping, maintenance and around the legislative buildings — Wascana Centre.

Mr. Martin: — You said commissionaires. Has that just become a generic term for everybody that does control work now, or patrol work? I mean, I thought there was a corps of commissionaires which was a proper name. So are you saying that all your security officers are now being called commissionaires, or is that just the term you use?

Mr. Wakabayashi: — I think that's just a term I used, yes. Sorry.

Mr. Anguish: — Is this not . . . Wascana Centre Authority, each year, instead of having a budget item somewhere else, it comes from the Department of Finance as other expenses?

Mr. Wakabayashi: — No, we show that as a separate subvote in our budget. We show as a separate subvote, a grant to the Wascana Centre Authority.

Mr. Anguish: — Okay, that's fine. WESTBRIDGE Computer Corporation, 327,536.02?

Mr. Wakabayashi: — We don't have the breakdown of WESTBRIDGE, but it would be primarily the contracts that we had with SaskCOMP prior to its privatization to WESTBRIDGE. We continue then the contracts that we had with SaskCOMP and continue the same arrangements at SaskCOMP.

Mr. Anguish: — Do you have a long-term contract that you're locked into with WESTBRIDGE now?

Mr. Wakabayashi: — It's of a varying . . . I think we've signed a five-year contract with WESTBRIDGE.

Mr. Anguish: — How long was the contract that you had with SaskCOMP?

Mr. Wakabayashi: — I don't know.

A Member: — At the end it was three years.

Mr. Wakabayashi: — Three years with SaskCOMP.

Mr. Rolfes: — Could I just ask a question on this? Mr. Wakabayashi, I would assume then that since you have an item here for Sask Computer Utility Corporation of 2 million-some, that next year that that probably would be under WESTBRIDGE subvote. Right?

Mr. Wakabayashi: — Yes, yes. That's correct.

Mr. Rolfes: — I do notice, having run very quickly through the *Public Accounts* — and I'll have to do a much more definitive analysis — I notice WESTBRIDGE is getting a lot of work from various departments. Was there a directive that came forward that contracts were to be signed with WESTBRIDGE?

Mr. Wakabayashi: — I'm not aware of any directive to that effect. I think we in the case of Finance, we simply wanted to maintain the continuity of the systems that were in place.

Mr. Rolfes: — Okay, that's fine. We don't have time to get into that today. I just have . . . Yes, is there any way . . . or not any way. Could you give us a detailed account of the approximate . . . Well I'm not sure; I think about $1 million expenditure for Dome.

Mr. Wakabayashi: — Yes, I've got that breakdown for Dome. What, 780,000? Is that the . . .

Mr. Rolfes: — Yes, I think something like that.

Mr. Wakabayashi: — I can quickly give . . . I can provide the breakdown.

Mr. Rolfes: — If you can provide it to the committee I would . . .

Mr. Wakabayashi: — It's essentially the cost of printing the budget estimates, but there were other . . . white paper, Heritage Fund report. But we can give you the breakdown of the payment to Dome . . .

Mr. Rolfes: — If you can provide that to the committee I would appreciate that.

Mr. Wakabayashi: — That was Dome Advertising.

Mr. Rolfes: — Yes, Dome and . . . well both.

Mr. Wakabayashi: — And Dome Media Buying?

Mr. Rolfes: — Yes, both. I want both.

Mr. Wakabayashi: — Dome Media Buying was advertising for fuel tax rebate program, and Sask Pension, but we could break that down.

Mr. Rolfes: — If you break that down I would appreciate that. I believe, Mr. Chairman . . . just give me one minute here. All right, I believe that is it.

Mr. Chairman, I want to thank the officials for their candid answers today, and for providing us with the additional information that we . . .

Mr. Wakabayashi: — We'll undertake to provide the additional information.

Mr. Rolfes: — I have no further questions.

Mr. Vice-Chairman: — Okay, I need somebody to move the motion that the hearing of the Department of Finance be concluded subject to recall if necessary for questions. Mr. Harold Martens.

Okay, Mr. Beattie Martin, you had something you wanted to bring up?

Mr. Martin: — Oh yes, I don't know whether we're going to be sitting on Monday or not. That's yet to be decided I guess among the . . . I'm wondering if it might not be advisable for those people who don't have to be here on Monday, you know, even if we do sit, like these guys here, if it might not be advisable or even kind to say let's not sit Tuesday morning anyway, and then just . . . I mean, we've pushed these guys pretty hard. Maybe if we just cancel Tuesday anyway, because I think they'll work something out. What do you think? How do you feel about it? I mean, another game of golf in North Battleford, that's not a bad idea. How do you guys feel about that?

Mr. Vice-Chairman: — Do you want the Provincial Auditor's and the Finance people to miss their long weekend because of our decisions in the House or . . .

Mr. Anguish: — Are you threatening me?

Mr. Vice-Chairman: — No, no, no.

Mr. Martin: — Well they wouldn't have to be here Monday anyway, but I mean maybe they come back Tuesday morning rather than Monday night. Just make it a little easier. Why the hell don't we do it . . . (inaudible) . . .

Mr. Anguish: — I have no strong desire to sit on Tuesday morning in public accounts.

Mr. Martin: — Well it's all right. I move then:

> That we don't sit Tuesday morning; we sit next Thursday morning.

Give us a chance then to bring some folks in, because then I have a chance to look at who you want to bring in next.

Mr. Vice-Chairman: — All in favour? Agreed.

Agreed

Mr. Rolfes: — Well I think we should . . . By the way, before we do, I think we should continue with, if we can, Agriculture. I mean they the next ones on.

Mr. Vice-Chairman: — We'll try and get them back here. We're adjourned.

The committee adjourned at 10:45 a.m.