



Legislative Assembly of Alberta

The 27th Legislature
Fourth Session

Standing Committee
on
Public Accounts

Workers' Compensation Board

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Standing Committee on Public Accounts

MacDonald, Hugh, Edmonton-Gold Bar (AL), Chair
Rodney, Dave, Calgary-Lougheed (PC), Deputy Chair

Allred, Ken, St. Albert (PC)
Anderson, Rob, Airdrie-Chestermere (W)
Benito, Carl, Edmonton-Mill Woods (PC)
Calahasen, Pearl, Lesser Slave Lake (PC)
Chase, Harry B., Calgary-Varsity (AL)
Dallas, Cal, Red Deer-South (PC)
Elniski, Doug, Edmonton-Calder (PC)
Fawcett, Kyle, Calgary-North Hill (PC)
Griffiths, Doug, Battle River-Wainwright (PC)
Groeneveld, George, Highwood (PC)
Kang, Darshan S., Calgary-McCall (AL)
Mason, Brian, Edmonton-Highlands-Norwood (ND)
Sandhu, Peter, Edmonton-Manning (PC)
Vandermeer, Tony, Edmonton-Beverly-Clareview (PC)
Xiao, David H., Edmonton-McClung (PC)

Workers' Compensation Board Participants

Dieter Brunsch	Vice-president, Customer Service and Risk Management
David Carpenter	Chair, Board of Directors
Ron Helmhold	Chief Financial Officer
Guy Kerr	President and Chief Executive Officer

Office of the Auditor General Participants

Merwan Saher	Auditor General
Jeff Dumont	Assistant Auditor General
Domenic Gallace	Principal
Jeff Sittler	Principal

Support Staff

W.J. David McNeil	Clerk
Shannon Dean	Senior Parliamentary Counsel/ Director of House Services
Robert H. Reynolds, QC	Law Clerk/Director of Interparliamentary Relations
Corinne Dacyshyn	Committee Clerk
Jody Rempel	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications and Broadcast Services
Melanie Friesacher	Communications Consultant
Tracey Sales	Communications Consultant
Philip Massolin	Committee Research Co-ordinator
Stephanie LeBlanc	Legal Research Officer
Diana Staley	Research Officer
Rachel Stein	Research Officer
Liz Sim	Managing Editor of <i>Alberta Hansard</i>

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Wednesday, May 18, 2011

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. My name is Hugh MacDonald, and I would like to call this Standing Committee on Public Accounts to order, please. I would welcome everyone in attendance. Please note that the meeting is recorded by *Hansard*, and the audio is streamed live on the Internet.

We will now go around and introduce ourselves for the benefit of those in attendance and for the public record. Perhaps we could start with the hon. Member for Red Deer-South.

Mr. Dallas: Good morning. Cal Dallas from Red Deer-South.

Mr. Vandermeer: Good morning. Tony Vandermeer from Edmonton-Beverly-Clareview.

Mr. Chase: Good morning. Harry Chase, Calgary-Varsity.

Mr. Brunsch: Good morning. Dieter Brunsch with the Alberta Workers' Compensation Board.

Mr. Helmhold: Good morning. Ron Helmhold with the Alberta Workers' Compensation Board.

Mr. Carpenter: David Carpenter, chair, Alberta WCB.

Mr. Kerr: Guy Kerr, president of the Workers' Compensation Board, Alberta.

Mr. Gallace: Good morning. Dom Gallace, office of the Auditor General of Alberta.

Mr. Dumont: Good morning. Jeff Dumont, Assistant Auditor General

Mr. Saher: Merwan Saher, Auditor General.

Mr. Sittler: Jeff Sittler with the Auditor General's office.

Mr. Sandhu: Good morning. Peter Sandhu, MLA, Edmonton-Manning.

Mr. Allred: Ken Allred, St. Albert.

Ms Rempel: Jody Rempel, committee clerk, Legislative Assembly Office.

