The Chairperson: — Good morning to all of you and I think it's time to begin. The Provincial Auditor will be here directly. Fred, would you want to introduce the topic and the subject here this morning.

Mr. Wendel: — Sure. Mr. Martens or Mr. Chair. Yesterday we left off at chapter 3, and Rodd Jersak will continue with the briefing on chapter 3. He has a little presentation to make, and then when Wayne comes back we can get into full details of chapter 3.

Mr. Jersak: — Mr. Chair, members. Chapter 3 has a key theme in it. That key theme is that the members in the public need to understand the finances of the government as a whole so that they can assess and debate revenue raising and spending proposals and the alternatives.

Chapter 3 is an overview of the finances of the government as a whole. This overview is based on the information in the government's 1993 summary financial statements. We have condensed the information contained in those summary financial statements in various ways, and you'll see that shortly through an overhead presentation that I'll start right away.

If I was to ask you what the accumulated deficit of the province is, some of you or maybe even all of you would come up with the right answer. But there are a few choices here. Some people look to the Consolidated Fund which is now as we know called the General Revenue Fund. We see that in the General Revenue Fund the accumulated deficit was $6.6 billion. Others of you might have looked at page 38 of the *Public Accounts* and seen that the accumulated deficit there was $7.2 billion. And if this is what you thought the accumulated deficit of the province was, you'd be on the right track, but in our opinion you're not quite there yet.

We think it's very important that when you're reading financial statements and looking for information in them that you read the auditor's report as well. The auditor's report on the summary financial statements is in the *Public Accounts* at page 37, and there's some key information in there. The most important thing there is to read the opinion. That opinion says that these financial statements are reliable except for two reasons, and two of these reasons are things that we discussed yesterday.

The first one is reservation A, in our opinion; it has to do with pension liabilities and pension related expenditures which are not recorded in those summary financial statements. The second one has to do with the losses of NewGrade that weren't recorded.

As we discussed yesterday, if these changes had been made in summary financial statements, the pension liabilities of $3 billion would have been recorded, plus for the year it would have increased by $107 million, and the accumulated deficit would have increased by $3 billion.

In the schedules that we prepare . . . or in chapter 3, we make those adjustments that we've asked for in the auditor's report to the numbers that are in the *Public Accounts* statements. And what you can see here is that I just have page 38 of the *Public Accounts*, which shows the summary financial statements, statement of financial position. It shows us again that the accumulated deficit of the summary financial statements was reported as $7.2 billion. To that we've added the amounts that come up in our auditor's report, and this is rounded. So we've adjusted the accumulated deficit by $3 billion and now say that the adjusted accumulated deficit really should have been $10.2 billion.

If you look at schedule 1 in chapter 3, what we have there are the revenues and expenditures for the government as a whole. And what we've done is we've taken the information that's in the summary financial statements, adjusted it for a pension reservation, and the NewGrade reservation, and reported it in a different manner.

What we've done here is we've organized the information in the schedules by two different categories, the first category being general programs. Those general programs are programs that are for the most part run through departments or funded by departments. And the other category is user fee enterprises. Those are entities that have the operating authority to run a business and generally charge a user fee for their service.

As you saw, that schedule is quite summarized; there's not a lot of detail in it. But I have another copy of it here with a little bit of information marked on it, and you can get some information out of there.

What we have here is the total revenues of the government compared over a three-year period. And what we can see is that in 1993 there was a 2 per cent increase in overall revenue over the 1992 year. Total expenditures, on the other hand, decreased by 8 per cent. And the effect of that together with the effect of revenues was that the annual deficit has decreased by 55 per cent over the 1992 year.

We can also look at that same information but in a little bit more detail by going to schedule 3 in chapter 3. What we can see here is that again the information is broken down by general programs and user fee enterprises, but that the information does have more detail to it.

For example, tax revenues in the general program section have increased by 7 per cent over 1992, while total revenues of the general programs have decreased by .5 per cent. There was a decrease of 12 per cent in the federal government transfers and other revenues of the general programs.

We can also see that general program expenditures have decreased by 9 per cent over 1992. And the most significant change of the categories in there is in the other expenditures category. You can see that there is about a $700 million decrease in that category alone. That had mainly to do with a lot of write-offs that were taken in the 1992 year, relating to the Bi-Provincial upgrader, NewGrade, and the Rafferty-Alameda dam.

We can also see that in user fee enterprises that their revenues have increased by 6 per cent; expenditures have decreased by 6 per cent. The increase in revenues was due mainly to SaskTel. And the Saskatchewan Crop Insurance Corporation . . . the decrease in expenditure was due mainly to the Saskatchewan Crop Insurance Corporation.

Just as we did for the revenues and expenditures of the government, we can look at the assets and liabilities of the government as well. If you go back to schedule 2 in chapter 3, you can see a very summarized look at the assets and liabilities of the government, again broken down into the same two categories, general programs and user fee enterprises. We can see here that total assets of the government is $10.2 billion, total liabilities of the government were $20.4 billion, and accumulated deficit is $10.2 billion. The assets in this schedule, as we discussed yesterday, do not include infrastructure; they are mainly just revenue-generating assets of the government.

Just as we did for revenues and expenditures, we can look at the assets and liabilities in more detail. And you can do that by going to schedule 4 of chapter 3. Here you can see that the general program assets have decreased by $300 million. This was mainly due to investment disposals during 1993. User fee enterprise program assets have increased by $300 million. This was mainly due to the purchase or construction of energy-producing assets in our energy sector. Total liabilities have increased by $800 million, and most of that is attributed to the annual deficit as we showed you of $765 million.

At the bottom of the schedule we have a note that says investment in infrastructure of roads, buildings, and dams wasn't reported in the schedule. We just leave a question mark because we don't know the amount of that investment.

One of the recommendations in this chapter is that the government should look into the issue of reporting their infrastructure, and that's an issue that we discussed briefly yesterday.

This last overhead is of schedule 5 in chapter 3. It shows us the budget that was presented to the Assembly for the 1993 year, the Consolidated Fund's actual results, and the government as a whole, being the summary financial statements. What we can see here is that the budget that the Assembly had for approval really only represented a little more then half of the activity of the government as a whole.

And the second recommendation that we have in chapter 3 is that the government should be reporting to the Assembly a financial plan for all government activity. We feel that's a very important issue. The Public Accounts Committee in March of 1993 asked our office to work with the Department of Finance and

CIC (Crown Investments Corporation of Saskatchewan) on a multi-year plan. And again, in 1994 the Public Accounts Committee updated that request.

Our office has met with both the Department of Finance and CIC and will have future meetings as well so that we would encourage further discussion on this. Our fall report will include a chapter to discuss some of the key information needed in this type of financial plan.

I can tell you from a personal basis that, in my last three years of work with the Provincial Auditor's office, most of my work has dealt with the summary financial statements and financial management of the government as a whole. There's been a lot of changes in the last three years and . . . (inaudible) . . . ability I think has improved a great deal. But I think this last step that we need to take, or a big step that we need to take, is with the financial plan. We need to have a financial plan on an equal basis. Thank you.

The Chairperson: — Do we have any questions from the committee? I have a number of questions that I'd like to raise, starting off with some points on your schedule 1, page 19.

I made a note of the revenue and I calculated the general programs and user fee programs as a percentage of their total. And general programs raise 55 per cent of the revenue and the user fee enterprises raise 45 per cent. And under general programs, under the expenditures, they consume 64 per cent of the revenue. And the user fee enterprises, which generate significant more than they use themselves, they generate or they use only 36 per cent of their value or their income to deal with infrastructure benefits that they would have in their program of development at SaskPower, SaskTel, and all of those.

So that to me was fairly significant for two reasons. One is that 10 per cent of the . . . or the 45 per cent of the user fee enterprises, we don't get to discuss in the Legislative Assembly as a budget review. We might get to deal with a couple of them as it relates to loans and things like that, but we don't get an opportunity to talk about them.

And they give to the Saskatchewan public a considerable amount of value as it relates to the money they contribute to the revenue of the province and also the expenditures that they have within their own framework and what they contribute to the budget. And for me that is very significant. I think that it's time that we have some access to that 45 per cent of revenue in the province of Saskatchewan.

And I think because . . . a number of reasons. One is that it contributes to the overall economic impact of the province. It contributes to the budget so that it deals with . . . well we don't know. It just goes into general revenue, and so then you don't know the volumes of dollars that it's going to contribute. You don't know the fees that are established by the Crown corporations in order to deliver that.

So those are the kinds of things that really, in my view, are very important.

The other thing that is of some interest is how you establish the assets and how you establish . . . well the liabilities aren't as difficult but how you establish the assets in terms of what we did talk about yesterday. Can you give me an overview of how you established the assets in general programs and how you established the user fee enterprise assets?

Mr. Jersak: — Yes, what we did was we took the summary financial statements for the 1992-93 year, and all the entities that were recorded or reported as modified equity or government enterprise entities were included as user fee enterprises in our schedules. All the other entities that are listed in schedule 11, the ones that are recorded as government services organizations, are treated as general programs in our schedules, and everything that's recorded as a government enterprise is a user fee enterprise in our schedules.

Mr. Strelioff: — In appendix VI to this annual report, appendix VI, page 14 has the assets of the government enterprises, the user fee enterprises. And appendix VI, page 4 includes the assets of the general program. So the question was, how did we determine the assets to put in this schedule? What we did was take it from the summary financial statements published by the government.

Appendix VI is just a reprint of the 1993 summary financial statements. Now if you start off with appendix VI, page 4, it has assets of 4.6 billion. Within those assets are an investment in government enterprises of 1.633 billion, and that links to schedule 3 on VI-14 which shows those assets in more detail, and we just added the two together.

Now assets of general programs include what we call as financial assets; they can be used to pay off debt. They include loans and investments and accounts receivables and inventories held for resale. And then the assets in the user fee enterprises are the Crown corporation assets: the plant of SaskPower, the plant of SaskTel which also is a revenue-generating asset base. And when you add those two together, it gets to the total that is on schedule 2 of 10 billion, $10 billion.

Mr. Upshall: — . . . Treasury Board Crowns.

Mr. Strelioff: — Treasury Board Crowns are in.

Mr. Upshall: — Included as . . . and the . . .

Mr. Strelioff: — For example the Ag Credit Corporation would have a whole loan portfolio, and its loans are included in the general program . . .

Mr. Upshall: — Not the user fee enterprise.

Mr. Strelioff: — Not user fee. User fee are . . . well those organizations are on appendix VI, page 14 and 15. Go across the top and get the user fee enterprises. All the rest of the government organizations are included as general programs. And all of them are included.

The Chairperson: — Have the Department of Agriculture asked you to evaluate their land that they hold under lands branch?

Mr. Strelioff: — Evaluated in what sense?

The Chairperson: — To see what the value is of the property.

Mr. Strelioff: — Do they have land for resale? Is that . . .

The Chairperson: — Yes. They have about 4 million acres, I think.

Mr. Strelioff: — Okay. Rodd, you were doing the audit of it. How did you agree with the valuation that was proposed by the government on the land held for resale?

Mr. Jersak: — It is important to say first that just land held for resale is recorded in the summary financial statements at all. The Department of Agriculture has a fairly significant holding of land that they intend to hold for resale purposes, and all that land was subjected to valuation procedures during the year, and the results of that is what's reported in the summary financial statements. It's just land held for resale.

The Chairperson: — So that's under headings VI, 4, that is $137 million?

Mr. Jersak: — That's right.

Mr. Upshall: — How did you determine that value?

Mr. Kraus: — Could I just say something, Mr. Chairman? I'd like to point out that the management is responsible for managing the affairs of government. That means they have to do the valuations. They have to prepare the financial material. It's the auditor's job to form an opinion as to whether these statements by management fairly represent the facts.

So there's nothing particularly new here. I mean we've been doing this for years. And it really isn't the government that values it *per se*. He has to assess whether or not management has used proper methodology to arrive at the values that they place on their financial statements.

Just so that we sort of distinguish here between what . . . the auditor doesn't do this work. His is to review and test and so on and satisfy himself for the public.

But anyway, the land that's held for resale, as it states in our financial statement, is valued at the lower of cost or net realizable value and that's done on an aggregate basis. So some pieces of land might be less than cost, but it's looked at as an overall package.

The Chairperson: — The reason I raise it, is if there's 4 million acres, more or less, that the Department of Agriculture has, if you sell that times $100 an acre, it's considerably more than 137 million.

Mr. Kraus: — Yes, but the accounting standards won't let you write it up above costs, so you're right. Again it's one of those things where if you believe there's a permanent market decline, at some point in time you may be forced to write the value of your land down.

But if it works the other way and times are good, and the value of that land is increasing, you're not allowed under the accounting rules to write it up in value. It's one of those things about accounting. So at no time would we write it . . . would you see it valued at something higher than its original cost. Even if it was worth 50 per cent more.

The Chairperson: — Then how do you deal with a company that the government owns part share of, and you would get more money for it if you sold it and when you sell it, than what it cost you in the first place. How do you transfer one principle where you maintain what you just said about the land, and then transfer that into a different kind of a holding held by the government.

Mr. Kraus: — Well generally speaking, when you own assets you cannot write them up in value. The only time you get to recognize that increase in value is if you actually sell the thing.

So if you bought some land or had a company, it wouldn't matter which, or shares, and it cost you $100 and you finally sell it for 150, you could report that you had a $50 revenue gain on disposal of assets.

The truth is though, you might have actually had that gain over three or four or five years, if you check the markets, but you can't record the gain until you sell it. Very conservative. Accounting is very conservative in that regard.

The Chairperson: — You could lower it, but you can't raise it.

Mr. Kraus: — Yes, you can lower it if you believe it's permanent. Then they'll let you write it down. But even if you're pretty sure it's a permanent increase, you cannot.

That's always been something I've found strange. But I think that's probably been the position of accounting standards for many, many, many decades.

The Chairperson: — So when you dealt with the general programs, you have them as you've outlined there, I didn't pick up on the user fee enterprises of their assets. Do you just do that according to this page 14 and 15 on . . .

Mr. Strelioff: — Appendix VI, page 14 and 15, if you go to the right-hand column where it says: total, and it has the total assets of 7.242 billion — hopefully that will be pretty similar to the ones that are recorded on the schedule 2. Yes, exactly, good.

So there's 7.242 on appendix VI, page 15, on the right-hand side where it goes down; about six lines down it has 7.242, and those are the total assets. Now if you go to page 21 of the report, of our report, and you'll see user fee enterprise assets of 7.242. There's where the link is.

The Chairperson: — Yes, thank you.

Mr. Strelioff: — And the liabilities are the same. You get just down a few more lines, you see the liabilities of 5.608, and that's the same number that is included on page 21. And the revenues, expenditures, the same places. And then 14 and 15 show where the assets and liabilities and revenues, expenditures are sitting or have been raised through.

The Chairperson: — So you have, if I was to compare, you have under assets from general programs as compared to liabilities on general programs, you've got . . . they come in at about, what, 25 per cent? And on user fee enterprises you have a positive value. And I think that is some of my concern as it relates to, you know, having a real value establishing.

And I'm not going to judge whether 4 million acres of land should sell for $100 or $400 an acre. But I'm in that business and I understand that a hundred would be a very low evaluation. And if you did that, that's 400 million. So then you have your user fee . . . no, your general program asset would move up by $250 million plus, just on that little item alone.

So the point I'm trying to make is that those numbers can move fairly readily, determining what the liabilities of the province are in their total. If you subtract the assets from the liabilities, then you have a $10 billion, more or less, liability. But that number is a moving target. And it's not a major issue but it is significant in determining whether the province has assets valued over and above their liabilities.

I personally believe they have assets way beyond their liabilities. And I'm only talking about one item and that's land. If you talked about schools, if you talked about hospitals, if you talked about roads, if you even went to SaskPower and talked about the power lines that are in existence there that have been depreciated over the period of their usefulness, which may be in some cases 20 years or 30 years, some of them have been there 40 years, and they're still being used in drawing revenue.

And those, in my view, would strengthen the public's belief that they are . . . I'm not saying that they should be able to borrow more, but that they should be able to understand that their assets are significantly higher than what they are reported as. And I'd like to have Mr. Kraus respond to that to some extent.

Mr. Kraus: — Well all I can say, Mr. Chairman, is that the credit rating agencies who rate where governments stand in terms of their ability to pay off their debt, are fairly hard-nosed about this sort of thing. I mean they will look at the utilities side and they won't have a big problem with the debt associated with those utilities normally, in most jurisdictions anyway, because they know that those utilities can generate their own revenues and pay off those debts, and they don't have a problem with that debt. But they always see the rest of the debt as being totally dependent on the ability of the economy to generate tax revenues which will ultimately flow into the coffers and pay the interest, or hopefully sometime maybe some of the principal as well on the debt.

If you — and some jurisdictions have done this, and we've done it ourselves, and it's a policy that is . . . I think the words used yesterday was "very controversial." If you put on your balance sheet a value to represent schools, universities, highways, or whatever, the credit rating agencies will slash them off your asset list.

We got together, the comptrollers get together once a year, and we had one of the more controversial credit rating agency presidents attend and talk to us. And he said that one of the first jobs he always has to do when he gets the financial statements of any government, is go through and recalculate on his basis. And as I said, one of the things they do is they look for assets that are being reported by governments to determine whether they meet what they consider to be an asset. And they have no problems with utilities; anything that can generate revenue in a commercial way, like this land held for resale, which I think is really some of that . . . I think it goes back to the '70s, the land bank land, but clearly you can earn some revenues on that. You can clearly earn revenues on any of the monies you have invested in Power, Tel, Energy, that type of thing.

But when it comes to some of the other assets that some governments carry — again I'm repeating myself — but the point is if you're going to have loans to corporations which are in turn used to finance highways or other public infrastructure, that's just stroked off as an asset as far as they're concerned, and then they arrive at their accumulated deficit number. I'm talking about the credit rating agency now. And as far as depending on how you accounted for all that in your annual deficit, they too will recalculate what they consider to be the deficit based on the accounting policies they would follow.

And I would say that, just to carry on here, at this point in time I would think that they would have very little work in that regard when they look at our balance sheet, because we're using what I would say are very, very conservative accounting policies. We're back to pay-as-you-go on our capital. We're not setting up any of these assets, even though some can argue they should be, because there are people that take that position. But I would doubt that the credit rating agency people have to do very much in that regard. What you see is pretty much what you get.

And I would suggest that I think the Provincial Auditor would probably have to agree with what I've said in that regard. I think the way I've expressed the way these credit rating agencies look at our balance sheets, the way they're having to deal with some of the others that still carry these types of assets, I don't think I've portrayed it unfairly or incorrectly.

The Chairperson: — So when you compare and you add them together, you're not really doing either one of them justice. When you add a user fee which is utilities and doing that comparison between liabilities and assets, you're not really doing the same thing when you're comparing liabilities and assets in the framework of government departments.

Mr. Kraus: — I'm glad you said that because I've been wanting to say something about that. And I think that the summary financial statements are a very interesting document. I think that there's more perhaps that can be done along those lines. But also my experience, I see that no matter how you put this stuff together, you never want to lose sight of the importance or the difference, and I mean the difference between the assets and liabilities of revenue-generating assets like transmission lines, for example, and then schools or highways.

Those transmission lines and assets of that sort can certainly generate revenue, and I would suggest . . . I mean if you wanted to you could package stuff like that up, sell it; you'd probably have somebody take on the whole liabilities, the debts, and give you some money to boot. I mean you can make money on that type of thing. But I don't think you can really do that with schools and highways. The only way that I can see those things are ever to be paid off, the liabilities associated with that capital, is through future taxation.

And so I guess what I'm saying is that I think the summary documents are of some value, but you should never lose sight of the fact that the problem that faces governments is their tax-supported debt. It's not the debt with the utilities, generally speaking; it's the tax-supported debt. And when you commingle these things, you can lose sight of the fact as to what debt it is that's causing the difficulty.

And that's why I think the General Revenue Fund, as we now call it, and those activities always have to have a very high profile even if they're part and parcel of something a little bit greater like a summary financial statement.

I hope I've explained my position on that clearly.

The Chairperson: — So then if I would take another example that is both a user fee and a general program kind of an issue and that would be Crop Insurance which has both of these units put together — one is a pay and the other is a grant by the provincial government — and then they would have a surplus of $200 million. That would be a combination of both of these programs put together to deliver a net asset to the government of $200 million which would lower their debt, and yet it still is mixing the apples and the oranges. Because it isn't totally supported by a user; and then when you go to SaskPower, it isn't entirely, totally supported by the user either. There's cross-subsidies of various types in each one of those.

Mr. Strelioff: — Mr. Chair, members, I think what you're pointing out is that you need the overview but you also need to look at the individual organizations and corporations to find out how they are doing; and then go back to the overview and go back to the individuals, back and forth, because government manages a lot of varied and complex organizations. You need the overview but you also need to look at what individual organizations are doing.

The Chairperson: — Were you going to respond?

Mr. Kraus: — Well I think I was just going to say that you did happen to pick one that received some, as Terry was saying, cross-subsidization where we're looking at our . . . some of the schedules that the auditor has reproduced in his report as well, but see where they did receive $346 million as a subsidy. There can be linkages, that's for sure. What you said is correct.

Mr. Upshall: — I just . . . what was the point that you were making, Harold, when we were going to Crop Insurance and then . . . Sorry, I must have been reading or something and I missed it.

The Chairperson: — When you have a general user fee program, let's say it's a hospital and . . . no, a general program of the government, it's the hospital, that money comes from taxes. And it's general taxation causes that to have either a surplus or a . . . asset or a liability or a surplus which is an asset, or a liability.