Dr. Massolin: Good morning. Philip Massolin, committee research co-ordinator, Legislative Assembly Office.

The Chair: The chair would like to welcome and recognize Mr. Dave Rodney, who is joining us by phone from Calgary, I believe.

Mr. Rodney: That's right. Calgary-Lougheed. Dave Rodney here, reporting and ready for duty, sir.

The Chair: Okay. I'm glad to hear that.

May I have approval of the agenda that was circulated? Moved by Mr. Sandhu that the agenda for the meeting of May 18, 2011, be approved as distributed. All in favour? Thank you.

Approval of the minutes that were circulated, please, for the May 11, 2011, meeting. Moved by Mr. Chase that the minutes for the May 11, 2011, Standing Committee on Public Accounts be approved as distributed. All in favour?

Mr. Rodney: And Rodney agrees as well.

The Chair: Thank you. And, of course, we appreciate that, Mr. Rodney.

The chair would like to welcome Mr. Fawcett this morning. Mr. Fawcett has documentation, and we appreciate your substitution and your interest in this matter this morning, sir.

Mr. Fawcett: Hello. I'm on the committee anyway.

The Chair: We got a letter, and we didn't need it.

Mr. Fawcett: Yes.

The Chair: That's just great.

Okay. We have our meeting this morning, of course, with officials from the Workers' Compensation Board. I would like to just say right off the start that I appreciated your phone call, Mr. Kerr, and we're really glad you could come, and we appreciate your cooperation. Thank you.

Now, this morning we're going to be dealing with the Auditor General's reports of October 2010 and April 2011, the Employment and Immigration annual report of 2009-10, and the most recent financial information available from Workers' Compensation Board, which includes their 2009 annual report and other related materials available through their website. I would remind everyone of the briefing material prepared for the committee by the LAO research staff, and again we appreciate that.

Now I would invite Mr. Carpenter and Mr. Kerr to make brief opening statements on behalf of the Workers' Compensation Board. Thank you.

Mr. Carpenter: Thank you very much, Mr. Chairman, members of the committee. Thank you so much for inviting us to talk about WCB Alberta's operations. However, because 2010 results have not yet been released, much of the information you receive today will relate to 2009 results although publicly accessible data for 2010 may also be supplied.

We welcome this opportunity to discuss these results with you and to answer any questions you have about the organization. My name is David Carpenter, and I'm chair of the 10-member board of directors. I'm joined today by Guy Kerr, WCB president and CEO; Ron Helmhold, WCB's chief financial officer; and Dieter Brunsch, vice-president of customer service and risk management. I'll share a high-level view of the organization and the workers' compensation system itself from the point of view of the appointed board of directors. Then I'll turn the presentation over to Guy to highlight the organization's corporate performance.

WCB provides no-fault disability insurance for workers at a fair cost to employers. It is fully funded by employer premiums and operates at arm's length from the provincial government. The board is the neutral and independent administrator of workers' compensation insurance for the province and provides coverage at one of the highest rates of compensation in the country at the lowest average premium rate.

The board's vision is Albertans working in a safe, healthy, and strong Alberta. In pursuit of this vision for Alberta's workers the organization is accountable for its performance directly to our board. In our oversight role we employ a governance model grounded in our core beliefs that the organization must be financially secure; that people must be treated with dignity; that communication must be open, honest, timely, and defined; there must be a fair and equitable compensation of workers; there needs to be a fair assessment of employers; and that a healthy, energized, informed staff enables the organization to be effective and agile. We adhere to these beliefs to ensure the organization remains true to

its mandate and that the health of the system is protected. We hold WCB accountable for achieving a system that is balanced and fair.

Today's discussion of the 2009 corporate results will demonstrate why, on behalf of the board of directors, I can say with confidence that Alberta's system is stable and that it is one of the most effective in Canada. The results we discussed today have been reviewed by the Auditor General, Merwan Saher, who has issued an unqualified audit opinion on WCB's 2009 financial statements.