In a user fee, generally the user supplies the majority of the equity and the general taxpayer doesn't contribute to that in that sense. You may or may not have power; you may or may not have telephone. But when you have a corporation like Crop Insurance, it is not only using the taxpayer, it is also using the user and not even all of them.

And so then you have . . . you're mixing the apples and oranges in that one unit which otherwise you wouldn't generally do. And I don't know whether there's others like that, but that's one that there is.

Mr. Kraus: — I think that happens to be the one that . . . just looking again at our schedule 3 in our summary financial statements, we see transfer from government service organizations, I'll repeat, 346 million; well that's clearly a grant from the General Revenue Fund. The taxpayers are sharing in that program. But I suppose it could happen with some of the others but it generally, well it just hasn't. I mean it's hard to believe, and hopefully we never have to subsidize SaskPower, SaskEnergy, that type of operation. But I guess maybe because of the nature of Crop Insurance, it's a little bit different.

Mr. Upshall: — But as far as the accounting goes, it's still a user fee corporation in that the liability is shared between the governments. And so as far as strict accounting principles goes, there should be no doubt as to where the responsibilities lie, where the asset belongs, and how the liabilities are shared. Am I correct on that? I mean it's fairly straightforward.

The Chairperson: — Right.

Mr. Upshall: — Okay, and it's just a fact of the way the company is set up and the policy as opposed to the accounting. The policy is that it's spread around. But the accounting doesn't change. Understand me, Mr. Strelioff?

Mr. Strelioff: — I think so.

Mr. Upshall: — I mean it's not very hard to figure out the accounting at Sask Crop Insurance, when and where the liabilities lie. The liabilities lie in premium and . . .

Mr. Strelioff: — The reason I'm not reacting in a . . . in an odd way is I find Sask Crop Insurance a very complex organization in terms of the different programs it offers and who's responsible for surpluses, deficits, and how those programs are changed, and how they get their money. And therefore I can't just give you a quick response to that.

Mr. Upshall: — Okay.

Mr. Strelioff: — I find the accounting quite — or the way the organization is structured — quite complex. The way the financial results are presented here, I agree with them, but I would have to bring in my person who reviews the work at Sask Crop to give me a better . . .

Mr. Upshall: — Well in that particular case, it's federal, provincial and taxpayers so it really does become complicated. I understand that.

I want to go back, just for a second, to the land sale, and it was something Mr. Kraus mentioned. In the land sale, the land that we hold — 4 million acres — 1 million acres of that is cultivated land. The rest is grazing land, of course, and the value of that is who knows — a lot less.

But the point is that over . . . Historically — and this is what I want to ask — historically the number of acres of grazing land have changed very little. I mean you can go back years and years and years and the number of acres has remained static — nobody's been buying it — or very little, a very low percentage. The cultivated land may be a little . . . it's a little different but still the million acres of cultivated land have remained basically the same over the last 15, 20 years.

So for accounting purposes, the question that I ask, and that's what Mr. Kraus was starting to say, that as far as the people who lend us money and value us, does it have any value? And how do we know, other than I know the value of my land when I sell it; before that I don't. And so how . . . I mean the value of that land now is simply what somebody will lend, will appraise it at for lending you money. Is that basically what we can say?

Mr. Strelioff: — I think Mr. Kraus said that the accounting policy is that the land is valued at cost or net realizable value, whichever is lower. So the accounting almost reflects what you've said, that you don't go to a market, a higher market value, until you actually sell it because that's the only time you really know that you can sell it.

Mr. Upshall: — So costs being what the government paid for it in the first place or put the value on in the first place.

Mr. Kraus: — Yes.

Mr. Upshall: — Therefore, obviously it would be less than what we might think it would be today.

Mr. Kraus: — Yes, although I think it's fair to say that they valued this a couple of times in the last number of years. And I can't recall which year they last valued it but it wouldn't be that long ago. And I don't know how many acres they have here but the value of the land, I would guess, about two years ago, based on some sales — and of course they've got such a wide range of land that maybe some of it doesn't move that much — but in aggregate the value is still in excess of cost but not a great deal, which is in contrast perhaps to 1980 prices. That thing had . . . as far as I know the values were really high. And they've been coming down all through the '80s and I'm sure we have seen information that would indicate that certainly in aggregate the market value's higher.

But we're not talking a hundred million dollars more. We're maybe — I don't know — 50, closer to 50, at least that was the value. And these are . . . I mean they're not doing this themselves; they're getting some expert outside advice, and that was based on land sales, you know, the nearby parcel type of valuation.

Mr. Strelioff: — Gerry, did that valuation contemplate selling it all, or just the value . . .

Mr. Kraus: — No, I think that would be based on . . . If you've got a parcel of land adjacent to one that's sold, that's the approach they would use.

Mr. Upshall: — And so then the land really is different as a Crown asset than let's say SaskPower. Because if I wanted to sell SaskPower, I could probably sell it. Historically . . . So I privatize SaskPower. If I want to sell the land and historically the land hasn't been selling, we don't know what the price of that land might be. And what you're doing is privatizing the lands branch sort of thing which the policies have always been that that land is for sale.

So I guess my point is that even the $137 million, we really don't . . . that's one area of the accounting of this government where I'm saying we really don't know. And I agree with the way the government is doing it, because you really don't know what the value is.

Mr. Strelioff: — Mr. Chair, members, the value of SaskPower also . . . or SaskTel is very uncertain in terms of what you sell it for. I think in general you probably can sell anything depending on what you want to sell and for what price and what kind of monopoly arrangements or rate increase agreements that you would have in place. And you really don't know that until you actually come to the table and get some willing buyers and decide to sell.

So all the different resources are in that same way.

Mr. Upshall: — I agree with that. The only difference is that this land has been for sale for 20 years and SaskPower hasn't been put up for sale yet.

The Chairperson: — I guess this discussion will be of some use when you bring out your next report, as we've just heard that you're going to be talking a little bit about that, how you evaluate assets and determine how they will work out.

Going back to Crop Insurance, because I had written it down here, on schedule 3 you have . . . Crop Insurance has a $954 million revenue and a $754 million expenditure. There is where the plus or minus of revenue-generating asset and then the value that it is when you haven't spent the money. That 200 million came generally from taxpayers across the province.

And so what you've really done is . . . the surplus has become an asset when it would or could be a liability later on some time. And you don't know that. And so it is just as perhaps volatile as the land sale issue would be if you had that for sale or is SaskPower worth $700 million or $2 billion? What is that value? And when you determine that and then the difference between what its liabilities are and its assets, that's different than a program like Crop Insurance.

And so the $200 million in . . . I haven't taken a look at what the '94 will give us, but it could be

350 million, and '95 could be 550 million. So you will have your assets increasing and your liabilities increasing at the same rate, and the difference is less. But really you have a burden that is going to be . . . could be triggered in providing a general program benefit to the people of Saskatchewan when you're comparing it to a user fee enterprise. And that causes me a concern when it comes out that way because it's a little bit of a mix of both.

Mr. Kraus: — Yes, I don't like to refer to next year's financial statements, but they are public, and I suppose we could have very easily had the same note in our summary financial statements for 1993. But as you know, things evolve, and we're getting better with these summary financial statements and with disclosure in general.

But the point is is that some of these funds have asterisks on them that indicate that these assets are restricted in nature, and Workers' Compensation is clearly one. And if you were to look at the what we have as schedule 3 in our summary financial statements — this is the '92-93 book — but if you were to look at the '93-94 volume 1, you'd see we say the same thing about the Crop Insurance because it isn't all taxpayer. It's taxpayer, producer and federal government. So there's a division there amongst three parties. So any number you see here isn't necessarily all . . . well it isn't the province's; a part of it is.

The Chairperson: — The other questions I have on that go on page 24 as it relates to item no. .21. I have a question as to . . . in your general program, assets decreased by nearly 300 million. This decrease was primarily due to investment asset disposal. Can you give me a list of those? Or do you know where they are? On page 24 of the auditor's report, item no. .21.

Mr. Kraus: — Mr. Chair, if you want that information we can probably provide that for you.

The Chairperson: — Okay.

And then the next statement is also:

> user fee enterprise assets increased by nearly 300 million. This increase relates mainly to acquisition of energy producing assets.

What I'd like to know is whether those were the movement of SaskEnergy, or was that really acquisition of an asset? And then here we go again at what the asset acquisition . . . gave you an increase in value, but it also . . . would it have an offsetting liability some place too or cost — put it that way — not liability?

Mr. Strelioff: — Mr. Chair, members, my understanding is that it's mainly in energy producing assets related to SaskPower and SaskEnergy in acquiring a new plant.

The Chairperson: — Was this in Alberta?

Mr. Strelioff: — Alberta Tel?

The Chairperson: — Alberta energy or . . .

Mr. Strelioff: — This was in 1993. I don't know. I think it's a Saskatchewan related plant, but I'm not sure.

Mr. Kraus: — You would have to ask Crown corporation officials about this question. I wouldn't have any information about that.

The Chairperson: — Okay, I will.

The total liabilities, the third item under .21: "total liabilities increased . . ." or Mr. Kraus, on the second item there, could you get that for me, or I could . . . if we have Mr. Ching in here later on sometime I will ask him that.

Mr. Kraus: — Yes, I'd ask if you could ask . . .

The Chairperson: — Okay. I'll do that. Total liabilities on item 3 increased by 800 million. This increase relates mainly to the 1993 annual deficit of the government which was 765. Do you have those broken down? You've got 765, but you've got 35 million more than that. Where the $35 million . . . like the 765 million is a number in the budget and in the deficit; however the $35 million difference between 765 and 800 should be accounted for some place.

Mr. Strelioff: — That could be just in buying energy producing assets with debt of $35 million, increasing the plant and in some cases by borrowing. The first item, the general program assets, decreased by nearly $300 million. On schedule 4 of appendix VI-17 it shows that the government sold a lot of shares in the Potash Corporation of Saskatchewan, reduced it from 265 to . . . Let's see. That's appendix VI, schedule 4, VI-17 which shows that the government sold shares of $200 million in the Potash Corporation. So there's one example of why general program assets decreased by nearly $300 million. That accounts for 200.

Again, the second point, user fee enterprise assets, it's increased by nearly 300. I think most of it relates to SaskEnergy and SaskPower building a revenue generating plant. And the total liabilities increased? Well, the deficit was 765. One way of financing a deficit is to borrow, so your total liabilities would be increased, and also buying investments or asset . . . or buying investments or energy producing, sort of, revenue producing assets also by borrowing.

So in general, that's where the three items come from. But in more specific . . . exactly which assets were acquired or which debts were paid off, you'd have to ask those specific questions to get that information.

The Chairperson: — I'll do that when CIC is here.

Mr. Kraus: — Mr. Chair? Could I say something?

The Chairperson: — Yes.

Mr. Kraus: — This is really difficult for us because we use the summary financial statements and the General Revenue Fund financial statements, which are duly audited and are in compliance with the accounting standards that we go by except for . . . well this year I guess we've got still a qualification on pensions. But what we have here is another look at the numbers. And we're at a disadvantage because we didn't put them together, and they don't exactly relate the way we're doing business.

So I think if you call . . . like if you ask questions of Crown Investments Corporation, they may find the same difficulty we are. They can answer questions about the financial statements that were audited by the Provincial Auditor, but these other presentations are not that . . . you just can't readily provide answers. Even though the numbers are coming from our statements, they're not put together the same way, and it's difficult to have these answers.

The Chairperson: — On page 21 of the auditor's report, the auditor puts a qualifier at the bottom with the loan guarantees. Those are considered at the . . . the guarantees are considered at face value, are they?

Mr. Strelioff: — Yes.

The Chairperson: — Always? Like the 360 million we were talking about yesterday, all of them are considered at that value?

Mr. Strelioff: — In appendix VI, schedule 9, appendix VI, page 22, you'll see the list of the guaranteed debt of the province. We'll just go through it.

The NewGrade, 350 million is listed there.

Mr. Cline: — Appendix VI, page . . .

Mr. Strelioff: — Appendix VI, page 22, there will be a list of the guaranteed debt of the province of 1.22 billion which is the same number that's on page 21 of chapter 3. That's where that came from.

The Chairperson: — The reason I ask the question . . . because there is different risks to the $1.2 billion. So rather than calculating the risk as a method of dealing with this, you just deal with it as a number that is in the guarantee.

Mr. Strelioff: — The schedule shows the total guarantees. It doesn't say which ones are more likely to have to be honoured or less likely; it doesn't do that.

The Chairperson: — Okay. The first recommendation for the chapter 3 is item no. .23 on page 24. And this is the same one that is in the . . . and it says, in paragraph 3, item .23 says:

> The Government should examine how to disclose more fully, in the Summary Financial Statements, information to describe its investment in infrastructure.

What's the committee's view of the recommendation?

Mr. Cline: — Well I must say that I certainly haven't been convinced by anything I've heard that we should move any further or more quickly with respect to this matter, because the problem is, as I understand what Mr. Kraus was saying, is that the credit reporting agencies want to compare apples and apples; they don't want to compare apples and oranges.

And you can sort of get into the argument or the analysis that you don't have any real net debt, looking at both the government side and Crown sector side, because even though you've got a 10-point-something billion dollar debt, you've all got these infrastructure assets like highways and hospitals and schools and so on. And I mean, we can all understand that argument. On a certain level it makes sense.

But the problem is, it seems to me, that then you go to the credit reporting agency, and what's the first thing they do? They strip all that away because they want to look at a certain type of asset; they want to look at a revenue-generating asset, an asset that has a profit and loss statement attached to it. And they don't want to look at the other assets because they don't know how you can put a value on a highway unless you go to a toll highway because it's not going to produce any revenue. So they're going to assume that everybody's got infrastructure assets of the non-revenue generating kind that nobody really knows how to evaluate. I mean they could be an asset, and you could make an argument they're a liability, too.

But in any event I'm not . . . It seems to me to be kind of an overly simplistic view that you can treat all assets in the same manner. I mean I don't think they should be; I don't think it makes any sense. So I don't have a lot of enthusiasm for this. I have less enthusiasm for it than I did last time we discussed it. But anyway, I guess we did make a recommendation about it.

I think we should . . . The most we should do is simply note that we made a recommendation in paragraph 3 of our sixth report and leave it at that. That would be my attitude toward it.

Mr. Strelioff: — Thank you, members and chair. My view on this, I have I think three or four reasons why I think that the government needs to move on this issue. And moving on the issue doesn't mean necessarily putting it on the statement of assets and liabilities and reducing the accumulated deficit of the province; it could mean putting in the financial statements a separate schedule showing our investment in infrastructure.

And my reasons are that part of our accumulated deficit has been invested in a significant amount of infrastructure, billions of dollars of highways, hospitals, roads, dams. And surely the readers of the overall financial report of the province should have that information presented to them, that there is a significant investment.

The second thing is that over time I think it's important to keep track of whether that investment is wearing down, deteriorating, or whether we're strengthening it, building it up. And that's an important message to everybody and again it doesn't have to be a deduction from the accumulated deficit. It can be a separate schedule in the summary financial statements showing, here's our total investment, it's wearing down, we're actually not replacing it more than it's wearing down; or it's building up, we are replacing it more than it's wearing down. So those are two reasons: the magnitude, the wearing down or building up.

And the third one is that when items are put in a set of financial statements, they become important and they also end up being managed more prudently, managed better. That if you know that we have a huge investment, it ends up that it's more likely that our government, our province, will manage those resources better.

And so for those three reasons, I think that there should be . . . what we've recommended is that they should examine how to disclose more fully. So we haven't suggested a specific way of doing it, it's just that it's such a big investment and one way of signalling what the government is managing is by putting it in their summary financial report.

Mr. Koenker: — I appreciate those comments that you've just made. I have a different perspective on it, if I may say so. I think that there is a more natural disclosure of many of these assets and a very, very public accounting of these assets.

I think, for example, of the highway infrastructure. You drive down the highway and you hit a pothole and you know that the system is deteriorating. Or if you can't see, if the yellow lines and the white lines haven't been painted, you know that highway is deteriorating. And there is a public accounting then that takes place to local MLAs (Member of the Legislative Assembly) or in coffee row where people say, highway number such and such is going to the dogs and the government isn't doing anything about it; it's worse than it was last year; they promised to do some repairs and they didn't do it. And the same is true of much of the government infrastructure.

So there is as you say, a huge infrastructure out there but I would argue that in many respects the public is very aware of it, and that secondly they keep track of whether it's wearing down or being built up.

And in terms of your third point as to whether it's managed any better because of whether it's in financial statements or not, that may be true. But I think we know for sure as politicians or elected members, that it finally is at the end of the day that kind of very public public accounting that determines whether government pulls up its socks and does necessary repairs to the roof of a school system, or to a highway, or to any of the myriad of investments that have been made in public services and public assets.

So in light of those kinds of considerations, I don't know whether the recommendation that reads the government should explore how to disclose more fully information to describe the investment in the public infrastructure . . . I think there's a sense in which a priori there is a public disclosure and it's not done in . . . In some respects it is done by the government, by its lack of response or attention to these assets or by its attention to the preservation of these assets. But in a fundamental respect the disclosure does take place.

And further to this then I wonder what kind of resources of your office, the Office of the Provincial Auditor, would it require to document and disclose this public infrastructure investment?

Mr. Strelioff: — Mr. Chair, members, the last question. We wouldn't be doing that. It would be the government, the Department of Finance or the Department of Transportation and Highways which I'm sure already does have the information on what its road system is like. So that we wouldn't be documenting that. It would be the government.

The second comment on, there is a public evaluation of the state of our infrastructure ongoing. I agree that that is there. One of the added benefits perhaps of trying to put some cost numbers in the financial statements would be to give a signal of . . . if for example, if the infrastructure is deteriorating and we're deferring a lot of maintenance to future years, how much is that? Are we . . . do we have $100 million of maintenance that we're going to have to do sometime to bring our highway systems up to a standard that we want it at? Or is it 5 million or is it 500 million? That kind of information on what is the financial consequences to the province as a whole of deferring or perhaps we're building up our infrastructure in certain areas.

So that adds a bit of a dimension to your ability to understand the implications of . . . or the financial implications of some of the management practices that we carry out.

Mr. Koenker: — Could Mr. Kraus perhaps address the question of what kind of resource it would require of the government to disclose this kind of investment in infrastructure.

Mr. Kraus: — I'll just make a couple of comments on that. One, we've made some effort to provide a little more information in the financial statements that were just tabled in September. But it's not a lot of information but it does list some information that Sask Property Management Corporation and Sask Housing Corporation has. So we cover . . . provide some information in that regard.

But I would say that I would think it would take a lot of work to provide the information that I think may be required ultimately or recommended by the Public Sector Accounting and Auditing Board even though I believe that the Government of Saskatchewan's departments and SPMC (Saskatchewan Property Management Corporation) and Sask Housing have pretty good records already. But the . . . You know, on what they own, how much they cost, that type of thing, there's been a lot of good work done on that.

But when they get talking about some of the things . . . or if they suggest some of the things that the auditor is suggesting about, how much should be spent over some period of time to maintain it and so on, I don't know just exactly whether that information's relatively available.

And maybe I should get to the point I wanted to make right at the beginning. We don't know what they want and you can spend a lot of time developing something that everyone says, well that was interesting but we don't want to go that way; we want to go off this way. And I think we'd be well advised to keep abreast of this, as we said we are, but not try and develop a model that may not be accepted.

They've got people from across the country sitting on this task force; this is the CICA (Canadian Institute of Chartered Accountants) or PSAAB (Public Sector Accounting and Auditing Board) group we talk about. They're getting input from the community across the country. As you know, it's controversial, very controversial. What they're going to require in the end is anybody's guess, although they may be making recommendations within the year, I don't know, maybe two.

I think we have enough other things to do that we know what we're supposed to be doing, without spending too much time on this initiative at this time, because it's going to take a lot of effort. And I'd like to know that when we do it, we're working in the right direction and not off . . . find out at the end of the day we're off somewhere where they say, that isn't where we want you to go. That's the only reason I think you want to be careful here, because you can burn up a lot of resources developing something that isn't the right model in the end.

Ms. Crofford: — Thank you, Mr. Chair. It's nice to know what we own. I mean I guess it's a little like going through your house and saying, well my money didn't just go nowhere. I've got this and I've got that and I've got something else, and that's nice to know. But if it's not relevant to bankers or to credit rating agencies or particularly useful in terms of our financing, then I have to say, what is the useful thing that we need to know?

And for me, with the notion that we're getting away from an infrastructure-mad society that wants bricks and mortar on every corner and moving to a different notion of how we deliver, how we work, in fact even people working from their homes, then I think in a way it's a bit unhealthy to keep dwelling on infrastructure unless in some way, through a programmatic review, we've identified it as essential infrastructure. Like some highways are essential; they're not optional. Some hospitals are essential; they're not optional. Some schools are essential; they're not optional. But the mere fact that you have at some point in time built some infrastructure is not necessarily a good rationale for continuing it. So it seems to me the most meaningful place to do some of this inquiry is within the framework of the department and looking how a particular mix of capital, resources, and people produces a more results-orientated accountability for those capital investments.

I do think a highway is different than a school in that regard. When I think about this stuff . . . and I was thinking about it last night; you know when politicians can't sleep, they think of real stupid things. But anyway, I was thinking about some kind of a social development index that maybe shows how governments are using their mix of resources to produce certain results that are wanted in a society or needed in a society. But that doesn't necessarily . . . the mere existence of a university does not guarantee an education. So I tend to move away from that notion that listing those things does much more then make us feel kind of good because we can at least identify that haven't thrown all our money away. We've got some stuff to show for it.

But I don't think necessarily the counting of stuff is really what this is all about. It's the producing of results. And so if the bankers aren't too concerned about it, then I think we focus on why would it be meaningful for us. And I think it's meaningful for us to the degree that it produces results. And I think that particular aspect of it is looked after and should be looked after and questioned within the framework of departmental mandates.

The committee recessed for a period of time.

The Chairperson: — You wanted to say a few more things.

Ms. Crofford: — Yes, well in that other place where I do a lot of my good thinking, I thought of a little more response to Mr. Strelioff's concerns. And that was essentially that . . . I mean what I said covers part of the discussion, but it doesn't cover the part that you raised. And I think there is a legitimacy to the need still to address within the framework of departments or Crowns their plans for renewal of capital. And not necessarily as a monolithic, all-in-one-spot plan but as examined on a mandate-by-mandate basis but maybe as a requirement to have that issue addressed. Like how much of your stock do you plan to renew? By how much, and are you letting some of it go?

You know, because it's true, it's like buying a house that nobody's done any repairs on for 20 years. There's quite a bit of deterioration. And if you take over a situation like that, it's going to cost you a lot more than if you took over a situation where things had been maintained. But my preference would still be, even in the spirit of answering that question, to have that requirement to answer embedded within the mandate rather than in a more general way because I don't think it's as meaningful to do it in a more general way. That was all. It was just a little additional thought, but it was still an important question.

Mr. Upshall: — Yes, I guess the question I ask is the purpose of the recommendation because I can understand it if we were in a private sector mode where you account for your assets and it's management decision. When you get to public sector — and I'll give you a couple of examples — you say it would be useful in understanding and assessing the government's management practices and the future expenditures required for making some replacement. If I build, if I have an elevator in rural Saskatchewan that does a couple of hundred million bushels a year and the highway to that elevator is in disrepair, the government then . . . it's incumbent on them to build that highway to standard so that the trade can take place. And they do that.

And three months later, a concrete condominium goes up another 50 miles away. It totally changes the direction of traffic; requires another road to be built because there may be no roads; there may be a road in disrepair. Now who's to say the practice of building the first road was right or wrong, and how do we account for that?

The second question would be: let's say education, where a school was built. That school three or four years later is closed down because of no population. And because of the demographic shifts, you have to build another school. Accounting for those, what I would call, unforeseen or unpredictable circumstances, I perceive a whole new argument coming forth whether or not government is doing the right . . . it has the right management practice for today or in the future. Whereas the private sector, if it's a business, then there's no doubt about that.

So I think we have to separate the two. And I can see a whole argument coming forward of whether or not government should be, well, building all the schools in Regina and Saskatoon, or in the highly depopulated areas. Or whether it's the responsibility — public responsibility — to build an asset somewhere where normally in the private world it wouldn't be done. But it's the responsibility of government.

It's the same thing when, if I build a house in rural Saskatchewan for $100,000, the assessed value of that building, I pay taxes on $100,000. If I go to mortgage that asset, the mortgage value is probably $50,000. Now that's just a reality of, you know, the lending institutions and then the value of that property.

So I question the value of this. And I know what you're getting at. But I question whether or not it's necessary for all the procedure that we'll go through and to what end . . . what we will achieve in the end. It would be nice to know, and I think some of the departments already know that, but what practical application does it have in terms of what government has to do to be responsible to the public? That's the question I ask.

And I guess I'll ask Mr. Kraus the same question.

Mr. Strelioff: — Mr. Chair, members, you've raised some good points on the need to manage your resources very carefully. The elevator one, I mean if we built an elevator or a highway to an elevator that a year later was no longer going to be used, I'm sure the Department of Transportation and Highways and Department of Agriculture are working in concert to make sure that that wouldn't happen.

Mr. Upshall: — Excuse me, Mr. Strelioff, but they can't do that because we don't know where the private sector are going to put their elevators. We have no idea; they won't tell anybody. Because they won't tell anybody because strategically they are trying to do a business and get the most return for that. That's one of the dilemmas that the government has today. If we knew, then I would say then there's a use for it. But we don't know.

Mr. Strelioff: — We don't know which road will be . . .

Mr. Upshall: — Exactly.

Mr. Strelioff: — . . . worthy of keeping maintained because . . . or being built, because the economy is changing.

Mr. Upshall: — Exactly.

Mr. Strelioff: — I always thought that when the economy is changing quickly that's the time that you really have to carefully manage all your resources and all your decisions to expand or contract, because you have to have very much up-to-date information and be able to make sure that when you do make a decision to expand or contract you have all the information that you can attain that supports or contradicts that decision and then you make that decision.

You might be wrong. I mean that's just the way the world works. But when the economy is shifting or changing quickly, that's the time, from my point of view, when you really have to ride herd over your asset base because you can no longer predict in the long term that it's going to be the same. So you really have to be watching it very carefully. I would think that.

Mr. Kraus: — One of my concerns throughout this whole thing is that the private sector is clearly not the public sector. They exist for totally different reasons, but I see where people are trying, in my opinion, to apply private sector principles to the public sector. They mean well but I'm not sure you can do that.

I'm not sure that this information that they're trying to get us to develop or may be recommending we develop, whether it be booked on the balance sheet or be supplementary information, would necessarily provide the decision makers with better information. I'm just not sure about that.

I was listening very carefully to what you said, Mr. Auditor, and I don't know whether or not this kind of information would assist them in making their decisions if they're faced with, as legislators . . . or whether the current information isn't just about as good as it's going to get. After all we know that Highways and others, SPMC, for example, they have pretty good records. It's not like there isn't any information at all.

But I still think that to try and take notions that emanate from trying to establish the most accurate profit or loss for the year . . . and that's where you get into this. We don't care if you bought a $50 million development . . . constructed a $50 million plant this year. You can't expense that whole $50 million this year. That's not the proper way to arrive at a profit or loss for a business. You're going to be using that plant to earn revenues that flow directly into that company over the next 20 years, so spread that cost out over 20 years.

To take that kind of notion and apply it to the public sector, which doesn't build plants to earn revenues that flow specifically into the GRF (General Revenue Fund) . . . I mean it doesn't. That isn't why we build highways, I don't think. I mean we . . . definitely we expect to get . . . indirectly we expect to get taxes, but we don't build a $50 million highway because we know we're going to get some tax revenue, specific amounts that are going to flow in.

It's just . . . the public sector exists for a different reason and I'm not sure you can apply private sector accounting principles to the public sector. And I think that the task force doesn't want to accept that. You might understand what some of my comments have been to them. I think there may be some value in this, but I just question whether the information we're talking about or that we've seen so far as being proposed will lead to better information and better decisions. To me that's a big question mark.

Mr. Serby: — Thank you very much, Mr. Chairman. When I looked at this area, and as you speak about it, I hear you talk about two things. One is sort of how do you manage the asset, is what I hear you talk about, and then some way of determining what the value of the asset is. And it seems to me, and part of your reporting already indicates that, that within the departments there is a fairly sophisticated process in place that does the management of the assets. I think you talk about audit committees, the fact that they're already established, and there are others that are coming into place, which in fact, in my opinion anyway, would be the people responsible for ensuring that the assets that the Crown owns, like schools and highways and universities, are in fact maintained.

And on an annual basis, there is a great deal of information that is put together in terms of ensuring that there's an upgrade program or an expansion, or if there's a need for a retrofit or a new facility, be it a school or a university or a highway.

So it seems to me that that's already in place. Now who needs to know what's happening in that area is a good question. And I guess I have some appreciation that the general public may want to have a better understanding of what those expenditures are on an annual basis. But I'm not sure that it needs to be here, and maybe it does. I'm not convinced that it needs to be here.

The other issue of course is the value of the asset. And I'm hearing from the discussion today and in the past that you have a whole host of actors who are involved in the process of trying to determine what an asset is worth. Depending on for whose purpose it's being prepared, there isn't any agreement. And I guess I'm suggesting that we have already in place a group of folks who are looking at this through the task force in trying to determine how you might put a face value on an asset. And they are able to achieve that.

I guess I'm suggesting that it's important here that I think governments, whoever the administrations are, have some type of a process in place where they might be able to value it, because there may be a time where you see a change in who is the owner of the facilities. And if that happens, then I would be interested in advance of knowing what the value of that particular piece of property might be, or what the value of that asset might be.

I make, you know, a simple analysis I guess of a marriage and a new one. If my wife and are first married and we buy a house and a full home of furnishings, it has a value. Nobody will question what the value of those assets are if we live together for 60 years and then move on to a higher place of living.

But if we decide somewhere throughout that process that we don't want to be together, then she and I will have a different appreciation and understanding of what our chesterfield was worth that we bought, you know, in year one of our marriage, and have a difficult time coming to some understanding of what that might be in some cases. Which is similar to what's happening here.

I guess I'm of the appreciation that there needs to be . . . that the process that's already in place in this task force, I'd like to see that continue. I don't think that we want to abscond ourselves of some responsibility here of trying to determine that. It's a difficult task. I don't know if it can be achieved.

But I'd like to see those players continue with that effort, and as a government member, think that we might want to support the work of that task force. I'm hesitant to suggest though, as an individual member, that we should be tying ourselves as a government to ensuring that this process be accomplished in isolation of other folks who are in this process already.

Mr. Strelioff: — The task force is ongoing, and it's a national task force. They'll come out with some recommendations in the next year or two years, I'm not sure, and then we can debate them at that time and see whether they make sense.

The who is responsible for managing, being the departments and organizations that have that responsibility, you also have a responsibility to make sure that that is happening, as legislators. So in terms of the information you receive, you have to be comfortable with being able to assess whether the performance of those management groups is reasonable.

Perhaps one mechanism, one earlier mechanism in moving along the way, is when you receive the reports of individual departments and Crown agencies and corporations, and you know that they are responsible for managing a significant asset base, perhaps you should be looking for information about how well they performed within those annual reports. Certainly the Department of Highways, in their annual report, must focus a lot on how they're managing the highway system and what kind of challenges that they have in place. So that might be a first step in making sure that the information is available to you.

The transferring of responsibility is an interesting one, because we are doing that as we devolve more responsibilities to other levels of government and to other government organizations. That kind of responsibility is being transferred. And at the point that the assets are transferred, it's pretty important to know what actually is being transferred.

I know years ago when I first got here, and we talked about the Sask Property Management Corporation, when all the plant and equipment and property were transferred to that corporation for management. And we raised concerns that they didn't know, they didn't have a listing or an inventory of all their furniture and equipment; and they were going a long way to make sure they had a listing and inventory and appraisals of their buildings, but not a lot of their significant value, what we thought was a significant value, of their property and equipment. And therefore if they had that earlier in a department and then moved it across to the corporation, that issue wouldn't have been there.

And I'm thinking that if you know what you're managing, you're probably more likely to manage it better. That seems to be it.

And we were also going through the transfer of significant resources to the health sector right now. And do we . . . have we got a firm basis as to what property is there that is moving in? And that is an important issue. And you need the starting point in terms of having a good record and a good public record of what you'll . . . But the starting point can be to have a look at the annual reports of individual corporations that manage significant plant and see if they're providing you the information you need to assess their management responsibilities.

And then later on, as the task force evolves and they come out with some recommendations in terms of how do you then pull that kind of information together in a meaningful way and put it in a summary so that you can get some information content out of it, that issue is the one that is still being discussed and argued over.

The Chairperson: — My name is next on the list here. I'm going to just discuss this in a brief way if I can.

I look at this in the sense of . . . from a number of points of view. One, the Department of Highways, through the last 15 years, have done an assessment of the value of the roads and determining whether the change of the Crow would increase or decrease movement of grains along certain roads and would define it in a way that would give a value to that road.

And the change of direction of the roads, or change of direction of the traffic on those roads, would then indicate that they would have to have either increased maintenance, new construction, all of those things.

They have that on hand. I know they do. They understand the dynamics of it. If they don't have a public way of disclosing what that value is and then we have a change in the method of payment, what realistic perspective do people in the public have with relation to that road? It's just a road. It's been there for 15 years and it isn't going to change until they drive through a pothole or the semi-trailers pound the road into the ditch.

Those are the kinds of things that are there. If they have a real value of that, and it's value established prior to this all happening, they can say to the federal government: your change in your social . . . or your policy in relation to transportation caused this kind of an impact. And that asset then is depreciated because of the fact they had the change.

So the depreciation cost in relation to the wear and tear and required maintenance should be costed to those people who changed the policy in its . . . and changed the policy in agriculture where they change the policy in a whole bunch of different ways. Those are impacts that affect . . . are felt by the people in those communities.

And so I think this translates itself into a number of other areas. I'll use hospitals as an example. We have hospitals that are held privately. We have health care centres that are held privately, and by private I mean the Catholic Church has some, some other religious organizations have some. I know the Lutheran Church has some homes. Our Mennonite churches have homes. Catholics have homes. All those people have homes that have an established value.

Come this spring when some of them are going to be transferred into . . . again I would say a private . . . and you have a senior citizen's home that are going to be transferred into private hands again, whether that's a religious organization or whatever, what are you going to use to establish the value of those facilities? Are you going to sell them for $1?

We just had in Swift Current, the Catholic system buy a school from the public system at what value? Was it $100,000? Was it $500,000? Should it have been a value of $2 million because that's what the public taxpayer paid for that school? And we are having those kinds of transfers in various ways in our society today.

And if we have no value they get transferred for $1. And a lot of those public facilities have been transferred for $1. Is that the real value of them or should they be required to replenish the taxpayers, who delivered that in the first place, the value of some of that cost to them in building that infrastructure.

And you could pick out different groups of these all the way across. And you could say, this is where you have an infrastructure value and it's not meeting the requirements of the society today; we'll market it for $1. And how many of those have happened in the past 30 years? That's the kind of thing that I believe the public are starting to say: let's get a value back for that asset.

If I was to sell that public school which I can give the name, it was Dickson School, to the Catholic private system, is it a value to that private system? And it is because it was a good school. So the value should be established in order to provide that transfer because they're a different management group running it. And if it was going into the completely private sector where an individual who was going to make a business opportunity of it, then it wouldn't be sold for $1. And so what are you going to do to establish what that value is?

In the town of Herbert they had a whole block that was designated as the school and it had an old school on it. They built a brand- new school in a different location. They bulldozed that down. Now the urban municipality received that property for $1. It's right in the middle of town. Is that a real value to the people who have provided the tax dollars from all over the province to build or to construct that school? Is that a value that is clearly established?

Now having made that point, the private sector values those investments in that fashion. They judge and they are the voters. They judge those dynamics in that context. And so whether you have the public sector . . . and I agree with you, Mr. Kraus, that the public sector does it this way and the private sector does it that way.

But the private sector judges the public sector. They judge it when they vote; they judge it when I hear the taxpayers' association talking about it. All of these people judge the role of the public sector on the basis of what their standard is. And their standard is this: that they will borrow money on the basis of equity and cash flow. Those are the two, basic principles that the private sector generally does business with. And they will do that against the liabilities. And so you will borrow on the volume based on cash flow and equity to buy, to buy cash flow and equity. And those liabilities are offset with each other. So they use those principles to judge whether we in fact have done something in the public sector that is convenient, that establishes a value.

Now this province is going to be 90 years old next year and when my grandfather came here in 1904, the kinds of things that were there at that time were very, very small in terms of value as it relates to today. So his family have had three generations where they've been taxpayers and we have nothing to say this is of value to the people of Saskatchewan, in hospitals, in schools, in power, and telephone, and in all of these dynamics that the taxpayers have paid for. And so when people say that's of no value or they establish a value of a dollar, I say I paid significant amount of taxes to develop that and it isn't worth a dollar.

And so I think we need to be . . . this is an interesting discussion but it's an important one to establish what those real values are so that we can have an opportunity to address the concerns raised by those people in the private sector, because there's more people in the private sector than in the public. And they are, by far, the ones that generate the tax dollars. They generate the economic impact in the province, and I think we need to listen to them, to show back to them in the context of what they're used to, the dynamics that are there in how we present our financial statements, how we present our, in this case, our values in our infrastructure.

Those are some of the reasons why I believe that this should proceed. It's a positive way of identifying some of the things that are being judged by the people and the public of Saskatchewan.

Mr. Koenker: — Thank you, Mr. Chairman. This has been a very interesting discussion and I think it was Ms. Crofford and her remarks that really put the light on for me in terms of how we might handle the recommendation that's made in the section .23. She really clarified, I think, the key importance of the departmental staff or the government departments for the management of the assets. And, Mr. Strelioff, in your remarks just prior to the chair's remarks, you came back to that basic point. And I think therein we have a solution that gets at the values that we want to hold up for public scrutiny, the monetary or asset values but also other values implicit in the discussion.

And so, in terms of addressing the concern of section .22, namely that:

> Information about such infrastructure would be useful in understanding and assessing the Government's management practices and the future expenditures required for maintenance and replacement.

Recognizing the importance of that, and at the same time, wanting this information to be conveyed in a meaningful and useful, focused kind of fashion, I think the solution is quite simply to recommend then that the disclosure take place through departmental annual reports. And we have, fortunate enough in some regards, to have a model for that that was talked about yesterday, in terms of the government this past March issuing guidelines for the department to follow in terms of their annual reports for inclusion of mission statements.

So we made that progress on the front of departmental annual reports. I think this would be another relatively simple and yet relatively effective, focused way to bring your concerns to bear, in an immediate fashion hopefully, in a way that the government could respond.

And accordingly, I would like to move that we dispose of this recommendation .23 by simply saying that the government should examine how to disclose more fully, in departmental annual reports, information to describe its investment in infrastructure.

And that then becomes a starting point in this whole journey without the confusion that may surround the task force that Mr. Kraus referred to that is studying this whole question of assigning a value to infrastructure assets. We can let that process take its course and yet we can still act here in Saskatchewan to try to accomplish a greater public awareness and scrutiny of these assets.

Mr. Strelioff: — Could you consider . . . You said departments, but organizations like Sask Property Management Corporation, I know a lot of people think of it as a department, but it's also thought of as a Treasury Board agency.

Mr. Koenker: — Yes.

Mr. Strelioff: — And those kind of agencies do manage significant resources.

I agree. What you've said seems to be a very good first step. And also the people who actually have to manage those resources and know more about them would be the ones that would be more likely to come up with the best kind of information in their annual reports to you.

Mr. Koenker: — Yes.

Mr. Strelioff: — And the larger issue in terms of the summary statements, well that will happen sometime in the future.

Mr. Koenker: — But this gets us on the road in a very meaningful way, I think.

Mr. Strelioff: — I agree.

The Chairperson: — Ms. Crofford, you had some observations.

Ms. Crofford: — I just had a question. Having been in business at one point and knowing that people like the Federal Business

Development Bank and what not have a lot of guidelines for what a typical business might consider their investments of different areas of their operation might be, depending on whether it's a restaurant or a hotel or what not that they're running, are there similar guidelines, for example for governments, as to what you might anticipate would be the percentage of an annual budget you might spend if you were a power company in renewing your stock or in reinvesting in your capital? Do guidelines like that exist?

Mr. Strelioff: — Mr. Chair, members, I am pretty sure that every government department running a business in their industry will have industry standards that are advocated in the power business, telecommunication, transportation, highways. They'll also have information about how they compare to those industry standards and how they fit compared to other jurisdictions.

Ms. Crofford: — Yes, so there would be some compared basis. Yes, thanks.

Mr. Kraus: — I don't like to be the one to pour water on everything, but I would ask you just to think here that if you make a recommendation for everything that you think might be subject to Treasury Board — we've run into this problem before — it's an awfully broad statement. There's all kinds of agencies out there that you may not want this to apply to or it may not apply to, and that always causes me some trouble.

I pick a name because Terry remembered it, but we've got some group — it's Kamsack, is it? — the Doukhobors association. And then we start sending out recommendations to them to do this, that, and the other thing.

And I'm not really sure that it's that kind of organization you're interested in. And yet in some broad way they report through to Treasury Board, I suppose, or at least send financial statements, and I don't think they report directly. But that's the only question.

A Member: — It's too blanket.

Mr. Kraus: — Yes, and when we do this and then the auditor will say, and I may not . . . quite clearly he'll say, well everybody should do it. Well if you had thought through the thing more specifically, you might have said no, we don't want that group; we don't want that group to report on that basis.

Ms. Crofford: — That would give some room.

Mr. Strelioff: — Just to respond to Gerry. What you could do is in appendix VI, on page 24 of appendix VI, it lists the organizations that are in the government's summary financial statements. And the first part of them are called the government service organizations, and the Doukhobor organization is not in that list. That could be a starting point. And the departments of course.

But it would be only the ones that really have significant plant that would be concerned about the recommendations.

Mr. Kraus: — Because, for example, the Interprovincial Lotteries Act Trust Account, they're on that list, you see, and it wouldn't apply to them. But they get these letters and they wonder what they're supposed to do. And we get phone calls.

Mr. Strelioff: — And you advise them, don't you?

Mr. Kraus: — Well I think it's better to send . . . you know, to target the right group in the first place.

Ms. Crofford: — The most important . . .

Mr. Cline: — Mr. Chairman, could you have the motion read for that?

The Chairperson: — I don't think I have it yet.

Mr. Upshall: — While we're waiting, I want to make a point about what Mr. Martens was talking about. I understand the difficulty and possibly the importance of setting value on something like a school. But as far as government's concerned, the value of that asset, even though it's two years old and $2 million, if it doesn't have a practical use right now and could be sold for a dollar to create an industry and activity that would pay back the government X number of dollars, then that's the other side of it.