Now I am going ask Guy to give you highlights of WCB's operations and 2009 results.

Mr. Kerr: Thanks, David. Good morning, everyone. Over the last few years we have managed through an unpredictable economic climate but have maintained stability for both worker benefits and employer premiums while keeping our focus on fairness. In our 2009 employee survey 95 per cent of employees said that they understood how their objectives aligned with our corporate objectives, and I think their efforts show their commitment. What matters most to us is helping injured workers get back to work safely and appropriately through compensation and rehabilitation support while also supporting employers to create safe workplaces and practise good disability management. When we do all these things, the result is a balanced and stable system that serves both workers and employers.

One of the stats in the presentation was about return to work, and I share this statistic with you because it's so important that we keep this in mind. One of the reasons we have such a commitment to return to work is that the research is clear that the longer a worker is off the job, the less likely that he or she will ever return to work, and that's not really an acceptable outcome. We know we can do better, and we work hard to achieve positive outcomes for our clients.

In this province workers are strong and determined. Overall in 2009 93 per cent of workers returned to work with their employer or a new employer. This happens because the goals of all stakeholders are aligned. An employer without workers can't run a business, and a worker without an employer cannot feed his or her family. We want them both to succeed.

The year 2009 was a lagging economy, and it offered fewer return-to-work opportunities. That impacted the average length of time a worker was off the job. Most cases are of short duration, but some last months or even years. We look at the average time a worker is off the job, and for the first time since 2002 we saw that number rise. Perseverance from workers, the important involvement of employers determined to help them, and the timely interventions from WCB helped open many opportunities that might otherwise have been missed.

Fairness is an essential component of our focus on return to work. There are some statistics in the presentation that showed you some of the data on how our stakeholders view how we're doing. We believe the right claim and benefit decisions lead to the best outcome, so we focus on making fair decisions based on policy and legislation and writing strong case plans that map out the expected course of a claim in a clear, timely, and consistent manner. Our client feedback confirms we're focusing on the right direction.

As you can see in the chart, the satisfaction rates are in the 80 and 90 per cent range. Developing a good plan that a worker can understand leads to return-to-work success. We think these measures are important. Although our clients may not always agree with our decisions, fairness does not mean that you always get what you want, but you get a fair hearing, an impartial decision, and the benefits you're entitled to under the Workers'

Compensation Act. We're the neutral administrators of the act. It is vital to us that our clients understand why we've made the decisions we've made. If they do not agree with the decision, there is a multiple-level appeal process to allow workers and employers to question decisions and at the final level have a completely independent review of their decisions.

8:40

Appeals are one way we monitor fairness and accountability, and the results have been encouraging about that. You have a slide that shows those trends. In addition, we ask our clients what they think. Through an independent company we measure overall satisfaction of workers and employers, and these satisfaction levels remain consistently high.

Employer premiums are set to support insurance principles while encouraging accountability for safety and disability management. One of the tables in there, I think, is one of my favourite tables because it shows the difference between what a good performer can do and what somebody who isn't doing a good job on safety and disability management does. You can see that this table shows how pricing programs impact good performers and poor performers. Our partnerships in injury reduction program provides direct financial incentives to employers who make a difference in their workplaces. In this case a good employer receives a significant discount. The poor performers, on the other hand, can pay up to a 200 per cent surcharge, like the example we show you here. This means a really big hit to their bottom line for their poor safety performance.

To ensure we are spending employers' premiums responsibly, we work hard to manage costs within our control and to maintain rate stability. We have limited control over many costs, for example wage inflation, but we make every effort to manage costs that we can control such as administration. There is a chart in there that talks about WCB's administration costs compared to the rest of the country. Inflation is a challenge for us, but we keep pushing back. By being innovative we maintain the lowest ratio administration costs in the country.