Is it practical to put a value on it? Does it have a value? Or is the $1 more value than 100,000 or a million dollars when nobody uses it? Those are public sector decisions that are always made. And my point was it's going to conjure up this type of argument: is it right or is it wrong?

The Chairperson: — And that's precisely what it needs to do. Because you have made an investment at some point in time, based on decisions that were discussed in a forum of the Assembly to put that money into that infrastructure, and then another decision comes along and you change the menu or the program and then it is a cost. And what does that cost us?

And I could use as an example the write-off in Rafferty-Alameda as an example of that. One group says it's of significant value and this is the value they place on it; another group comes along and says it's of no value. Clearly there is a value to it, because it cost the taxpayers X amount of dollars.

And you could say the same thing about some of the hospitals that have been closed. You could say the same thing about changes in Potash from when it was private sector to when it was public sector, to whatever. You can bring that argument right around and close the door on it, I think, by the very fact that it's necessary to talk about it because the taxpayer paid for it.

Were you going to respond?

Mr. Strelioff: — I was, but I don't quite remember . . . I think what I was going to say was that you've raised an issue that if you handle it within the departments and in their annual reports, they then . . . the experts have to wrestle with those issues and present reasons why they are providing you with certain perspectives on the plant that they have to manage, like hospitals or schools.

So moving it to the department annual reports or the agency annual reports is probably a good place to begin with. They present that information to you and then you can ask them, well why did you choose to do what you did in terms of presenting this information?. So it seems like it's at the right place.

Mr. Upshall: — . . . (inaudible interjection) . . . for quite awhile.

The Chairperson: — Mr. Cline wanted to know what the motion read. The government should examine how to disclose more fully in departmental annual reports information to describe its investment in infrastructure.

Mr. Cline: — Well in answer to Mr. Kraus's point, I mean the motion says the government should examine it. And part of that examination may be that with respect to some agencies it's not desirable, you know.

I don't want to cut anybody up, but I think perhaps we should put the question with respect to this matter.

The Chairperson: — I'm prepared to have the question put. All those in favour signify; those opposed. It's carried.

Now just in response to that, we should close off the discussion about paragraph 3 in the Minister of Finance's response to the issue that we just finished discussing:

> The government is currently reviewing the issue of disclosing information on its investment in infrastructure.

Would we want to have the response to that in the motion that was just carried? Would that be sufficient?

Mr. Cline: — I would suggest that we note in our report that the government continues to review the issue and that there is no accepted methodology to actually evaluate public infrastructure, and that that is being studied by the task force that the Provincial Auditor referred to.

The Chairperson: — I would turn that around, Mr. Cline, and I would say that what we could probably say is that there is a task force reviewing this for across Canada and that we would encourage the Minister of Finance to be involved in the discussions of those kinds of issues that relate to developing a format for evaluating the infrastructure in various kinds of ways. That way, it would open the door for involvement.

Mr. Cline: — How about what you said, but we would say the Minister of Finance might follow that discussion, as opposed to being involved with it?

The Chairperson: — Okay, I have no problem. Then we'll put that in our report, to deal with it that way? Is the committee in agreement with that? Agreed. Okay, thank you.

Then we go to — moving right along. The questions on the next section, I have some also. I just have to put my mind around it a little bit. Item no. .26:

> Traditionally, the Government has not provided the Assembly with revenue raising and expenditure plans of the user fee enterprises. User fee enterprises are included to the extent they expect to require money from or expect to provide money to the General Revenue Fund.

Is there some reason why we shouldn't discuss these in the Legislative Assembly? And, Mr. Strelioff, what are your views as it relates to why they should be presented and why they should be dealt with?

Mr. Upshall: What was the question, I'm sorry?

The Chairperson: — Under item no. 26 on page 26 it says that: "the government has not provided the Assembly with the revenue raising and expenditure plans of the user fee enterprises." And they are only included as they are requiring money or to provide revenue, i.e., SaskPower, SaskTel, the Liquor Board, and various others of those agencies. And now you could add on the gaming corporation and various other agencies of the Crown.

As a matter of fact, the discussion on the gaming corporation really had no way of becoming involved in any way in the discussion in the Assembly. None at all, this past year. And those are . . . It is anticipated that they're going to contribute a major amount of money to the provincial treasury. And there was really no way we could discuss those kinds of issues.

Why would you say that they should be done?

Mr. Strelioff: — Mr. Chair, members, starting from that I work for the Legislative Assembly, the Legislative Assembly is responsible for overseeing the finances of the province, and to me you need — to properly carry out your responsibility — I think you need to be presented a financial plan that shows how the various organs of government plan to carry out their activities. Otherwise how do you scrutinize, understand, assess, what the government is planning to do with all its organizations?

Now in paragraph .30 I set out some of the reasons why I think a complete financial plan is necessary in terms of helping you and the public fully understand and assess key issues. Can we afford existing programs or offer new programs? To understand that, you need to know the total picture of what's happening in Education, Health, Energy, and assurance in all the rest of the organizations that the government is managing. Do taxes and user fees need to be changed? If they do where should they come from? Should they come from sales taxes, income taxes, energy utility rates, telecommunication?

Again, to be able to assess that question in terms of your responsibilities as legislators, you need to see what the total picture is. And then the last point that we make in paragraph .30 relates to the maintenance of infrastructures of both schools and hospitals — what we were just talking about — just to be able to decide how best to do that. Again our view is that you need the total plan on the table, just like you're now receiving the total financial result. And the summary financial statements show how it all . . . or what happened during the year. But to be able to assess the performance of government and to be able to understand what choices were made, you need a similar kind of complete financial plan.

It doesn't mean that you have to go into line-by-line approval of all the different elements. I mean one type of scenario could be that you are presented a total financial plan that puts together all the different elements of government. And then out of that total financial plan is what the government is coming to you to approve in a vote way, out of the General Revenue Fund. That will be a smaller portion, and then you go through your line-by-line of voting.

But to put that specific approval out of the General Revenue Fund in context, I believe very strongly that you need to know how all the different pieces are being put together or being planned to put together by the government.

And there are a lot of different transfers that take place between one sector and another sector and it just . . . well as a result we recommend that a more complete financial plan be presented to you.

Mr. Cline: — Yes, well I understand what the Provincial Auditor is saying, and we have had this discussion before, but I think it's premature for us to make any recommendations at this point other than what we have done so far, because we have asked for a joint report on this from the Provincial Auditor, the Crown Investments Corporation, and the Department of Finance. And I understand that they are having discussions with respect to this issue.

But at this point, I would suggest that what we should do in our report to the legislature is reiterate recommendations 3 and 4 of our third report, which says that — recommendation 3 says:

> Your Committee recommends that the Government study the implications and issues related to the achievement of this goal.

And recommendation 4 says:

> That, as to the matter of an annual financial plan showing proposed revenue-raising programs and spending programs of all government organizations and the matter of a multi-year plan for all government organizations this Committee recommends that the Office of the Provincial Auditor, the Crown Investments Corporation and the Department of Finance undertake discussions on this issue, and return to this Committee with a joint report. During these discussions, the Committee asks that the advice of the Institute of Chartered Accountants of Saskatchewan and the Provincial Audit Committee be sought.

So from my perspective, I'm waiting for this joint report from the Provincial Auditor, the CIC, and the Department of Finance, which is to be prepared after obtaining the advice of the Institute of Chartered Accountants and the Provincial Audit Committee.

So I don't want to foreclose discussion, and we can certainly have a lengthy discussion about the desirability of it, but what I really would like to see is what we've asked for, and that is to get a joint report from these bodies and get advice from these other parties so that we can have a discussion in that context.

So I'm suggesting that we once again reiterate the recommendations we made in the third report, numbers 3 and 4.

The Chairperson: — Is there a role on the part of this committee to be proactive in that resolution that the Assembly has passed prior to this?

Mr. Cline: — Well I think we are being proactive in the sense that we've taken the issue and we've suggested a way to try to get some kind of sensible consensus on it from these parties, and we've asked them to come back so that we can look at it. And I'd like to know what it is people end up recommending to us and what kind of joint report they're able to come up with.

I mean we've seen in the area of the task force on the relationship between the private auditors and the Provincial Auditor that some of these same parties getting together have been able to come up with what I think are very good recommendations and to achieve some kind of consensus. So I think that is proactive. But I'm just suggesting that we started that proactive ball rolling; now from my perspective, I'm waiting to see what is happening as a result of the discussions between these various parties. And I'm waiting for their joint report and hoping that they can arrive at some kind of sensible consensus.

The Chairperson: — I guess this is a question that we maybe need to ask them. Is this happening? And if it isn't, then that's the part that I was thinking . . . Maybe would it be good on our part to suggest that, as the Provincial Auditor took the lead in establishing the group of people that put together the discussion we're going to have later this week on the roles of private sector auditors and public auditors, is that a responsibility the Provincial Auditor should initiate, or should it come from some place else? And would it be our role to encourage him to do that, and would he have the right to do that?

Mr. Cline: — Well that's a question of logistics in terms of how they organize themselves to perform the task that has been given to them.

And it doesn't matter, from my perspective, whether the organization is sparked by the Provincial Auditor or the Department of Finance or CIC. Obviously somebody has to keep these discussions going. But we've asked them for a joint report. I assume that the Provincial Auditor has initiated discussions with these parties and that they've been meeting, but perhaps the Provincial Auditor could comment on that.

Mr. Strelioff: — Sure, Mr. Chair, members. We have met and discussed the issues and we've presented issues to resolve. As a first step, our office in our fall report coming up is going to set out for discussion purposes what would be in a . . . what are the necessary elements that would come into a plan for the government as a whole, and using that as a mechanism for stimulating debate and discussion.

In my discussion with particularly the officials in the Department of Finance I think they wanted that first step in the sense before commenting on whether they think those elements are the right kind of elements. They wanted the elements to be presented and see where the discussion goes and then come back to the table and once again see if we can move forward a common framework for a more complete plan.

So the discussions are happening. They're not that easy in moving along, as you can imagine, because this issue is quite sensitive and very important. It gets at whether the General Revenue Fund should be viewed as the plan for the government or a broader picture. And the convention in the past and all sorts of management practices are very much geared towards focusing on the General Revenue Fund. So it's a very, very difficult issue to move forward, but it's very important. The most important issues are very difficult to move forward.

So the discussions are taking place. And we've provided drafts of our initial thinking on what could be in a more complete plan to officials within Finance and officials within CIC, and we've held meetings as well.

Mr. Cline: — Well I'm glad to hear that meetings have been held.

I would just suggest that usually when one is considering what to do, there is more then one option, not one option. And I hope that this is going to be a consensus-building process. And if the approach taken is that in the Provincial Auditor's fall report, one option is presented as the proper thing to do and the Provincial Auditor's view of what should be done without having gone through the process of exploring all options and trying to develop a consensus, then the process may not be as successful as we saw with the task force.

And I'm not presuming that sort of hard and fast lines are going to be drawn in the Provincial Auditor's fall report, because of course I don't know. But it strikes me as curious that that would be the approach as opposed to the parties together trying to come up with some kind of joint report to present to us, which is what we have asked for.

Mr. Strelioff: — We haven't given up on that joint report. Just felt that it was reasonable to present some of the information that could be possible. And I guess when we get it out, when we can talk about the fall report in a more specific sense; you'll see that I think it's not, here's what has to happen. There's a lot of, sort of, here's the kind of information that could be possible; what do you think?

But you'll have to evaluate that when the report . . . when we come back here to discuss it. I think it's just an important step to stimulate the discussion, to see where people are coming from on this issue.

The Chairperson: — That discussion is likely going to take place when that report is presented. The part that you read there from the past about what we have presented to the Assembly is probably more inclusive then the item no. .29. Maybe we need to go back to that, that we deal with that perspective in a more inclusive . . . Because, at least as I recall you reading it, it was more inclusive than this is.

Mr. Cline: — I'm sorry. I don't understand your point.

The Chairperson: — You just read a recommendation that we made to the Assembly at an earlier date. It had more in it than this. This just generally has, as Mr. Hunt said, a summary of that content. Would you mind reading it and then we can . . . because I don't have it in front of me — would you mind reading it.

Mr. Cline: — Okay. Do you mean the recommendation that we made previously?

The Chairperson: — Yes.

Mr. Cline: — Okay. Well the Provincial Auditor has recommended before, in other reports, that there be a financial plan for the government, or a multi-year financial plan for the government.

And we examined that issue before, and we said firstly in recommendation 2) of the third report, that the:

> . . . Committee agreed in principle with the concept of the need for a multi-year financial plan for the government.

Okay?

So in terms of recommendation .29 of the current *Report of the Provincial Auditor*, we've already said that we agreed in principle with the concept of the multi-year financial plan.

Then you get into the issue of, okay, how you do that; and we said in our third report which was March of '93, in recommendations 3) and 4), first of all, 3) says:

> Your Committee recommends that the Government study the implications and issues related to the achievement of this goal.

So in other words, how do we do it?

Then in recommendation 4) we said:

> That, as to the matter of an annual financial plan . . . (and I'm skipping ahead) this Committee recommends that the Office of the Provincial Auditor, the Crown Investments Corporation and the Department of Finance undertake discussions on this issue, and return to this Committee with a joint report. During these discussions, the Committee asks that the advice of the Institute of Chartered Accountants of Saskatchewan and the Provincial Audit Committee be sought.

And what I'm saying is, that implicit in that recommendation, among other things, is the following: that we want to know what the Institute of Chartered Accountants of Saskatchewan has to say. We want to know what the Provincial Audit Committee has to say. And we want to know in a joint report what the Provincial Auditor, the Crown Investments Corporation, and the Department of Finance want to say. We want to know what all of those parties want to say or have to say. That's what we have decided.

And my point is, I'm waiting to hear and we're all waiting to hear — this isn't a criticism; it's just a statement of fact — what all those parties have to say. And to date we haven't heard any of that. And I'm saying, from my point of view, I'm looking forward to hearing what all those parties have to say, so that we can have a sensible discussion of what the options are to achieve the goal spelled out in paragraph .29.

The Chairperson: — In our last report we dealt with this, and it says, with respect to the government's financial plan for the activity as a whole, including a multi-year forecast, your committee reiterates recommendations 3) and 4) on this issue as reported to the Legislative Assembly on March 17, 1993 in its third report. And that is what you just read there.

And I guess we have two things to do, as I see it. We have to deal with item no. .29, and we have to deal with paragraph 4) as it's outlined in our recommendations and the response the government made to it. And those are two things that we need to do. And I'm waiting the committee's direction.

We could probably say as we did in recommendation no. 4) which as I said earlier is more inclusive than item no. .29 and transfer item .29 out and put in recommendation no. 4) which includes those ideas outlined. It's a summary. Item no. .29 — I stand to be corrected — but I think no. .29 is a summary of what item 4) suggests. I might be incorrect there, but I believe that it does.

Mr. Cline: — Well I guess . . . I don't want to repeat myself. I think that the best we can do at this point is what we did in our last report.

The Chairperson: — Okay.

Mr. Cline: — Which is to reiterate the recommendations 3) and 4) as reported to the legislature in the third report.

The Chairperson: — Okay, if you want to do that, I think I would like to have a motion to that effect because it's different than the recommendation — not in content but in words — than what the auditor has here, and it would expand it to some extent.

Mr. Cline: — Well then I'll move:

> That with respect to the government's financial plan for the activities as a whole, including a multi-year forecast, the committee reiterates recommendations 3) and 4) on this issue as reported to the Legislative Assembly on March 17, 1993 in its third report.

The Chairperson: — And also re-established in the report we gave last year in its sixth report.

Mr. Cline: — Yes:

> And as recommended in paragraph 4) of the sixth report of March 29, 1994.

The Chairperson: — Okay. Do we need a motion to that effect? Is the committee in agreement with that? Agreed. Okay. Thank you. Those opposed? Carried.

Okay, the discussion will take place in regard to that after the . . . (inaudible interjection) . . . Oh, I'm sorry. Should we have a response to the minister?

That is probably identified in the last two paragraphs:

> The Government believes there are many complex issues to resolve surrounding government-wide planning, managing and reporting which must be studied, in depth. The Government believes this issue is worthy of study.
>
> The financial plan currently provided by the Government to the Legislature is similar to that of other provincial jurisdictions.

Is there a response we want to make to that, or how do you want to deal with that?

Mr. Cline: — Well see, now really at the risk of repeating myself, Mr. Chairman . . .

The Chairperson: — Would you just want to establish our point again to the minister that we still believe that this is the correct . . . She didn't disagree with it. She just said that the government was doing it the way other provincial governments were doing it, and it wasn't doing that yet but they were prepared to study it.

Mr. Cline: — Well you see, we've said that in recommendation 2) of the third report where we say the committee agrees: "in principle with the concept of the need for a multi-year financial plan for the Government."

Now I have the same attitude toward what the minister says as I do toward what the Provincial Auditor says, or anybody else for that matter, and that is that okay, look, what we've done as a committee is we've said — and we've had CIC in here and Finance and we've listened the Provincial Auditor, all of them — and we've said okay, you've got your view, that's fine; and you've got your view, that's fine.

Now what we'd really like to do is get some advice from a few outside parties — and have a look at that — about this issue, and we'd like you three parties to try to come up with a consensus report. And so the minister says this; well that's fine. The Provincial Auditor says that and maybe he'll say something in his fall report; well that's fine. But the point is simply we're still waiting for them to do what we asked them to do.

And my attitude is just,. when we've asked them to do this and get advice from these outside parties, we ought to expect that they're going to engage in a process whereby they come back with that. And they haven't done that as yet. And that isn't a criticism because I'm sure that they're making efforts to do it, but I just think to go beyond and deal with the merits of what the Minister of Finance has to say at this point, or the Provincial Auditor, is premature.

The Chairperson: — So we'll just note the response and that we're waiting for her to maybe initiate some of that. Now the Provincial

Auditor's statements may or may not, I don't know, initiate some of that discussion, and we'll take it from there then.

Mr. Cline: — Yes.

The Chairperson: — Okay, thank you. It being near 12, the committee stands recessed until 1:15.

The committee recessed for a period of time.

The Chairperson: — Good afternoon, ladies and gentlemen. We're going to begin our discussion on chapter 4.

Just as information, prior to going into chapter 4, CIC will not be able to attend on Thursday morning. I will leave this open for discussion somewhat. There are some options available, either starting at 11:30 or perhaps dealing with another department. We likely will be to that point.

Chapter 8 is really what CIC needs to be here for, and I would like to have them here for that. And so I will leave it open for you to consider. And before we finish tonight we could maybe make some decisions or maybe we could just leave it till tomorrow and make the decision tomorrow because it isn't going to affect how we do it. But if we do want to have some other people in to discuss issues from 9 to 11:30, we may need to call them and see whether they could arrange the time. So in order to facilitate that, I think we'll just at the conclusion of today's meeting discuss that.

Keeping that in mind, we'll move to chapter 4. And, Mr. Strelioff, I don't believe . . . I don't know who's going to present it, but would you introduce the subject, please.

Mr. Strelioff: — Okay, thank you very much, Mr. Chair, members. Chapter 4 deals with annual pension costs and total liabilities. And with me today is Rod Grabarczyk. He's a manager in our office, a chartered accountant, and he's been with our office for about the last . . . or just over 10 years, he just told me. It seems like yesterday, he also said. And he's been working on our . . . been responsible for a lot of our pension work for the last few years, and he's going to review with you the contents of chapter 4.

Mr. Grabarczyk: — Mr. Chairman, members of the committee, this chapter provides an overview of the pension plans sponsored by the government, and we'll be looking at that. The second thing that will help . . . the chapter helps to understand the annual pension costs and the pension liabilities of the government-sponsored pension plans. And thirdly, we note the use of inconsistent estimates when calculating the annual pension cost and pension liabilities.

I guess the first question is: pensions, why are we even looking at them? Well they're significant in two respects: large dollar amounts are involved, and we're talking of a large number of members are affected.

This exhibit, exhibit 2, which is in the chapter and is on page 33 of the chapter, indicates this further in that we're talking significant dollars when it comes to the teachers' plan, the public service superannuation plan, the SaskTel plan, and Saskatchewan Power Corporation. This is looking at the defined benefit plans of the government-sponsored plans, and we'll get into what the defined benefit plans are versus defined contribution plans a little later. But it is indicating there is significant differences in terms of the assets and liabilities, and in particular the two plans being the teachers' and the public service plan.

The teachers' plan has $2.7 billion in terms of liabilities but only has .9 billion in assets, so there's a significant shortfall there. As well the public service plan has $932 million in assets . . . 913 million in liabilities, but $22 million in assets. There's again a significant difference between the assets and liabilities.

As well, exhibit 4 shows the number of members of these plans. There's a total of 44,000 active members and it shows the different plans they belong to, the most significant plans being the teachers' plan which has over 9,500 members — and these are active members that are contributing based on their working. And they’re earning salaries and they’re contributing to the pension plans. And the other significant pension plan is the public employees government contributory plan. It has over 23,000 members. And then the other segments of the pie chart indicate the other plans.

Another indicator of significance is exhibit 5 which indicates the number of superannuates receiving pensions from the pension plans. Again the teachers' plan is a significant plan in that is has over 6,700 members or retired members receiving pensions. The other significant plan that has over 5,000 members that are retired and are receiving pensions, is the public service superannuation plan. It has over 5,000 members receiving . . . well former members that are receiving pension now. Again the total on this is 15,000 superannuates, people receiving pensions currently.

Basically when we talked about plans that are sponsored by the government, there's two types of plans. There's the defined contribution plan — another term that's referred to is the money purchase plan — and then there's the defined benefit plan. And we'll discuss each one separately.