Overall, the WCB reported strong financial results for 2009, largely driven by the sharp recovery in the global financial markets, that significantly improved our operating results and improved our funding position. Our goal is to be financially stable, and that means having stable and predictable premium rates, having a reserve set aside to meet our obligation to workers, and making sure we stay fully funded. By law we have to be fully funded at all times.

By policy we set an even higher standard to protect worker benefits in the long term and to provide stable rates for employers. Our funded position is set to be between 114 and 128 per cent, and it is a measure of our total assets minus our total liabilities, or our obligation to injured workers. Our funding level at the end of 2009 was just over 128 per cent, and it continued to stay healthy in 2010.

In conclusion, I think we have the right programs and partnerships in place to be successful. The proof is in our results. We are here for the long term, guided by our beliefs and values, that David talked about, and determined to always look for ways to do things better and more efficiently. Our focus on return to work remains unchanged, and this focus has helped us maintain one of Canada's most stable and strongly funded systems. We will continue to do everything we can to help Alberta's injured workers get back to the job.

Thanks for the opportunity to come here today, and we'd be delighted now to answer any questions you have.

The Chair: Thank you.

Mr. Saher, do you have anything to add at this time?

Mr. Saher: Yes. Thank you, Mr. Chairman. Jeff Dumont will make some comments.

Mr. Dumont: Mr. Chairman, for WCB's fiscal year ended December 31, 2009, we completed two engagements. These included our audit of the financial statements included in the WCB annual report and a review of 13 of the 26 measures included in WCB's 2009 accountability framework supplemental measures report. Our reports in both cases were unqualified.

On page 97 of our April 2011 report we had two outstanding recommendations related to information security controls. We have since assessed both of these recommendations as implemented, and they will be reported as such in our next public report. Therefore, currently we don't have any outstanding recommendations to WCB.

On page 96 of our April 2011 report we also include an outstanding recommendation to the Department of Employment and Immigration to improve its systems to issue certificates of recognition. The WCB is a key partner in the certifications of recognition program as the certificate is a requisite for receiving a partners in injury reduction rebate on the employer's WCB premiums. The WCB also supplies the department with information to accurately report workplace safety data to the public.

We would be pleased to answer any questions that the committee may have.

The Chair: Thank you very much.

We will get directly to questions, but the chair would like to welcome Mr. Anderson and Mr. Mason this morning.

We will proceed to questions now. Mr. Chase, followed by Mr. Dallas.

Mr. Chase: Thank you. Just very quickly in overview, the majority of the casework in my constituency office and, I would anticipate, in a number of constituency offices has to do with communications with the Workers' Compensation Board. It's an ongoing source of frustration both for us in our office and for the constituents and clients we serve. Part of the problem is the geographic distancing, where individuals who represent or are the caseworkers have never seen the individual that they're working with, and that distance adds to the problem with communication. One of my suggestions would be to assign people locally so that they can have that face-to-face, that personal interaction, that, to me, is key.

Taking frustration to a higher level, a hostage crisis. On October 21, 2009, a man with a rifle, a frustrated WCB claimant, walked into the WCB building across the road, fired a shot into a wall, and took nine people hostage. The crisis ended nearly 10 hours later, fortunately with no injuries. The following June the WCB put out an RFP for new security measures, including a lockdown system, card readers on all doors, enhanced security cameras, ballistic protection, et cetera. The 2009 incident was not an isolated incident, and this was not the first security upgrade. In the 1990s there were at least five separate violent incidents, including a hostage-taking at the Calgary office, and Edmonton has had protests and a bomb scare.

I think everyone here would sympathize with employees providing services to people in distress, but given that this individual was found fit to stand trial, can you explain what it is about the WCB that drives normal people to violence?

Mr. Kerr: Well, you know, this was one fellow, and I think it would be . . .

Mr. Fawcett: That's out of order, Mr. Chair, that question.

Mr. Rodney: I'm sorry, Mr. Chair. It's Deputy Chair Dave Rodney here. I just want to caution that the rule of our committee, indeed, is to look at the numbers from last year only. This is not to deal with policies past, present, or future or any individual cases. I am very happy to see the WCB here today, but their role is to answer questions having to do only with last year's numbers, so I just caution all members of the committee and would like the WCB representatives to confine their comments and answers to questions on last year's numbers only, please, and thanks.

The Chair: Okay. I can understand that.

Certainly, the question as I heard it, Mr. Chase, I would have to agree with Mr. Rodney.

We're moving on to Mr. Dallas, please.

Mr. Dallas: Thanks, Mr. Chair. I'm going to start by looking at page 73, which is statements of operations, the second line in the revenue column for 2008 indicating a loss in the investment column of \$421 million. You come back the following year with a budgeted investment income of \$5.7 million and achieve a return close to \$220 million. You talked about the coverage ratio in your opening comments and, obviously, the need to keep that in a range, but when I look at those three numbers, there's a huge variance there. I wonder if you could speak to the risk mitigation policy or how you go about establishing a return and how you attempt to ensure that return so that your budgeted numbers are close to what you target.

Mr. Kerr: There are really two elements to the revenue we get each year. The biggest portion is premium revenue that we collect from employers, and if you look at the long-term history of that, that's a fairly stable number. Where we get the variation is from the investment returns, as you identified.

What we've done, especially over the past six or seven years, is develop a much better understanding of the characteristics of our assets and how they match up with our liabilities, and our goal is to make those two work in concert. If you look at our asset mix, the things that make up our assets, the investments we hold, we've had a substantial shift over the past six or seven years from things that are potentially higher return but higher risk and more volatile to things that have lower volatility, more closely match our investment portfolio, so things like infrastructure, real return bonds, a higher allocation to bonds. What we're trying to do is take some of the variation off the table, which allows us to be more financially stable. If you contrast us with most other boards across Canada, our investment mix, our asset mix, would be quite a bit less volatile – I guess you'd call it more conservative – compared to theirs. One of the founding principles of our funding and investment policies is financial stability.

Ron, do you want to add anything to that?

8:50

Mr. Helmhold: Yeah. I think in terms of speaking to the numbers directly, we have to remember that in 2008 we saw one of the most severe market events this century in terms of the collapse of the capital markets. WCB's portfolio in 2008, which was a minus 15.1 per cent return, was in the top tier in the country of pension funds and investment funds in terms of mitigating the losses. Several of our peers had negative returns in the minus 20 to minus 25

per cent range. Our mitigation of those losses during that time speaks to what Guy just spoke of.

In terms of when we set the budget, that was at the end of 2008. Nobody had anticipated the recovery that took place in the markets in early 2009, and neither had we, so we budgeted very conservatively. We anticipated that a big chunk of the unrealized losses that we had seen as a result of the collapse would be realized through our income statement. That did not happen. In fact, in 2009 we saw a very significant recovery, where our portfolio returned 13.1 per cent. Over that period of time I think we appropriately managed what we saw.

Mr. Dallas: Sure. Mr. Chair, I'll flip over to page 56 of the same report, where there is a table that describes the '09 asset mix versus the policy mix and also a summary that shows that the four-year rate of return was 2.7 per cent, which is .4 per cent below the benchmark. As I look at the shift from the actual asset mix to the long-term mix, it would appear to me that that is in fact going to be more conservative and will drive down the expected return on investment, which is already below the target. I wonder if you can comment on the speed with which you're moving those asset classes around to achieve that target mix and if you do in fact see that the investment return will end up being substantially lower as a result.

Mr. Helmhold: Keeping in mind that those four-year returns have been substantially impacted by the severe downturn that we saw in 2008, the minus 15.1 has a very significant impact on that four-year number that you've just cited. In terms of the speed of our shift we're actually pretty much there as we speak today in terms of the shift to a lower mix to equities and a higher proportion to bonds. Going forward, our expected return is slightly less than what we would have seen under a 70 per cent equity mix, as an example, but it's not significantly less. We're only talking a few basis points less. What we've done is essentially managed a portfolio where we expect to receive a similar return but at a lower volatility, and that's just through shifting the various asset classes.