First, the defined contribution plan or money purchase plan works in the sense that the government and the members contribute a fixed amount to the pension plan. This fixed amount is based on . . . is expressed as a percentage of salary. A percentage of salary goes into the pension plan, both by the government and by the member. And the contributions and the investment earnings on those contributions accumulate to an amount that allows the member at retirement to purchase an annuity. It works a lot in the sense of a mutual fund that people buy units in, the units are invested and there's investment earnings on those units.

And these are the government contribution plans, the capital pension plan: there's the members of the Legislative Assembly superannuation plan, there's the public employees' government contributory superannuation plan, and then there's the Saskatchewan Research Council. So those are the money purchase or defined contribution plans sponsored by the government.

On the other hand, we have the defined benefit plan, the other type of plan. Here the government promises to provide a certain amount of pension at retirement which is determined based on the years of service and a certain percentage of the best years of salary. A typical promise would be 2 per cent times the average salary times the years of service.

Some other things about the defined benefit plan. The government and the members can only contribute a fixed percentage of salary, and the pension does not depend on the accumulated earnings or the contributions. Rather, it's a fixed amount that's going to be paid in pension. It's not contributions plus the earnings are going to be determined toward the pension; it's just the fixed amount that's going to be paid as pension based on years of service and a formula.

So really the risk in a defined benefit plan rides with the government; whereas in a money purchase plan the risk rides with the particular member in question, because they have to hope that there's good investment earnings to build up their pension or their accumulated amount that will allow them to buy a bigger annuity. Whereas in this case the government's hoping that they'll have good investment earnings to help pay for the pension that is a promised amount.

The government defined benefit plans include the judges of the Provincial Court superannuation plan, the Liquor Board superannuation plan, members of the legislative superannuation plan, Power Corporation superannuation plan, and the public service superannuation plan. And that list of defined benefit plans continues. There's also a Saskatchewan Government Insurance plan, Saskatchewan Telecommunications plan, teachers' superannuation plan, and a Workers' Compensation Board superannuation plan.

In terms of the defined benefit plans, there's different pension promises. But a typical pension promise is 2 per cent of the highest five years of average salary, multiplied by the number of years service, to a maximum of 35 years of service. So that would be a typical promise.

And then what it's indicating at the bottom there is pension is reduced by the Canada Pension Plan. Integration takes place at age 65. Really what that's taking into account is that when you're making contributions, the fixed amount that's being contributed to the pension plan in the defined benefit plan is being reduced for the amount that's being contributed to the Canada Pension Plan. So when the payments are coming back out, it reduced the payments accordingly to recognize that there was never a contribution made to the pension plan for the amount that went to the Canada Pension Plan.

Exceptions to this typical promise include the teachers. They receive an inflation indexing of 80 per cent of the consumer price index annually.

Another exception is the judges. They earn a pension at the rate of 3 per cent of their average salary during the last three years of service multiplied by the number of years of service to a maximum of twenty-three and a third years. And they have Canada Pension Plan integration.

Another exception is the members of the Legislative Assembly. They receive a pension of 4 per cent of the average highest indemnity received in the last four years or in four consecutive years of service multiplied by the number of years of service. They have no integration with the Canada Pension Plan.

Another area that there is differences is in the terms of indexing of pensions. Typically there's no indexing for inflation in the pension plans but again there are exceptions to that as well.

The first exception being the teachers' pension plan. It's indexed at the rate of 80 per cent of the consumer price index. That's by law; it's within the legislation for them.

For SaskTel and SaskPower, they include indexing in their calculation of their pension liability at the rate of 60 per cent and of 50 per cent of the consumer price index, respectively. There's no requirement for this indexing. The government has the discretion to determine on an ad hoc basis whether it will award indexing or not. They have determined to . . . decided to include it in.

In terms of what's happened with the indexing more recently, in September 1994 the government included not only the pension liability and the related pension expenditure but also included inflation indexing in the pension liability that was reported in the summary financial statements, which we think is appropriate. The other thing is the government still needs to include inflation indexing in the pension liability for the individual pension plan financial statements. We understand that that will be taking place shortly.

The next story we'll look at is the annual cost of pensions. The annual cost of pensions expresses a percentage of salary. The cost of the pension plans varies between the defined contribution plans and the defined benefit plans. It also varies between defined benefit plans, depending on the type of promise — there's differences in the promises in each of the plans. As well, whether there's indexing provided or not will also affect the cost of the defined benefit plans.

Exhibit 3 included in the chapter provides a breakdown of the total cost. The total cost is expressed as a percentage of salary, the member's contribution as a percentage of salary towards that cost and then the government's cost as a percentage of salary towards the total cost of the particular pension plans.

In the first four plans we have defined contribution plans. The members contribute — if we were to look at the first one, the capital pension plan — the members contribute five and a half per cent of their salary, the government cost is five and a half per cent because they match that member's contribution, and the total cost is 11 per cent of his salary that goes into that particular pension plan.

If we were to look further down under defined benefit plans, it's a little different there. The public service plan if we were to look — it's the fifth one down there under defined benefit plans — it's 5 per cent is what the members contribute, the government cost is three and a half per cent, and the total cost is eight and a half per cent.

The other thing about this in terms of the cost, the costs include indexing in some of them, don't include it in others. If we were to go through the list, judges, the cost that we were showing in the exhibit here does not include any cost for indexing, whereas the Liquor Board again does not include any cost for indexing. The MLAs' cost, thirty-three and a half per cent does not include any indexing in it. The SaskPower plan of thirteen and a half per cent of the salary in terms of their cost to the pension plan does include indexing at the

50 per cent rate of what the consumer price index is on an annual basis.

The public service plan of eight and a half per cent of salary does not include any component for indexing, neither does Saskatchewan Government Insurance. SaskTel at 14 per cent does include indexing at the rate of 60 per cent of the consumer price index. The teachers' plan by law is provided with 80 per cent indexing on an annual basis of the consumer price index. And the Workers' Compensation Board, its cost of eleven and a half per cent does not include any indexing as well.

And those costs, if they did include indexing — which our understanding is those plans will be including indexing — would increase those costs as a percentage of salary.

And just as an example, SaskPower's total annual cost is 13 per cent of salary versus the public service cost of eight and a half per cent. Both have the same promise in that they're promising 2 per cent of the best five years' average salary times the years of service. But yet the costs are different and the main difference is because one includes indexing, which is the SaskPower plan, and the public service plan does not include any indexing.

The next area we wanted to look at was consistent estimates. The government should use consistent estimates when it comes to interest rates. It should also use consistent estimates when it comes to ad hoc indexing for inflation. The government has included the cost of inflation indexing in the summary financial statements as of for the year March '94 for the summary financial statements, and to date has not included that in their pension plan financial statements. But I understand, as I indicated earlier, that they will be including cost of indexing in those individual plans as well.

There are several pension issues that require immediate consideration. As pointed out earlier, there is significant unfunded pension liabilities. There is inconsistent indexing for inflation in that some have and some haven't. But it seems like, what we understand now, that they will all be including some indexing. Then the question becomes, should they be at the same rate?

Some are at 50 per cent, some are at 60 per cent. There's differences in promises exist. The promise with most plans was 2 per cent, the best five years of salary times the years of service. There is the judges' plan that is at 3 per cent; the MLAs' at 4 per cent.

There is a need also for cash flow information. Because of significant unfunded liabilities, what's going to be the impact in terms of paying out these pensions? And with the growing number of retired members, there's going to be a greater need for cash flow in order to pay those retired members their pensions.

A *Wall Street Journal* also provided by the superintendent of pensions of Saskatchewan indicates that pension issues are significant and that they're not going to go away. The article that's just being handed out is that *Wall Street Journal* article.

A pension commission has been discussed in the past to address pension issues. A budget was provided but to date the pension commission has not been established to date. A pension commission could be used as a process in order to study pension issues.

So I think we're seeing there has been progress in terms of inclusion of inflation indexing in the summary financial statements this year as well as the reporting of the pension liability and related pension expenditure in the summary financial statements for the first time in the March '94 summary financial statements.

But there are still a number of issues in terms of indexing and whether it is consistent; the estimates, should they be consistent as well. The unfunded liabilities, there's significant unfunded liabilities as pointed out in the teachers' plan and in the public service plan, and how are they going to be dealt with in terms of providing information and providing cash flow as well. Thank you.

Mr. Strelioff: — Thank you, Rod. Mr. Chair?

The Chairperson: — Thank you for that overview. Do we have any observations or questions or comments?

Mr. Cline: — I'm just going to ask a question for clarification. In this exhibit 3 where you've got the list of the members' contribution and then the government cost, okay. I don't want to split hairs here, but when you say government cost in the second column, under the defined benefit plans, is that really an accurate description in this sense: that if you say cost, as opposed to using the word contribution . . .

For the defined benefit plans, let me ask you this question: the Liquor Board, the government cost is said to be 4.5 per cent. But if they have an unfunded liability which is not met by the contributions, then the cost at the end of the day may be higher than the contribution. Is that correct?

Mr. Strelioff: — Mr. Chair, members, the cost is . . . there is the annual cost of that pension benefit, so in a general sense the way the trade is, here is how much money you would have to put in a pension fund for that person's service at the end of that year. So that's the annual pension cost. Now if you don't, then there'll be interest on that cost over time and the actual cash will be far greater 20 years from now when you actually have to make the payment.

So in that sense, the actual cash that you'd have to pay to the retired person is greater than this. This is just strictly what is the annual cost today for this service for this past year.

Mr. Cline: — Yes. But then . . . well let me put it this way. If the government contributes the percentage stated here under defined benefit plan, are you saying that there will be no unfunded liability with respect to any of those pension plans?

Mr. Strelioff: — If we started fresh right now, say this is the first year of operations and the promises are as they are, if the employee contributes 5 per cent and the government contributes four and a half per cent of salary and puts it into a separate fund, the actuary says that should be sufficient to cover the annual pension costs and there would be no unfunded liability.

Mr. Cline: — Okay. Is this what the government is actually paying then?

Mr. Strelioff: — Right now?

Mr. Cline: — Yes.

Mr. Strelioff: — Let's see. What's happening to some of these? For the defined benefit ones?

Mr. Cline: — Yes.

Mr. Strelioff: — Let's take the public service one, the fifth line down. The members will have a deduction of 5 per cent approximately off their payroll stub. And that 5 per cent is taken in as government revenue. It's not put aside anywhere; it's just taken in as government revenue. The three and a half per cent, if the government was going to fund it, that's the amount that they would fund, but it's not funded.

So for the public service, which is the old, defined benefit plan, the employees are paying in their 5 per cent but the money is just being used to fund general operations.

Mr. Cline: — So these percentages stated here under defined benefit plans, the government cost, they're not actually being paid into some fund?

Mr. Strelioff: — It varies. Rod, can you go over the list of defined benefit plans and tell us, for the members' contributions, are they going into a pension fund? And then for the government cost, is any of that going into a pension fund or is some portion of those amounts now going into a pension fund?

Mr. Grabarczyk: — Mr. Chair, committee members, for judges there is seventeen and a half per cent government cost; that is going into a plan. And the Liquor Board, four and a half per cent; they're trying to catch up on past unfunded liabilities as well, so that's going in there as well.

The Chairperson: — Which one was that?

Mr. Grabarczyk: — The Liquor Board.

Mr. Strelioff: — So that means the members' contribution is also going into the fund for those two as well?

Mr. Grabarczyk: — That's correct. That's correct. The MLAs' is going into . . . Well actually, the MLAs', the current one, the defined benefit plan, it's being paid on a cash basis in terms of whatever the payments are in that particular year in terms of what we have to pay to the retired members, or the retired people. That's just being funded by the General Revenue Fund.

Mr. Strelioff: — What about the 9 per cent that the members are contributing?

Mr. Grabarczyk: — The 9 per cent, that would be going into the plan.

Mr. Strelioff: — Into a fund?

Mr. Grabarczyk: — Into a fund. SaskPower, that's going into a fund.

Mr. Cline: — For both?

Mr. Grabarczyk: — For both, that's correct.

The public service, as Wayne has indicated, that goes into the General Revenue Fund. There isn't a fund for that. The Government Insurance, that is going into a fund.

Mr. Strelioff: — Both sides?

Mr. Grabarczyk: — Both sides.

SaskTel, that's going into a fund for both sides. The teachers', that's going in for both sides. As well, they have some unfunded liability as well where they're trying to . . . That varies between year and year. They are matching whatever the members contribute and there may be additional payments made in the year as well to the teachers' fund.

The Chairperson: — Teachers haven't always been that way, have they?

Mr. Grabarczyk: — No, they haven't, and that's how they've got them into a significant unfunded liability.

The Chairperson: — So when did that start, where both of them . . . Like their own fund went into the plan. Is that correct?

Mr. Grabarczyk: — That's correct.

The Chairperson: — And when did that start with the twelve and a half per cent?

Mr. Grabarczyk: — 1981. And the Workers' Compensation Board, that goes into a fund for both.

Mr. Cline: — Do you know . . . generally speaking, these payments started going into a fund in 1981 for the teachers. Is that about the same time the other ones that go into a pension fund also started?

Mr. Grabarczyk: — I couldn't say on the other ones.

Mr. Cline: — And to the extent that you do that, you prevent the unfunded pension liability from compounding itself into a bigger problem. Is that correct?

Mr. Grabarczyk: — That's correct. That's correct. There is some other variables that do have a bearing in terms of . . . This cost is somewhat of a . . . it's a moving target because it's based on what the actuary has projected in terms of the time which people retire, the longevity of their life after retirement. As well it's based on interest rates that are assumed to occur in the future. It's based on salary rates that are expected to occur in the future, inflation rates, all those variables. He puts together an expectation based on a set of variables; if those variables change, these cost numbers would change as well.

Mr. Cline: — Thank you.

The Chairperson: — Just going on from that, on the indexing cost, like, you said there was no cost index. Well there is cost indexed into SaskPower's and SaskTel's, none of the others. And you said the 13 per cent was comparable to the eight and a half. And I don't know how close . . . but on the public service for example, is there a four and a half-point spread on what that index is worth?

Mr. Grabarczyk: — That's correct. The inflation indexing would be the main contributor of that difference.

The Chairperson: — And is that what you could expect to have as an increase in each of those that is not cost indexed?

Mr. Grabarczyk: — That could vary, depending on the promises in each of the plans. The judges' doesn't have the same plan as the public service or, for that matter, SaskPower.

The MLAs' plan is different in terms of it's based on a 4 per cent . . . four highest years . . . (inaudible) . . . been receiving consecutive years; so if the promise is different, the factor in terms of how that affects the total cost would be different as well.

The Chairperson: — The actuary, when he's studying that, does he take that into consideration?

Mr. Grabarczyk: — Yes he would.

Mr. Upshall: — On the teachers' plan, the twelve and a half per cent you said was started in 1981, to start catching up with funding the liability.

Mr. Grabarczyk: — Right.

Mr. Upshall: — Did it start at twelve and a half per cent?

Mr. Grabarczyk: — I wouldn't know; I'd have to go back and actually look at 1981 in terms of what this cost was at that point in time.

Mr. Upshall: — Do we have any idea on the catch-up date?

Mr. Strelioff: — The date that there will be no underfunded liability?

Mr. Upshall: — Okay, I just thought if you had it, that's fine

The Chairperson: — Well in the ones that are in the defined contribution plans, those all would have funds. Is that correct?

Mr. Strelioff: — Yes.

The Chairperson: — In both the members' contribution and the government contribution?

Mr. Strelioff: — Yes. By definition they're fully funded.

The Chairperson: — And my question for Mr. Kraus maybe — or maybe you can answer that as well — is, which ones of these can withdraw their pensions when they conclude working for the government, on the defined contribution plan? Can any of them? To put it into a registered income fund or whatever?

A Member: — Or an RRSP (registered retirement savings plan).

The Chairperson: — Yes.

Mr. Kraus: — I'm not that familiar with all of them, but I mean you're talking about defined benefit plans, are you?

Mr. Strelioff: — No, defined contribution plans.

The Chairperson: — Defined contribution plans, yes.

Mr. Kraus: — Oh, I would think . . . well I can speak best for public employees. There's no problem there. I would expect capital pensions very similar to public employees. I can't speak for Research Council or MLAs but . . .

The Chairperson: — I can speak for MLAs; they aren't.

Mr. Kraus: — They are not. You cannot, when you leave, you couldn't transfer it to another group of people to manage your fund on the same basis. But you're locked in in ours, but you can't do that.

The Chairperson: — No.

Mr. Grabarczyk: — Mr. Chair, and committee members, the capital pension plan, they could withdraw that and purchase an annuity outside of that capital pension plan or they could accept an annuity within the capital pension plan.

The public employees, they have the same option. They can either purchase an annuity from the public employees' plan or they could go outside of the plan and purchase it in the market — an annuity. And Saskatchewan Research Council, to the best of my knowledge, they're not allowed to . . . Well in fact there is no underwriting done by the Saskatchewan Research Council, so they would have to go outside to obtain an annuity or some similar vehicle.

Mr. Kraus: — If I could point out, if you want to talk about issues like that, and it is interesting because you have to think in terms of people have different needs today, but the public employees has a situation now where there's quite a bit of opportunity to do different things. If you leave early after 20 years of service, you're going to take a job somewhere else, you can transfer it into a locked RSP (registered savings plan) as we're seeing. As well, when you retire you don't have to take an annuity if you don't want to. You can put it into one of these LIFs, a life income fund, which means you can . . . you know, there's minimum and maximum amounts of money you would draw under that option. And I think up to age 80, I don't know why that's different than a RRIF (registered retirement income fund), but a LIF (life income fund), I think at age 80 then you have to take an annuity. You also have the option of putting it into a RRIF which means that can exist until you're 110 as far as that goes. There's no maximum on the upper age.

So they've provided a range of options, partly because they understand that not everyone has the same financial circumstances and people should have opportunities to plan accordingly. So there's quite a few options, and I don't know whether capital pension has all of that but certainly public employees' does.

Mr. Cline: — I want to ask a question which is addressed to anybody who might know the answer. The allegation — not allegation I guess so much as a statement — is sometimes made by public employees that are in the old plan, that is the defined benefit plan, when we talk about the unfunded liability of the pensions being a problem, so that we have to meet this unfunded liability to pay them their defined benefit, they will make the statement quite often, well yes that's true. But on the other hand what you, the government — going back to say the '60s or '70s or '80s — have done is you've taken our money, the percentage that we pay, you use the money in the General Revenue Fund, you don't pay any interest on that money, you haven't invested it for our pensions; so they say, you know, don't blame us for the unfunded pension liability because, well, you used the money, now you pay for our pensions, you know, by having this unfunded pension liability. And I just want to know: is that a fair characterization of what has gone on for decades until these funds were actually set up?

Mr. Strelioff: — I'll take the first shot at that. The facts that you stated are correct. The government chose to manage its pensions by using the contributions and reinvesting it into the various programs that are carried out. But that's a management strategy that the government chose to use. They could have invested it or they could use it in the general program sense. At the end of the day the promise stays the same: you still owe the employees or the government still owes the employees the pension that's promised. That hasn't changed.

Mr. Wendel: — Mr. Chair, that still continues with the public service superannuation plan. My understanding is they still use the contributions as revenue in the General Revenue Fund.

A Member: — At this point there is no fund. That practice is continuing.

Mr. Hunt: — To answer Mr. Cline's question and presumably with the inflation indexing set aside, the ratio of the $850 million PSS (public service superannuation) be unfunded liability that would be the result of not setting aside the employees' contributions as opposed to the employer contributions would be in the ratio of about five to eight and a half, I would think, in the same sense that you'd see it here. Is that right, Rod?

Mr. Grabarczyk: — That's correct.

The Chairperson: — I wouldn't want you to misunderstand this, but some of that money that those people contributed in their pensions was moved from an asset of $2 million to a purchase by the Catholic system of a school for $1. As I stated earlier, that's the dynamic of some of this. And I didn't bring that for argument; it just made just an interesting point.

Mr. Cline: — Well I understand, but something is worth what you can get for it in the market, and sometimes you can't sell these things for more then a dollar.

Mr. Strelioff: — Just to point something out on page 37, we show the variation in costs. And on page 36, we recommend that the government should use consistent estimates. Just above 36, we talk about that SaskPower and SaskTel are the two corporations. Now in their estimates of costs, they did include an inflation index assumption. So they were, in their costs and their liabilities that they put within their financial statements, they've been assuming that there will be an inflation ad hoc entitlement awarded to their retirees.

They were the only two organizations that did that, and now I think the government has decided that all organizations will be factoring in the cost of the ad hoc increase for inflation protection. So in a general sense, the promise to employees is changing in that they'll be . . . there's an assumption that about 50 per cent of the cost of inflation will be awarded to people within the defined benefit plans on an ongoing basis. That'll change the government costs and total costs for the pension plan. So I guess from what's transpired, SaskTel and SaskPower were ahead of the government policy, but doing something reasonable.

Mr. Cline: — So are you saying the government has already adopted a policy or practice consistent with the recommendation you make here?

Mr. Strelioff: — For the ad hoc increases due to inflation, I think they have. They recorded it in their summary financial statements as if that's part of the cost. We haven't seen the individual pension plan statements yet that would reflect that. There are some that are being adjusted right now. And that would make that assumption consistent across the government for the defined benefit plans.

Mr. Kraus: — I'd just like to raise the point to think the financial statements, the summary financial statements, are recognizing that there's a high likelihood that those ad hoc increases will be made every year. But I would say that the government has not necessarily established any policy that they will be. They are, I think, they're still properly defined as ad hoc, and I would never count on them in any particular year.

Mr. Strelioff: — So then, what everybody means is the best estimate of what might happen in the future is that 50 per cent of inflation will probably be awarded. But there's no guarantee on that. Just given the past 20, 25 years of experience, it looks like our best estimate is that about 50 per cent of the cost of living will be awarded to people within these defined benefit plans. The structure of the plan agreement still doesn't change, and it doesn't include it in an explicit way. It's just an estimate of what's likely to happen. And that SaskPower and SaskTel have been doing that all along.

Mr. Cline: — But whether or not they pay it, the question is, is the government trying to do the estimation on a consistent basis?

Mr. Kraus: — It is estimating on a consistent basis, but who knows whether or not the payments will be made as regular as they were in the past. They weren't the last 3, 4 years. The pattern has changed dramatically from what it might have been the previous 15 or 20, and we really can't be sure just what decision will be made from year to year on that item.

Mr. Cline: — You can't be sure that they'll pay it, but the question is — I think — it's just the basis upon which they estimate the liability. You know you can estimate the liability on a consistent basis without necessarily actually having the assumptions come true.

Mr. Kraus: — Yes.

Mr. Cline: — Down the road.

Mr. Kraus: — I think that's . . . yes.

The Chairperson: — I have a question about . . . you have 44,000 active members in the pension plan, and you have 15,000 retired employees. Is there any overlap in those numbers?

Mr. Strelioff: — I hope not. Are you . . . double dipping or something? Once you receive a pension, you can no longer contribute to the pension.

Mr. Grabarczyk: — Right. You couldn't be . . . (inaudible) . . . about the same time.

The Chairperson: — I wasn't questioning that. I just was wondering whether you added the 44 and the 15 to get 59,000 who are going to be receiving benefits at some point in time from the defined benefits plan.

Mr. Strelioff: — These charts show the members in defined benefit plans and defined contribution plans.

The Chairperson: — Okay. Then the question is: you got 15,000 retired employees and teachers receiving pension benefits. I would assume that the majority of those are defined benefit plan, and how many of the 44,000 are going to be receiving that?

Mr. Grabarczyk: — Mr. Chair, committee members, in terms of the number of people that are going to be receiving pensions, we have, for example, teachers, teachers right now. There's 6,710 receiving a pension, and there's 9,540 that are active. What that's going to translate to in time is that the 9,540 plus the 6,710 would be receiving pensions. But as well there will be ones that will be passing on, and stuff like that, reducing that number. But eventually the 9,540 will become recipients of a pension.

The same thing with the public service employees — currently there's 5,250 receiving a pension. Another 4,010 will eventually receive a pension too. Increase that, and if they were all to be alive at the point in time in which they all retire, there would be 9,260 receiving pensions at that point in time.

The Chairperson: — Do you have the number for defined benefit plan of those 15,000, and how many of those in the 44,000 are in the defined benefit plan. There is a difference because the others are contributing to a plan that has a funded plan, and these are contributing to an unfunded plan on a certain portion of them.

Mr. Grabarczyk: — Mr. Chair, committee members, in terms of the ones that are in a defined benefit plan . . . would be the teachers' plan is a defined benefit plan, the public service employees, the public service superannuation plan — the PSSP plan, the SaskTel plan, the SaskPower, SPC, are the plans that are defined benefit plans as well as SaskTel. And there is some other ones that we've indicated on page 39 of paragraph .33. They are defined benefit plans as well. They do include the MLA and SRC (Saskatchewan Research Council) which do have some components of both, but that would be . . . the vast majority of the defined benefit plans would be included in those plans.

The Chairperson: — They'd be included in exhibit 5.

Mr. Grabarczyk: — Exhibit 5. Again SaskTel, SaskPower, and the public service superannuation plan, and the teachers' plan would be the defined benefit plans.

The remaining component is the public employees superannuation plan; that is a defined contribution plan. And in the other, most of that would be defined benefit plan.

The Chairperson: — Of the 44,000, do you have any idea on that? Because you've got teachers after '78 or '79, whenever that was, from then on wouldn't be in that?

Mr. Grabarczyk: — That's correct. So in terms of the 44,000 active members, if we were to add the teachers' plan, the 4,000 from the public service superannuation plan, the SaskTel, and SaskPower, if we were to total those up which would be 9,500 plus four, that's thirteen five. And another 2,300, that's about fifteen six. And then there would be about 400 to 550 in the other would be defined benefit plan members.

Mr. Strelioff: — So 16,000?

Mr. Grabarczyk: — About 16,000.

Mr. Strelioff: — Out of the 44,000.

The Chairperson: — 16,000 out of the 44.

Mr. Grabarczyk: — Right. And the biggest component left is the public employees' superannuation plan which is a defined contribution plan. And it is fully funded and it has 23,000 of the 44,000 active members.

Mr. Kraus: — Could I ask a question? When you look at the teachers at 9,540, are there not two components there? Is there not a plan that is funded? There's sort of the two parts to the teachers now and is not one part of it funded or required to be funded?

Mr. Grabarczyk: — The part of the fund, I think, that Mr. Kraus is referring to, is the new plan. They divided and split the plans up in the early '80s. That plan has been taken over by the Saskatchewan Teachers' Federation so it's not included in . . .

Mr. Kraus: — Oh it's not in . . . that group is not here.

Mr. Grabarczyk: — No.

Mr. Kraus: — Oh, okay.

Mr. Strelioff: — Is that plan funded?

Mr. Grabarczyk: — Yes, it is.

Mr. Kraus: — And if I could make a point on that. I may be wrong but I thought they were subject to the pension benefits legislation that requires that in fact they don't have an unfunded pension liability; or if one has materialized, is they have to take steps to eliminate it.

Mr. Grabarczyk: — That's correct.

Mr. Kraus: — Which is different from government defined benefit plans that are generally not subject to that law.

Mr. Strelioff: — It's The Pension Benefits Act of Saskatchewan. Is that it?

Mr. Kraus: — Yes, which requires . . .

Mr. Strelioff: — That all private sector pension funds have to comply with, which requires a fully funded pension plan.

Mr. Kraus: — Yes, if you get out of whack you have to take steps to catch up. That's right.

The Chairperson: — And do you have . . . I'm sorry.

Mr. Kraus: — I was just going to say, and I believe that's what this the new teachers' plan is subject to. They are subject to that law.

The Chairperson: — And do you have any idea how many teachers are in that one?

Mr. Grabarczyk: — No, I don't, not off the top.

The Chairperson: — They have assets of $1.9 billion in these funds and liabilities of 4.7. The 1.9, that is being held by a number of groups. I'm just trying to think of who some of them would be — the people who are managing the fund on behalf of someone else.

Mr. Strelioff: — The investment corporations.

The Chairperson: — Yes, the investment corporations. Do you have any access to them and their responsibility and having them tell you whether they're managing that fund properly?

Mr. Grabarczyk: — Mr. Chair, committee members, each of the plans has a board and that board has contracted out the investment management of their funds to the investment management corporation, or what it's referred to now as Greystone Management, and those boards in turn do an investment performance study on the investment manager. And in a lot of cases, my understanding is, they use J. P. Marshall as a consultant to help them study the performance of the investment manager.

Some of the funds, one in particular, the public employees' contributory plan, uses three managers. It does not only use Investments Corporation or what is referred to now as Greystone Management, but it also uses two other managers — Dustan Wachell and Elliott Page — to manage some of their funds as well.

Off the top, I'm not sure whether the other plans are divesting in terms of having more than one manager manage their funds.

Ms. Crofford: — I have two questions. I might have been out while someone answered this. But what would the situation be in Canada in the private sector? Would there be a similar kind of unfunded liability in private plans or . . .

Mr. Strelioff: — In general, I think most private sector pension plans fall under The Pension Benefits Act. And that Act will require that the pension funds be funded. And so in general they should all be funded now.

There's usually some controversy periodically that's reported when perhaps a corporation is going insolvent or is being sold as to what exactly is the exact funding status of those corporate pension funds and in some cases you'll see arguments about who owns the pension surplus. There may be a surplus in it and in some cases there may be a deficit in it, and then there's a discussion as to who's responsible for that. But in general, the legislation requires that it is funded.

Ms. Crofford: — Are they required, under that Act, to have those funds in a separate fund, rather than in their general revenue?

Mr. Strelioff: — Yes.

Ms. Crofford: — And you answered partially my other question. I was going to ask, what happens if there does happen to be in any fund a surplus?

Mr. Strelioff: — In the corporate world?

Ms. Crofford: — Corporate or public. The corporate I think you addressed yourself to, there would be a debate over who owned it.

What about in the public sector, if the fund ended with a surplus?

Mr. Strelioff: — When you say ended up, meaning at any point in time there might be a surplus. You're not thinking at the end of the day when all the members are gone and there's nobody to pay . . .

Ms. Crofford: — Well let's say it was a plan where . . . like in our instance, where there were people in one kind of plan, then the plan was changed, and there's a plan that's winding down and winding down with a surplus.

Mr. Strelioff: — It's a good problem. I think I would assume there would just be a debate and there would have to be some sort of decision made. I'm not sure exactly how that would work.

Mr. Kraus: — I would just comment, what normally happens there is that if there's a strong employee association of some sort they'll probably bargain with the owners, whether it's government or private, and see whether or not they can put a claim on part of it, saying they'd put their money in so part of that surplus is theirs, or all the surplus is theirs. I think that's what it ends up being in most cases.

Mr. Strelioff: — They might even argue for enhanced pension benefits. If we've got a $25 million surplus, can't we increase the pension promise?

Ms. Crofford: — Thank you.

Mr. Cline: — Just in relation to that, I may be wrong, but I believe there are surpluses in the SaskPower and SaskTel plans. There is no unfunded liability with respect to them. The chart here indicates, you know, that it's close but a slight . . . on page 34 a slight . . . slightly more assets than liabilities. My understanding is that they have surpluses. And then the question becomes, what do you do with them? And the answer is not clear.

The problem the government has is you get the . . . I think there's five old plans in the Crown or non-civil-servant sector — let's say SaskPower, SaskTel, SGI (Saskatchewan Government Insurance), Liquor Board, WCB (Workers' Compensation Board) maybe, say those five. Two of them maybe there's a surplus. The rest there's an unfunded liability.

The question is, you know, the retirees, the superannuates come along for SaskPower and SaskTel and they say, well we should get a bigger increase because we have excess money. We don't have an unfunded liability. But the government says, well, you know, how can we give you an increase but we don't give it to the other employees?

You know, they want some kind of consistency so that's the problem you get into. And then the government I guess would say, well you can say that if there's a surplus that belongs to you, the employees; but if there was a deficit, which there is in some other plans, you wouldn't say that was your risk. You'd say that we have to meet that. So it's a bit of a dog's breakfast. I don't know the answer. I'm just saying that I think that debate does go on.

Mr. Strelioff: — For sure.

The Chairperson: — I have it listed in SaskTel as being $440 million worth of assets and 422 million of liabilities, and SaskPower Corporation is exactly the same. I got those numbers from some place, but I . . . oh yes, it's in item .16 it says that.

Were you done, Ms. Crofford?

Ms. Crofford: — Yes, thank you.

The Chairperson: — Okay. Something that struck me as being interesting, in item no. .17 it talks about Canada Pension Plan being integrated with the benefits received through the pension. And would you give an explanation as to when that happened? Like I recall vaguely some of the events of how it happened, but it seemed to me that there was a judgement handed down somewhere along the line that made the Canada Pension Plans be deducted, and that at one point in time there had to even be a contribution by the provincial government in order to offset the cost that it would have been to the teachers.

Mr. Grabarczyk: — Mr. Chair, committee members, how the Canada Pension Plan integration works is really what happens there is when a member is contributing and starts working, they contribute so much to their pension plan and that's reduced by the amount they contribute to the Canada Pension Plan.

So effectively they're not contributing. If we use an example: their contribution rate is 7 per cent of their salary, is what is required to fund the pension that they're entitled to. The member would actually pay 7 per cent less whatever he pays to the Canada Pension Plan. So he's putting less money in.

Now to integrate that, what they do when he gets his benefit out, the benefit is actually based on him contributing the full 7 per cent. Now he hasn't in fact contributed the full 7 per cent so when he gets his benefit out they reduce that by the amount he receives under the Canada Pension Plan, so that the two are essentially equal. He's put in an amount equal to what he should actually get out in turn. That's how the Canada Pension Plan integration works. In terms of some other ruling, I'm not aware of that.

The Chairperson: — I recall vaguely that we had to put money into the teachers' plan on some superannuated teachers who had not . . . who had not had this CPP (Canada Pension Plan) reduced. And so what they had been receiving was their full benefit plus the CPP benefit and then they would have had to pay that all back. Is that correct?

Mr. Kraus: — I can't recall. We can't recall specifically, but we know something like that occurred.

Mr. Wendel: — Excuse me, Mr. Chairman, several years ago there was a problem with some of the pensions that were given to the teachers and they hadn't done a proper indexing. And it ended up that that pension had to continue because it was promised to them. Future pensions were changed to make sure that the error didn't happen again. So in that respect I guess the government would have to pay.

Mr. Strelioff: — What did they do? Was it added on then, they'd get the CPP plus their full pension?

Mr. Wendel: — No, it wasn't quite that simple. It was a little more complicated than Ron's explained, but that's the gist of it. But when you actually go to apply it, it's a lot more complicated than that. And there was some technical error made and that carried through and those people weren't expected to pay it back, is my understanding. I'd have to go back. We did do a report on that several years ago. I'd have to read it again to get it in mind.

The Chairperson: — Okay, I just . . . that triggered in my mind, and I just thought that maybe you would have that information handy. You don't have to go looking for it because I remember that that's what happened. And it happened in the teachers' plan; I don't think in any of the others.

The item no. 20 says that the:

> Members of the Legislative Assembly earn a pension equal to 4% of their highest indemnity received in 4 consecutive years of service . . .

When was that established? It ended I think in '78. When was that established? Do you have any idea?

Mr. Grabarczyk: — The exact date of when that was established, I'd have to go back to look in the legislation to be certain as to the date.

Mr. Cline: — I think you had to be elected prior to 1979?

The Chairperson: — Yes, prior to '79, but before that, how long? I mean do people who were members of the Assembly in '55 qualify under this same pension plan? That's basically the question.

Mr. Cline: — I don't know when it started.

The Chairperson: — If you have that reasonably handy, would you mind providing it?

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

The Chairperson: — In item .25, it says:

> We do not know why the cost of some pension plan promises, i.e., those of SaskTel and SaskPower, include the costs of inflation protection and others do not. Consistent estimates should be used unless there are different pension benefits promised.

And you went through some of those, like the cost of living index, how much it was. Mr. Kraus, are there any indications that they're going to be included in the estimates of the costs of these? Or am I misunderstanding it? Is it costed into the $3 billion liability?

Mr. Kraus: — The ad hoc part of it? Because it is.

The Chairperson: — What do you mean by the ad hoc?

Mr. Kraus: — Well as it was being explained earlier, there is a cost that you can impute or calculate or predict if you expect that you're going to get ad hoc increases periodically. And that has been added to the amount of the unfunded liability, or the effect of that has been added to the unfunded liability.

Mr. Strelioff: — So that's ad hoc increases for covering future inflation. That's what, when we use that phrase ad hoc increases, we're talking about — increases in the CPI (consumer price index), and the actual pension benefit promised doesn't include that promise but practice has been to increase pensions for some portion of the increase in the CPI. And that's the ad hoc.

Mr. Kraus: — With respect, if you're asking about paragraph .27 though, and if your question was, are those things applied on a consistent basis, salary increases, future interest rates, to the best of my knowledge, not at this time. So that I think that just is the point the auditor is making, that at this point in time all of the government plans or those that we're responsible for are not using consistent numbers or providing the actuary with the same estimates of what some of these costs may be.

The Chairperson: — We come to the point then where we have item no. .26, a recommendation by the Provincial Auditor that the government should use consistent estimates when calculating the costs and liability of its pension plans. Any observations relating to that?

Mr. Cline: — Well I'd like to ask a question in light of what Mr. Kraus just said. What would be the reason for that, that you would not be using consistent methodology, I suppose, with respect to the various pension plans?

Mr. Kraus: — I think the best answer is that these plans have been managed by different groups. The management of them is delegated. In the case of the teachers, it's the Teachers' Superannuation Commission and their board. There's a public service superannuation plan board which is obviously different from that other group. And there's the individual Crowns and there's the Liquor Board, and everyone is doing what they think is appropriate.

There isn't . . . pensions are, I guess if you want to use a term like that . . . or someone who's been looking over the whole thing and saying, is it reasonable to have the situation we have. I mean in some cases maybe, maybe some of the differences are warranted, but no one is checking to see whether they are or are not.

Mr. Cline: — But it really is not the different assumptions being given by the pension plans or the government administrators to the actuaries. It's the actuaries using different assumptions when they calculate or estimate the future liability.

Mr. Kraus: — Well I think in all fairness, and I've only participated myself in it, but I think it's up to the administrators and the actuaries, whoever is engaged, and of course they may use different actuaries, in fact, who they contract with. Maybe it's the same firm sometimes, but it might not be out of the same office.

But they have to sit down and agree on what are reasonable numbers and there can be a little dickering back and forth. I mean the actuaries are obviously going to stick to what they think is reasonable, but there's always a little tolerance as to what you might pick.

So I think you go through that type of process. Sure, the actuary is going to insist on some reasonableness, but they can probably be persuaded to moving something up a full per cent, up or down.

But just based on what I recollect from being involved about 10 or 12 years ago in one of these things, you had to sit down with the actuary and agree on what numbers you were going to use.

Mr. Cline: — But doesn't it really come down to the fact that an actuarial science simply is not an exact science?

Mr. Kraus: — Absolutely. None of these numbers will come true. You can be sure of that. It's an art, and it's a science and an art; it's a blend.

Mr. Cline: — And if you had two different actuaries looking at the same pension plan, and they were trying to estimate the future liability, they could come up with dramatically different numbers.

Mr. Kraus: — I suppose you could get one actuary who feels stronger maybe that inflation is going to be a little higher, sure. And it only maybe has to go from . . . you think it's going to be a four to four and a half per cent or something like that; it's not a big amount. But over a period of years it could amount to a significant difference in your estimate. And they probably would still both be considered to have been within their professional standards.

Mr. Cline: — Yes. Well they would be following what they refer to as generally accepted — I guess in this case — actuarial standards. They would both be duly qualified professionals, and they'd be coming up with wildly different answers to the same question.

Mr. Kraus: — I would hope they wouldn't be. Well they could be quite different, yes. I guess they could be. I'm not sure what people consider to be a big difference, but I wouldn't imagine it's hard to change . . . when you're talking about billions of dollars, it wouldn't be hard to change it by a couple hundred million dollars.

Mr. Cline: — And then the problem becomes, if you want to be consistent in your estimating, you'd want to pick the assumptions that one actuary or set of actuaries is going to use.

Mr. Strelioff: — Just remember it's management's responsibility for these estimates. Actuaries will recommend. They'll provide reasons for the ranges that they recommend. At the end of the day, it's management's responsibility to decide what are the assumptions we'll use for calculating our liability, our annual pension costs, etc.

Mr. Kraus: — But I would add, Mr. Auditor, that I think in all fairness you could only be able to move the actuary so far on those numbers. And I mean they have standards. They sign off not unlike you do, right? I mean there's a range, but it's within reason; although it can certainly result in far different results.

Mr. Strelioff: — Certainly I would hope and assume that the actuaries would not want to be associated with misleading information that they would provide management. I'm sure that if management was going to use unreasonable assumptions and publish that, I would hope the actuary would take a pretty strong stand, and I assume they would.

Mr. Cline: — No, it's not . . . I'm not thinking of inaccurate information. I'm just thinking, well one says that the long-term rate of inflation versus the interest rate is going to be X, you know; and another one says no, no, it's going to be Y, right? I mean both of them are professional; they just have different opinions.

I guess my point is just that it is an art rather than a science, (a); (b), I mean consistency, well everybody wants consistency. But on the other hand, if we're going to be consistent, okay, you'd better make sure that you pick the right actuary because you're picking one. Think of it this way. The actuaries will come up with, I think, wildly different numbers at the end of the day when you're dealing with a long period of time. If you've got 10 actuaries dealing with 10 plans, okay, they're all using their own assumptions based upon what they professionally can properly do.

Mr. Strelioff: — And what management has advised them.

Mr. Cline: — That's right, okay. But you're not dealing with one set of assumptions for management and the actuaries working together; you've got these 10 different assumptions. The odds are, since they're all going to be a bit different, all within the normally accepted actuarial principles, that if you average it out, okay, you average it out, you're going to be close to what the real situation is 20 years from now, okay.

Now you decide that no, no, we don't want any inconsistency, because by definition that's bad, so you say, well we're going to have one set of assumptions that the managers and the actuaries are going to agree on for all the pension plans. Good in terms of consistency; bad if you pick the wrong assumptions and the wrong actuary, okay. You could be better off if you had slightly different — all within professional guidelines — methods being employed, different actuaries and different managers. Because on average maybe it's a bit of insurance. The odds are that you're not going to be as far out as you might be if you make a mistake in choosing your actuaries.

And the fact is that we can all make mistakes in choosing the actuary, and the actuaries can all make mistakes too. So you're putting, I think, a lot of onus on a small number of people.

Mr. Strelioff: — They do have three-year evaluations though, and then compare what they thought was going to happen to what actually happened. And then they make adjustments in the next three years. So there is some testing as to whether the assumptions are realistic.

The inconsistency, some assumptions shouldn't be the same. From what I understand, teachers, for example, seem to live longer than other people for some reason. So therefore the assumptions on their mortality rate would be different than the assumptions for . . . I'm not sure exactly who lives less, but those kind of things. And on the inconsistent assumptions, we're really happy that the government moved on the ad hoc or the assumption surrounding inflation. Because that was such a big difference between plans and that needed to be examined. It didn't seem to make sense that it was being done differently.

The thrust of our recommendation is have a look at the assumptions. If they are different — and they should be different, okay — but make sure that the differences aren't just there because no one's really had a look at them; let's have a look to make sure that the actuarial . . . or the assumptions underlying all the estimates do make sense in a general way.

And there's no doubt there's reasons why they wouldn't be consistent. But then make sure that those reasons are known, clearly stated, and for example on the ad hoc increases for inflation protection, if there's a reasons why that shouldn't be there, okay. Make sure that it's thought about, considered, and then decided on.

Now we're not saying that it all should be the same. It's more make sure that you know in a broad sense what's going on. And where assumptions should be similar, have a look at that; and where they should be different, make sure they're different.

Mr. Cline: — Well I'm not going to belabour this, but I just think that you're applying accounting principles, I mean, and I suppose accounting is not a science either. It's in some ways an art. But actuarial science, to use a misnomer, is even less of a science than accounting. And I just think that when you ask the question, as you do in the report, well we don't know why different estimates are employed, to me, the answer is because you're employing actuaries and they are going to, *ipso facto*, employ different estimates.

I've convinced myself that it's not a problem, you know, because you may be safer with the differences than you will be if you go with the one actuary that makes sure everything is consistent but he's dead wrong.

Mr. Strelioff: — I guess time proves this out. On the one change that they have made, I think that was a good change; that they did go to a consistent assumption on whether inflation protection will be provided or not provided. The magnitude of it is quite large and I think after considering it, it made sense to move to that.

Now there might be other kinds of assumptions that are similar to that. I don't know yet.

Mr. Kraus: — I was just moving around, Mr. Chair, but since you've asked me, time will only tell on those ad hoc changes to . . . As you know, these are only estimates of what may happen. It's like something in the future and you can't be sure what's really going to happen, and so no matter what we estimate, I think time will only prove whether we're correct or not.

The Chairperson: — Mr. Kraus, I used to be a goalie and I had to watch the whole show and therefore I caught that. I saw you fidget.

The question that I have is: wouldn't you be able to agree on interest rates? Sure, you can take a large spread and measure that out over five years or eight years or whatever and then have an average, and it's to your benefit maybe to do that. But you should be able to judge on some of those things where your closest likelihood is going to be. And that's included in one of the observations in .27.

Salary increases, too, have been one of the things that probably could have consistency because the changes in salaries, the percentage increases, have been fairly consistent, and this goes back at least 10 years.

And then the other thing that is done with these is that they overlay what they suggest over the period of time that has already ensued to see whether in fact this would actually have occurred, using real numbers. And then you get a fairly stable projection as to what happens; if you go over 20 years, what could happen in the next five.

Mr. Cline: — Well the answer to that is no, not necessarily. There is not agreement on what the interest rate will be or what the rate of inflation would be. That's what the actuaries argue about.

The Chairperson: — Right. But that's assuming — excuse me — that's assuming that they use the same information to get the same rate. Your pension plan is at nine and three-quarters. If you would suggest that to someone else, that yours is at nine and three-quarters and mine is at nine and three-quarters, that theirs would be at nine and three-quarters, they would say, no, it's not likely going to be. It could be at eight and a half and what's to say that yours is going to be right over five years.

But you have to make the assumptions of what you establish as the dynamic in the interest rate area. You have to understand whether you're going to be making it in bonds or what kind of money instruments you're going to be making that in. And then the other hand, you could say, is the government prepared to pay us nine and three-quarters for our pension money and are they paying other agencies nine and three-quarters like the other pensions like the public service pension. Are they paying them nine and three-quarters for their money that they're lending to the government for the benefit?

So there's lots of what I would say flexibility but you have to assume the same things. That's what I see this as recommending. Don't go assuming numbers of other facts that could create variables.

So my question is, what do we do with no. .26?

Mr. Cline: — Well I think we should simply note the recommendation of the auditor and the fact that the government has made some movement toward using consistent estimates in calculating the costs and liabilities of its pension plans.

The Chairperson: — Do you agree with item no. .26?

Mr. Cline: — Do I agree with it? No, not necessarily, for all the reasons I stated. If you analyse it and the pension plans are going to use actuaries, and if you want complete consistency in terms of the assumptions that they use and the advice they give management, then you should have one actuary. And I think you're safer having a bunch of actuaries because on average you're going to have an average result that is more correct than if you rely only on one person to make decisions because if that person is wrong the risk is a lot higher. That's my view. Now I may be wrong, but that's my view, and so I'm saying it sounds good to say the government should use consistent estimates. I'm saying it doesn't necessarily make sense.

Now the government says that they're moving toward it in some ways in terms of calculating what the inflation through the plans is. Fine, but to say that everything should be consistent, I wouldn't be convinced of that. Now if you want to get a bunch of actuaries in, God forbid, you know, and have them have a go at this and figure it out, we could try that. But no, I'm not sure that the idea makes any sense.

The Chairperson: — I raised it for a question because if you say that they are effectively . . . or they are doing something where they have put CPI into it and you're going to commend them for that and then none of the others fit, I think you're contradicting yourself and that's why I raised the question.

Mr. Cline: — Well no, I'm not contradicting myself because they have control over that factor. They have control over the percentage increase that they're going to give people, a cost of living increase that they will give, okay? So if they're wrong they've got control over that factor. They don't have any control over what the rate of interest is going to be over the next 20 or 30 years. They don't have control over what the rate of inflation is going to be. So . . .

Mr. Strelioff: — What about salary increases?

Mr. Cline: — Well they have some more control over salary increases it seems to me, you know, because I suppose if you're Alberta for example, you can have negative salary increases. You don't like the . . . even though there is no inflation — but you don't like what's going on would you cut everybody's wages by 7 per cent. I mean they've really got control there. If you're in Manitoba then you say, well take every second Friday off, or third Friday, or whatever it is, and you control it that way. But yes you have some more control.

The Chairperson: — But my question to you is: do they have control over the consumer price index?

Mr. Cline: — No, that's my point. And since nobody has control over the consumer price index, why pretend that in the interests of consistency you're going to make the same assumptions across the board? Okay. Instead of having slightly different variations and getting different advice, and when the person you pick to do that so that you're consistent all over the place is wrong, you're really going to pay the price 20 to 30 years from now. Whereas if you have different people making different prognostications into the future, some are going to be, you know, out on the high side, some are going to be out on the low side, you're more likely to have a correct result.

It's no different than managing an investment portfolio where you take some investments . . . we don't say that the rate of interest on bonds is going to be thus-and-so for the next 20 years. You'd take some of your investments and you'd invest them conservatively on a long term; you'd take some of them and you'd invest them speculatively on a long term. And out of that what you want to have is some kind of a blend.

And I don't think this is any different than that. And what you're saying is . . . because you're saying to me, Mr. Chairman, by asking these questions, you're really saying, well, Mr. Cline, don't you think consistency is good? And you're putting me in a position where I'm saying, well no I don't think consistency is good because it doesn't necessarily make sense. And just because somebody says we should be consistent, I mean it doesn't mean that we should just put up our hands and say, yes well let's be consistent, because you have to demonstrate it makes sense.

And you wouldn't take all of your money and invest it, you know, at one interest rate on a long term. And that's what you're saying when you say that we should worry about different professionals managing different pension funds and estimating liabilities in different ways. It doesn't concern me at all. To me it makes sense.

Ms. Crofford: — Well I'm going to try coming at this argument from a little different spot. It seems to me whenever we discuss our provincial budget, we have to arrive at some figures we use to base our projections on. And we usually use the projections of various credit-rating houses, banks, people who are in the game of trying to make predictions about what economies will do. And what we normally do, I think, is look at several. We don't just look at one, we look at several different forecasters. And some forecasters over time have a little better track record than others as far as whether their forecasts tend to hold out or not.

So I guess what I would wonder in this one is at what point does the consistency start to kick in because it seems to me it would be useful to compare the way different actuarial approaches are being taken. And to then at some point, you might decide that one of them is performing a little better, although that might not always be the same one. And then at some point sort of down the road, in your application of those principles you might then be somewhat consistent as you use it to look at your various plans.

But I think I agree with Mr. Cline's point, that there's a point at which it doesn't hurt to have some divergence in how people are doing that because it's in the way in the mix of those actuarial view points that the truth comes out. But certainly once you've determined that there seems to be some common themes amongst those actuaries and that there seems to be some that have done a little better over time in predicting it, you may find then you get some of your consistent pieces that you can apply. But it's difficult because I just don't think it's quite as black and white as this. And I do see the virtue, as in when we do economic forecasting, of having more than one forecast to look at because they're not all going to be right all the time. And maybe some of the safety is in the blend of different views rather than just fixating on one and then the whole works is wrong. It might create some balance by virtue of having some different approaches. It's a hard one to just say yes or no to, as it's written.

Mr. Koenker: — I'd like to speak to moving beyond this one, in the interests of discussing a subsequent item.

The Chairperson: — So you can call for questions.

Mr. Koenker: — I'll call question.

The Chairperson: — My question to you is, what do you want done with item .26? It's about the third time I've asked that.

Mr. Cline: — I answered the question. And then you started asking me a bunch of questions. I suggested that we note that the Provincial Auditor made recommendation .26 and we note that the government indicated that in some areas it is moving toward using consistent estimates when calculating the costs and liabilities of its pension plans. And I think we should note those two facts in our report to the legislature.

The Chairperson: — Okay, agreed?

Ms. Crofford: — Agreed.

The Chairperson: — Okay. I think we could probably break for a few minutes for coffee, and whatever, and then come back and deal with some of the other recommendations that are in chapter 5.

Mr. Koenker: — Mr. Chair. I would like to discuss paragraph .28.

The Chairperson: — Sure. I'm sorry.

Mr. Koenker: — In as much as there is an implicit recommendation, even though it isn't in bold type with the words "we recommend" in the column.

The Chairperson: — Okay. We'll do that immediately after.

Mr. Koenker: — Okay.

The committee recessed for a period of time.

The Chairperson: — I'll open up the committee meeting again and Mr. Koenker wanted to deal with item .28. And as a matter of fact, I did have some notes on that one myself. If you want to lead off with that.

Mr. Koenker: — Thank you, Mr. Chairman. I think the item .28 speaks for itself, although it doesn't tell us when the government said it planned to form a pension commission. And I don't recall that, even being a government member, and my first point, I guess, would be a question as to when that was said and in what context. I don't recall that.

Mr. Strelioff: — Mr. Chair, members. Mr. Kraus, it was in the budget of the Department of Finance either last year or the year before. Do you remember which year it was in the budget of your department? It was a specific item called . . . I don't know, it was maybe $300,000 and it was for a pension commission. But I just can't quite remember which year it was, so . . .

Mr. Kraus: — I believe there was a subprogram, as they're now identified. It was called pension review task force and there was an estimate in the '92-93 budget for $300,000.

Mr. Koenker: — '93-94?

Mr. Kraus: — That's '92-93.

Mr. Koenker: — '92.

Mr. Kraus: — '93 yes.

Mr. Koenker: — Of $300,000.

Mr. Kraus: — Yes.

Mr. Koenker: — Okay. And as far as we know — any of us here today — has anything been done by this pension review task force?

Mr. Strelioff: — Not that I know of.

Mr. Kraus: — No, nothing was done, again to the best of my knowledge. I just wanted to see if any money was . . . No money was spent or charged to that item in '92-93. There was a budget of $300,000 but no expenditure was incurred, so I presume that means there wasn't very much done.

Mr. Koenker: — I come back to my comments then before we adjourned for coffee. It seems to me that we have in here, if not an explicit recommendation, an implicit recommendation from the auditor that the government should do a pension study as soon as possible on the many issues related to the pension plans and to address some of these issues.

Now I think that's a good idea and I would support that, but with some qualification. I don't like the idea of doing that simply in the narrow sense, namely pertaining to for example the pension liabilities that we spent so much time this afternoon discussing.

But I think that the discussion that we've had this afternoon only points to some of the larger pension issues that the government needs to face. And I think particularly pension issues pertinent to those people who have no pension coverage whatsoever, who don't have a government match of up to twenty-four and a half per cent, who have no government match, who have no pension . . . who are making no pension contributions presently.

So I would speak very strongly for the need to do . . . for the government to act on a pension review task force, to establish a pension review task force. But I would like to see it have a broader focus than simply the narrow focus of pension liabilities for existing plans that are talked about here in chapter 4. In fact I'd like to move a recommendation to this effect, if that would be appropriate.

The Chairperson: — Yes, it is. You just put the words together and then we'll . . . We'll give you some time to do that.

Ms. Crofford: — While Mr. Koenker is doing that, I'll speak to this. It seems to me that, unless the public atmosphere becomes extremely narrow in this country, that governments have an assumed obligation to senior citizens. If those senior citizens never had private pension plans or were never under a government-sponsored pension plan, then they still, by default, end up on the tax base because they'll either be receiving a GIS (guaranteed income supplement) or . . . I think that would be the typical way that they would receive that money once they're of pensionable age. If they're a little bit younger they would maybe be on welfare, but once they reach pensionable age it would be GIS.

And given the fact that the federal government may be changing its policies on who gets CPP and whether that's . . . whether your pension from another source might be considered as part of your total income rather than the universal application that we have of pension right now — although there has been some claw-backs over the last few years — it seems to me that we have to look at the pension problem in total.

Because again, in the same way that you're looking down the road at infrastructure and other things, you're looking down the road based on your provincial demographics at a certain public pension obligation whether people are covered or not.

And of course this is the reason why I'll always argue that every employer should take some role in ensuring that their employees have adequate ability to have pension plans because where it ends up is just flat back on the public purse if they haven't earned it in the course of their work in the workforce.

So I would support Mr. Koenker's motion that when such a time comes about that this pension commission gets set up, that it looks at the full pension obligations that a government might have both to people who are covered and not covered but either way would end up receiving a public dollar to cover their retirement.

The Chairperson: — Any other questions or observations?

Mr. Cline: — I want to make this observation. I think we should note — and not in our report to the legislature but for ourselves — that one thing that is encouraging about this whole unfunded pension liability issue is — well two things actually — one is that the province took steps you know, in the late '70s and early '80s to change the plans, which made sense, so that they became money purchase plans.

And the second is that when you look at the funds that had been created for most of the plans, but not including the public service defined benefit plan, at least steps have been taken to prevent the situation from compounding itself. In all areas, you know, some progress has been made. Obviously there's more to be done and I suppose if you had a pension commission they would look at the issue of how you, in effect, sort of amortize this unfunded liability that we have over the next 30 years or whatever it is and I think that's something that we need to know.

The Chairperson: — My personal perspective of this as well is that the taxpayer has a lot that he's going to give out in the next 30 years in relation to these benefits that are going to be paid. The recipient isn't always going to pay tax in Saskatchewan and that to me raises a number of concerns and that is that the benefits in an economic basis will not accrue back to the people who are paying the tax to generate the income for these people.

And I think that at some point in time there is going to be — and I won't initiate this but — there's some point in time there's going to be someone that says, enough is enough. I'm not going to pay these people; I'm going to tax these people for even the portion of their revenue that they're going to receive if they're not living in Saskatchewan. Or there's a number of other scenarios that could occur. And so I think it puts the holder of that pension at risk and that's why I raise it.

And I think that the more you put the money into place or method of how the money is going to be paid, the more security that person is going to have for the benefits that he has earned over the period of time that he's been either an employee or worked with . . . or whatever the context of his pension is. And I think that that's what we have to work towards and I think we need to work to prevent any opportunity from erosion of that to happen.

Mr. Upshall: — I'd just like to make a comment on that, Mr. Martens, and I think you flagged something that's possible but in terms of what the government is doing, I think that they would be recipients of net benefit rather than net loss of pension plans right across Canada because the atmosphere will be so inviting to come and live in Saskatchewan.

The Chairperson: — I actually think they'll move to Alberta, but that's my opinion.

While we're waiting, could we have a short discussion on what we are going to do on Thursday morning? Because CIC will not be available for the committee either Thursday or Friday. A suggestion was made that we call in another department. A suggestion was made that we begin the session at 11:30 when the roles and responsibilities committee is available. What would be the pleasure of the committee?

Mr. Cline: — Well I guess I would suggest that we try to call in another department, Mr. Chairman, so that we can make use of the time, because we were going to deal with chapter 8 but now we'll be dealing with chapter 8 during the week when we deal with departments.

So it depends in part on which departments people want to call in. And I think it's customary that the opposition members really decide which ones they want to call. But I'm sure that there are several that you'd like to have in. And perhaps if you could identify to the Clerk which you or Mr. Boyd might want in, suggesting several, and then the Clerk could see if it's possible to get somebody in on this kind of notice. And if so, fine; if not, then we could start at 11:30.

The Chairperson: — My suggestion would be that we contact the Department of Agriculture, and Social Services, to see whether they would be available and then just go into it from that context, just from the two that lead off in 9 and 10.

A Member: — Community Services?

The Chairperson: — Community Services, sorry.

Mr. Cline: — Okay, I think that's satisfactory.

The Chairperson: — Okay. Department of Agriculture first, if they're available; then Community Services. If they're not available, then I think we only need to call in one, not both.

Are you ready, Mr. Koenker? Oh, here it is, sorry. The motion reads this:

> The government should implement the pension review task force announced in the '92-93 budget documents to study its full pension obligations to both those presently covered by government plans and those presently having no pension coverage.
>
> Reference to this pension review task

> force and $300,000 budget allocation for it is found in the '93-94 *Estimates*, page 57, vote 7.

Submitted by Mr. Koenker.

Mr. Strelioff: — Mr. Kraus, was it in the '93-94 *Estimates* or the '92-93?

Mr. Kraus: — It was '92-93 *Estimates*, but I don't have that book here. You can see it in the '93-94 *Estimates*, page 57, the comparative call.

Mr. Strelioff: — But it relates to '92-93?

Mr. Kraus: — It relates to '92-93, yes.

The Chairperson: — I wonder if we could have someone find the actual place it is in the '92-93 . . . (inaudible interjection) . . . Okay. Then we have it on page 43 under Department of Finance, program services, item no. 17.

Mr. Strelioff: — So that would be the '92-93 *Estimates*, page 43, vote . . .

The Chairperson: — This would be '92-93. Would that be in agreement with . . . '92-93, page 43.

Mr. Strelioff: — It's a subvote 17. That make sense to you?

The Chairperson: — Vote . . .

Mr. Kraus: — They reorganized the estimates several times, so the numbers now wouldn't necessarily be the same.

Mr. Strelioff: — But how about vote 18, item 17; that would describe exactly how it's . . .

The Chairperson: — Yes.

Mr. Kraus: — It's vote 18, yes.

Mr. Strelioff: — Vote 18, item 17.

Mr. Kraus: — Yes, well this year it's item 7.

The Chairperson: — Okay. Then it reads:

> Reference to this pension review task force and $300,000 budget allocation for it is found in '92-93 *Estimates,* page 43, vote 18, item 17.

Is there any discussion, or do you want the question? Question. All in favour? It's carried.

Thank you for bringing that to our attention. Now we could move on to chapter 5 and the Financial Management Review Commission.

Mr. Strelioff: — Chapter 5 has one page to it, and in it we just advise that we are still monitoring the implementation of the commission and that we note that this committee had agreed that each year the government should report on the implementation of the '92 recommendations of the Financial Management Review Commission. And we're bringing that to your attention.

The Chairperson: — That information is found in appendix V at the back of your book.

Mr. Strelioff: — So appendix V deals with recommendations of this committee.

The Chairperson: — Oh I'm sorry. Not of the management?

Mr. Strelioff: — Not of the financial management.

The Chairperson: — Oh I'm sorry.

Mr. Strelioff: — Now in there there will be . . . John, in there there will be a recommendation soon about the . . . asking the government to provide periodic updates on the status of the Financial Management Review Commission.

Mr. Hunt: — I believe Mr. Martens was referring to this reference here, is it — 505, paragraph 7 of the government's response to the sixth report.

The Chairperson: — I was referring to the fact that it says in item .02 on page 43 that:

> In Appendix V of last year's Report, we set out each of the 42 recommendations of the Commission. We also described the actions proposed and actions taken by the Government.

Mr. Strelioff: — Okay. That's not in this report; that was in a prior report of ours.

The Chairperson: — But it's in the appendix?

Mr. Strelioff: — Of a prior report.

The Chairperson: — Oh, I see. Okay.

Mr. Strelioff: — This is the 1993 report. In our 1992 report we provided a more detailed list.

The Chairperson: — Okay.

Mr. Strelioff: — The appendix V there deals with the status of recommendations of this committee.

The Chairperson: — Okay, good, thank you.

Mr. Strelioff: — It's a little . . . appendix V, a couple times now, is confusing.

Mr. Hunt: — Now in the government's response to the sixth report, this is dealt with under paragraph 7 on page 3 and this is the recommendation that the committee made last year that we're referring to in paragraph .04 of chapter 5 this year.

Mr. Strelioff: — So in the government's response . . . Which page?

Mr. Hunt: — Page 3. Paragraph 7.

Mr. Strelioff: — Okay. We're there, up to date now.

Mr. Hunt: — Yes, that's the recommendation we're referring to in paragraph .04 of chapter 5.. . . that the Government should report annually on its progress in

Mr. Strelioff: — Of this year's report?

Mr. Hunt: — Yes.

The Chairperson: — I wonder if you would have an update of whether we've done 30 per cent, 50 per cent, 60 per cent of the Financial Management Review Commission's recommendations or how far along we are on that.

Mr. Strelioff: — Mr. Chair, members, we are preparing that analysis now. We do plan to provide an update to you in our spring report.

The Chairperson: — Okay.

Mr. Koenker: — Thank you, Mr. Chairperson. Given the response of the minister in her July 8 letter to yourself regarding the sixth report of the committee where the minister indicates that:

> The Government has resolved virtually all of the issues raised by the GASS Commission.

And secondly, given the fact that the auditor will be reporting on this in his spring report, I would suggest that we note these two pieces of information and simply wait for such time as the auditor makes his report on all 42 of the recommendations. And then we can deal with it in a very particular, comprehensive fashion.

The Chairperson: — Okay. I have a recommendation or a general . . . It wasn't a motion, so I don't have anything constructive to present. So do you want it tabled or do you want this recommendation tabled till spring or what do you want to do so that we get the process established? Logistics.

Mr. Cline: — We have dealt with the recommendation in the sense that in the sixth report, recommendation 7, we made the same recommendation I think that the auditor makes here:

> implementing the recommendations and guidelines of the Financial Management Review Commission.

So I think we should make the notations that Mr. Koenker has referred to and note that we reiterate our recommendation 7 of the sixth report, and I think that's all that we need to do.

The Chairperson: — Okay. So in order to be precise I want to know what you want done. You've been a little bit vague, I think. Do you want it left as is, do you want it adjusted, deferred? What do you want? Tell me straight out.

Mr. Serby: — Could I just ask a question, Mr. Chairman, before Mr. Cline makes a recommendation? And it's in this relationship.

In appendix V where you report on the status of January '94, is that the auditor's report then that indicates what's happened with each of those recommendations of the Gass Commission? Is this your finding then, or is this the government's? I'm looking at appendix V, where you begin talking about the recommendation of the Gass Commission and the status as of January 1994. It's V-1.

Mr. Strelioff: — The title of V-1 is, Status Report on Recommendations of the Standing Committee on Public Accounts. So that's the status of your recommendations, not the Financial Management Review Commission's recommendations. It's your recommendations back to 1975 and more recently, in '93 . . . '92-93.

Mr. Serby: — I'm sorry. I thought, Mr. Chairman, that that was in relationship to the Gass Commission report.

The Chairperson: — Mr. Strelioff explained that to me moments earlier so you're not alone.

Mr. Serby: — All right.

The Chairperson: — Mr. Cline, I want to know whether you want this deferred, tabled, or whether you want exactly what is written in here to be transferred to the report that we give later on.

Mr. Cline: — Well I think that, as I said, we should note that we made a recommendation 7 in our sixth report, reiterate that, and note along the lines that Mr. Koenker said before, and I don't want to take words out of his mouth, so I'll ask him to repeat what he said before.

The Chairperson: — Okay.

Mr. Koenker: — And we note that the Provincial Auditor . . . that the minister has responded in acceptable fashion and that the Provincial Auditor will be making a comprehensive report this coming spring.

The Chairperson: — Okay, that's been noted.

Mr. Upshall: — Mr. Chair, just for the benefit of the committee and the record I do have a complete status report as of January 26, 1994 on the Gass Commission recommendations and I wouldn't mind . . . It wouldn't take long just to read into the record so that we know what's been done and what hasn't been done, if that's preferred by the committee.

The Chairperson: — You have the floor.

Mr. Upshall: — Very brief form.

The recommendations 2.1: to adopt the PSAAB accounting principles in reporting standards to legislation has been adopted except for pension provisions but not legislative.

2: Main financial statements should be summary financial statements including all organizations owned and controlled by government. The summary of financial statements are now prepared.

Pension plans should be actuarially valued at least every three years and unfunded liabilities recognized in the main financial statements.

And to date actuarial evaluations are completed every three years, unfunded liabilities not recognized in the main financial statements.

Loans which can only be repaid through future appropriations be treated as expenditures, and that's done.

All existing loans of SPMC be written off to accumulative deficit, that's done.

Adopt accrual accounting, that's done.

All evaluation allowances for loans and investments be treated as expenditures in the year required, that's done.

Work toward public, mid-year interim financial statements. The mid-year report was issued in November '92 and November 1993.

Provision for loss and write-downs be made during '91-92 year for investments in Sask Water, SEDCO (Saskatchewan Economic Development Corporation) and Grain Car Corporation, and SDC (Saskatchewan Diversification Corporation), and that's done.

Monitor and determine whether write-downs should be made as of March 31, 1992 for Meadow Lake pulp mill, Bi-Provincial, NewGrade and Cameco, that's done.

Include as part of 1992-93 budget a strategy to restore strength in the balance sheet, that's done.

Review policies for tendering, leasing, and awarding contracts by all agencies; document resulting policies and procedures. Some work has been completed on this and the review continues.

Review the mandate and role of various agencies involved in economic development and diversification. Substantial work has been completed and the review continues.

Review SEDCO's capital structure. The review continues although in the light of announced intentions, SEDCO will be wound up in the near future.

Undertake a review of special purpose funds, justify to legislature continued existence of and any direct revenue payments to these funds. Some work has been completed on this but is ongoing.

Review The Provincial Auditor's Act and amend if necessary to reflect that use of private sector auditors is not intended to restrict Provincial Auditor in meeting his responsibilities for public accountability. There are still some of these issues to be considered.

Undertake a study to determine whether SPMC should be a department. A study was done and a decision was made to retain SPMC as a Crown corporation.

Improve approval process for loan guarantees to bring in line with the provisions to authorize such guarantees in The Financial Administration Act. That's done.

The Industry and Commerce Development Act was repealed and replaced with a new Economic Development Act.

The next one, enact legislation concerning the amount of public funds that can be committed to a project/program without prior approval of the legislature. This is currently under review.

Introduce legislation to establish SaskEnergy as a Crown corporation and table all financial statements. That's done.

Transfer all lottery revenues to Consolidated Fund and have the legislature approve an appropriation to be distributed by Sask Sport; require Sask Sport to table annual reports and financial statements. The lottery revenues will not be transferred. An annual report and financial statements are now tabled.

The next one, formalize and disclose . . . formalize a disclosure process to legislature for all significant transactions or commitments. That's under review.

Prepare printed organizational information for public along with a communications strategy to assist the public in determining which agency or department is responsible for specific programs. This review continues. The mandate statements are now included in the *Public Accounts* and *Estimates*. The directory was developed for use under The Freedom of Information Act — a directory was developed for use under The Freedom of Information Act.

Update printed organizational information on a timely basis. This is under review.

Abolish Heritage Fund and process all revenues and expenditures through Consolidated Fund. That's done.

Develop Crown policy on Crown corporation surpluses and losses and charge Crown Corporations Committee with monitoring and reporting to legislature on this. That is under review.

All dividends to be paid directly to the Consolidated Fund. Dividends will continue — decision — to be paid to CIC which will in turn pay a dividend to the Consolidated Fund if possible.

Finance operating losses of commercially-oriented Crown corporations and government-controlled agencies on a timely basis with Consolidated Fund appropriations unless it can be demonstrated to the legislature that surpluses will be generated shortly to offset the losses. This is being done.

When Crown corporations and government-controlled agencies have public policy responsibilities, cross-subsidization through the rate structure or Consolidated Fund appropriations should be employed to finance these initiatives. And that review is going on.

Report to and debate in the legislature all Crown corporations and other government-owned entities created. This was legislated in The Crown Corporations Act.

Prepare and table in the legislature mandate statements for all Crown corporations and government-owned entities. Mandate statements included in the annual reports. And the review continues for possible improvements. The new Crown Corporations Act implies that a mandate statement should be prepared. So that basically is complete as well.

All corporation and government-reporting entity to be subject to the same public reporting requirements as the departments. The government disagrees. Reporting requirements for departments and Crown corporations will not be the same.

Adopt standards for preparation of annual reports. This is done.

Introduce legislation categorizing government owned entities and specifically reporting requirements and financial control mechanisms for each category. We legislated in Crown Corporations Act for entities fully owned by the government. This is legislated in that Act.

That Crown Management Board be responsible for overseeing and priorizing allocations of funds to all entities under its jurisdiction. Also accountable to legislature for Crown corporations and representative for the province in interests in private corporations. And this has been done.

Legislature receive on a timely basis full and audited financial statements for every subsidiary of Crown Management Board along with Crown Management Board's consolidated financial statements. That's been done.

All members of Crown Management Board and board of directors of CIC Industrial Interests Inc. should be cabinet ministers who should also be directors of one or more corporations, Crown corporations. That's been done for Crown Management Board but not for CICIII (Crown Investments Corporation Industrial Interests Inc.).

And cabinet ministers should continue to represent the Crown on the boards of each corporation but not as chair or vice-chair. The government disagrees with this and that has not been done.

Persons other than MLAs should continue to be appointed to boards of Crown corporations and other government-owned entities. This has been done.

Legislative amendments made to allow the Speaker to release *Public Accounts* to the public within 180 days of fiscal year end, regardless of whether the legislature is sitting. That was done with 210 days used.

Amend The Tabling Of Documents Act to require tabling of annual reports of government organizations within 90 days of the year end, and release to the public regardless of whether legislature is sitting. The changes are being drafted but the legislation has not been passed.

Develop a comprehensive policy statement regarding the issuance of guarantees. And that's under review.

So that's, I believe, a complete accounting. And as you see, Mr. Chair, a significant number have been done and very few have been disagreed to and the rest are in process. So I submit that for the committee.

The Chairperson: — Would you be able to make that available to the Clerk so we could get copies of it?

Mr. Upshall: — I believe so.

The Chairperson: — Okay. Any other discussion? Okay, then we'll move on to chapter 6. I just want to say that we are, we are going to move on to chapter 6 and we likely will not conclude that today. However tomorrow we have chapter 6 and chapter 7. The Department of Agriculture have said that they can come Thursday morning. We may have time tomorrow afternoon to include them. Should we inquire as to whether they would be available tomorrow afternoon?

Mr. Cline: — Sure. And then if we could get two departments done, you know, one tomorrow afternoon and one Thursday morning, I think that would be good too.

The Chairperson: — Well they have Crop Insurance and Ag Credit Corporation alongside. Probably will take all of tomorrow and then the time the next day.

Mr. Cline: — Okay, if it's your judgement, Mr.

Chairman, that they would take up all that time, that's fine. My point is just that we should use all of that time to examine one department or another.

The Chairperson: — Okay, sure. We are going to try to have the department here for tomorrow and see about maybe having the Ag Credit Corporation and PAMI (Prairie Agricultural Machinery Institute) and Crop Insurance available as a part of that maybe for the next day. But we'll see what we can work out, and we can have that as a plan for maybe after 3 tomorrow; and then deal with the conclusion or the last half — I put it that way — on Thursday morning. Is that in agreement? Okay.

Chapter 6.

Mr. Strelioff: — Mr. Chair, members, chapter 6 reviews the work of the two standing committees — this standing committee and the Crown Corporations Committee. We provide this review because of the significant role that these two committees play, and also to highlight some of the significant progress and movements forward made in both of these areas by both of these committees.

The appendix V in this chapter gives you a status report of your recommendations. The status report shows the recommendation and the status of the recommendation as we know them through actions or announcements known to us at the end, when we finalize this report.

And John Hunt from my office is the primary responsible person for this chapter. John, do you have anything in particular to point out in the chapter?

Mr. Hunt: — We don't have recommendations as we had last year. We've more or less capsulized how the recommendations from the previous reports have moved forward. I believe we've summarized some of the actions on the second report, paragraphs .10 to .13; in the third report from paragraphs .14 to .18; fourth report, which was dealing with . . . the fourth and fifth reports dealt with two Bills that were referred to the respective committees, Bills 42 and 41. And then we capsulized the report of the Crown Corporations Committee, which wouldn't otherwise be dealt with in an appendix.

So, as I say, we don't have any recommendations. It's a synopsis that we feel would be helpful to all members who aren't active on these committees, as well as the public. Just maintaining a record of progress.

Mr. Strelioff: — Thank you very much. Mr. Chair?

The Chairperson: — Are there any questions or comments on this from the committee?

I have on page 50, item no. .16:

> We have begun a project to examine the estimates documents and the information needs of MLA's. We have also made preliminary contacts with officials of both Finance and CIC. We plan to include the results of our work on this project in a future Report.

Where is this at? Have we done anything on it?

Mr. Strelioff: — Mr. Chair, members, that relates to our earlier discussion this morning of a joint report by our office, the Crown Investments Corporation, the Department of Finance, and get consultation with the Institute of Chartered Accountants and the audit committees.

We have initiated discussion and we are planning in this fall report to stimulate further discussion through a description of what a planning document would . . . what are the basic elements of a planning document.

The Chairperson: — Item no. .17 says:

> The Committee also recommends "the Government should work co-operatively with the Provincial Auditor by involving him in the process of choosing appointed auditors, establishing audit plans, maintaining solid communications through frequent audit updates, and ensuring that the Provincial Auditor has sufficient time to comment on the final audit report prior to its public release."

There's a number of things in there. First of all, by allowing him an involvement in choosing the appointed auditor, is that at all being done?

Mr. Strelioff: — Mr. Chair, members, this recommendation was provided to the task force on roles, responsibilities and duties of auditors as part of their input in their terms of reference. And the recommendations that they set out provide a framework for meeting these recommendations.

On the first point, before I move . . . the task force focuses on the audits of CIC-related Crown corporations. On the first point, CIC has put in place a practice that before they make appointments of public accounting firms as appointed auditors, they do write to our office asking for our views.

The Chairperson: — Okay, any comments or observations? The second point says "establishing audit plans" . . .

Mr. Strelioff: — How's that working? Again, through the task force, there is a recommendation there that our office and the appointed auditor get together in establishing audit plans and present those audit plans to the audit committees of each of the corporations. And that is taking place.

For example, yesterday I went to an audit committee meeting where the audit plans were presented to the audit committee of the corporation. Our office and the public accounting firm involved had met earlier in agreeing and discussing.

The Chairperson: — And so then the next point, "maintaining solid communications through frequent audit updates," is that a part of that or is that different?

Mr. Strelioff: — Again, through the task force recommendations do provide a mechanism for . . . or do recommend that as issues surface in the audits that there be communication among our office, the public accounting firm and the management of the corporation involved. That hasn't happened yet because the audits are just beginning. So over the next two or three months, this should take place. But the mechanism and the articulation of the responsibilities . . . or the responsibilities have been articulated to everybody and I think it will happen.

Mr. Koenker: — I think that this . . . my reaction to this chapter is that the auditor and his office needs to be commended for the initiative in making this kind of review and for providing the kind of very clear, well-organized summary that you present in appendix V.

All too often recommendations are made and it's almost impossible to track them and to see what kind of life they have or don't have.

By virtue of the work you've done, you've given a real gift to us as elected members and to the public at large and help that accountability process for decision making, not just for number crunching, but for the larger decision making of government. And so I want to express my appreciation and thanks to you for your efforts in putting this chapter together.

Mr. Strelioff: — Well thank you very much. The main responsibility is again with John Hunt from our office who does monitor what's going on with the committees and tries to make sure that we don't lose track of what's going on.

Mr. Koenker: — Just as a footnote, John, I'd urge you to keep tracking this. In some respects it can be a very thankless task, but it's a task that is important and all too often hasn't been done in the past. So if you can keep at it, we'd look forward to future updates from you.

Mr. Strelioff: — John is also doing the same for the recommendations of the Financial Management Review Commission as well, so that is also very important.

The Chairperson: — Okay. I have one more under item no. .28 in page 52:

> In addition to considering all reports referred to it by the Assembly, the second report stated the Committee:
>
>> recommends the Assembly ask our Office to organize our Report so Crown corporation issues are under a separate cover. Those issues could then be referred, by motion of the Assembly, to the Standing Committee on Crown Corporations;

How is that working out?

Mr. Strelioff: — Mr. Chair, members, in the spring there was changes to The Provincial Auditor Act to ensure that when we do issue a report that comes outside the sitting of the

Assembly, that the report is automatically referred to this committee.

The Chairperson: — Okay.

Mr. Strelioff: — So all our reports are referred to this committee. In our fall report we are organizing it so that it reports in a more timely way on the March 31, '94 financial statements of the province; and also on the December 31, 1993 year ends of the province which include . . . or December 31st or earlier, which include some Crown corporations and some Treasury Board corporations and also the finances of the province as a whole.

We haven't organized a report that focuses on only Crown corporation issues yet. I assume that this recommendation must . . .

Mr. Hunt: — It's from the Crown Corporations Committee and it recommended that the Assembly ask the provincial audit office to organize its report. But the last direction from the Assembly was the amendment to The Provincial Auditor Act which asked for the additional report to . . .

Mr. Strelioff: — But it's still to refer . . .

Mr. Hunt: — Called for it to be tabled intersessionally at least with the Public Accounts Committee, and presumably when in session a similar motion.

So as to how the Assembly would take up the recommendation of the Crown Corporations Committee I guess would be for members to decide some other way, I'm not sure.

The Chairperson: — The reason I think it's an important thing to discuss is that the Crown Corporation's role is changing to be what I call proactive in its role and not reactive. If you want to put something to forward look, the Crown Corporations Committee, I believe, looks forward to setting up what the budget should be if there's money coming in. I think that that's the direction at least I've heard them talking about whereas the Public Accounts Committee is a post-analysis of what has happened. And as I see this recommendation, I see it as a reference to the fact that they want to also include that part in what they're doing. And I'm not sure that that's a good thing to have done, and that's why I raise it as a point of view, at least my point of view, to maintain more or less the status quo; that we would deal as a Public Accounts Committee with those things that have happened, and the auditor has reviewed them and this is his findings and we deal with them in Public Accounts.

I have no problem with Crown Corporations dealing with those things that impact or how they will set the volumes of dollars, what their plans will be, what their budget will be — I have no problem with the Crown Corporations Committee doing that.

And this, in my opinion at least, says that they will want to have them refer the issues that we have traditionally done . . . will be referred to the Crown Corporations Committee. And I find that a little difficult to believe why it would be better than it is this way.

Mr. Cline: — Just in response to what you're saying, Mr. Chairman. You said that the Crown Corporations Committee wanted to be proactive and not reactive, you know. And I'm not sure that they see it quite that way. I think they want to be proactive in addition to being reactive.

In other words, they want to look prospectively at what the Crowns might do. They also want to examine what they've done in the past. So it isn't that they want one role as opposed to the other. I think they want both.

I don't have strong feelings about it one way or the other. I think we should try to be efficient in the sense that if they want to look at the comments of the Provincial Auditor with respect to the Crown corporations, I mean it's okay with me. I think that in one sense when you consider that we're looking at billions of dollars of spending on the government side as opposed to the Crown side, Crown corporations side, maybe it makes sense to say, well they should look at the Crowns, we should look at the government, and if we each do our job we'll do a better job of ensuring accountability because we'll be a little more focused.

Having said that, I think if any member of this committee wants to say, well I want to get this Crown corporation in front of us because I want to ask them some questions and so on, I think that any member of the committee should have the same rights that they always have enjoyed. So I don't want to be heard to say that I think anybody's rights to question and go into things should be cut off in the Crown sector. Yet I think it might make some sense to say, not because we have to but as a practical matter, that we might want to defer to the Crown Corporations Committee in terms of examining the Crown sector.

So like I say, I don't have strong feelings that anybody should be excluded from doing what they want to do. But I'm just saying, I don't know if it serves the taxpayers well if we have two committees going over the same ground. It doesn't make sense to me.

Ms. Crofford: — Mr. Chair, I was going to say that the one part of it that it seems would stay a little more with ourselves is when we're looking at the summary financial statements because then you're looking at the movements of money. But when it comes down to the detail on the Crowns, whether it's pre or post, I think it does make sense for one committee to deal mostly with that, because otherwise we're dragging officials to two different committees and getting muddled up.

But I think we still have an overriding responsibility for summary financial statements. So if it was questions about the, I guess, ebb and flow of resources I would still see us discussing that here.

The Chairperson: — Any other observations? One of the recommendations of the Crown Corporations Committee was also that it deals with appointment of members of the Legislative Assembly to various boards of the various Crown corporations. I agree with that. But that's obviously the last item under item .28.

There are no recommendations in chapter 6. I would like to suggest to the committee that tomorrow we deal with some of the items in the Finance minister's response. I think we have to deal with paragraph .12 and I don't recollect what we do with the appendix ones.

Ms. Crofford: — We were going to leave it until the end.

The Chairperson: — Till the end, okay.

Ms. Crofford: — Till we were done 8. Although now that we're . . . things have changed a bit since we decided that.

The Chairperson: — Okay. Well let's think about that and tomorrow morning we can begin with dealing with chapter 7 and conclude with that, and then we will look at dealing with, from the minister's response, paragraph .12. And like to have some direction on what we do with the items on appendix. And then conclude with the items as presented by the minister's response. Okay?

And then I'm not sure that we have Agriculture slated for 1:15, but I think that that's when they will be coming in. At least we will look for when they can come. And I think that that's what we can do for tomorrow. And we'll start that way and if we don't have . . . if that's in agreement we could have a motion for adjournment here at this point and then . . . Ms. Crofford.

Ms. Crofford: — I'll move we adjourn.

The Chairperson: — Okay. Thank you. Tomorrow at 9, starting with chapter 7.

The committee adjourned at 4:20 p.m.