Mr. Dallas: Thank you.

The Chair: Thank you.

Just for the record, you manage your own funds; none of this is handled by AIMCo, correct?

Mr. Helmhold: That is incorrect. Some of our funds are invested through AIMCo. That would be real estate, infrastructure, and a portion of fixed income.

Mr. Kerr: The percentage with AIMCo now has been reduced over the past couple of years. We've brought more of it in-house. It would now be – what? – Ron.

Mr. Helmhold: It would be about 5 to 8 per cent of our funds.

The Chair: Okay. Thank you for that.

Mr. Mason, please, followed by Mr. Allred.

Mr. Mason: Thanks very much. Welcome. I have a question based on your 2009 annual report, that states on page 21 that "total claim costs of \$704.7 million decreased \$266.9 million, or 27.5%, from the previous year due primarily to actuarial adjustments that decreased future liability amounts for health care and wage replacement-related benefits." It says as well that "effective case management and the ongoing focus on return-to-work outcomes continued to produce impressive results on the cost side." The

total number of claims only fell from 212,555 in 2008 to 202,445 in 2009, or only about 4.7 per cent.

It also goes on to say that a lagging economy presented significant return-to-work challenges for injured workers and employers. My question is: are you cutting people off more than you did, or are you using more rigorous criteria? The WCB in the past has been accused of balancing its books by managing caseloads and changing criteria for removing benefits from workers. I'd like to know if that's going on.

Mr. Kerr: A direct answer is: no change to the criteria. We're still looking at somebody returning to work when they're medically fit to do so. So there's been no change.

The biggest change you're seeing there is really from those actuarial adjustments. When we look at the number of \$704 million, we need to remember that that is the anticipated future cost of all the claims that happened in 2009. That's what we've billed employers for that year. For anybody who's injured in 2009 all of the costs in the future – 20, 30, even 50 years – come out of the money that's collected that year.

What happened in 2009 was that there were some changes to actuarial adjustments, so estimates of future costs that impacted that number. But in terms of the actual ongoing stream of benefits to injured workers, the amount, the processes, the criteria have not changed.

Mr. Mason: A supplemental, then. You can correct me if I misunderstand how this all works. Instead of estimating that somebody might need benefits for three years, you're now estimating that they might need benefits for two years. Is that not – could you explain it to me a little bit more?

Mr. Kerr: Sure. The big change, this one, came from our external actuary. An independent third-party actuary looks at anticipated inflation for the future, and this particular change came from the actuary's estimate of the inflation for health care costs. It was 6.75. His analysis of our experience and what's going on said: you should drop that from 6.75 to 6. That results in an actuarial gain, that is the bulk of this offset. So it has nothing to do with expectations of how long people will be on benefits or the amount of time they'll be with us. It's simply an estimation of future inflation on the health care costs that we pay.

Mr. Mason: Thank you.

The Chair: Thank you very much.

Mr. Allred, please, followed by Mr. Chase.

Mr. Allred: Thank you, Mr. Chair. Just going back to the question on AIMCo, I missed your last comment. For clarification is it 5 per cent of your investment portfolio that is with AIMCo?

Mr. Kerr: That's right.

Mr. Allred: Okay. Just following that up. What is the rationale for why you don't use AIMCo entirely for your investment portfolio?

Mr. Kerr: Well, I'll start this, and then I'll turn it over to Ron, our CFO. One of the fundamental principles we have in our investment portfolio is that diversification is a good thing. If you have all of your eggs in one basket, as it were, that's not a good thing if something happens to that one basket. Our strategy has always been to have a multitude of investment professionals managing our money, and AIMCo is one of those people.

Mr. Helmhold: Yeah. That's absolutely correct. Diversification is key, and because we try to match our investment returns to the inflation and escalation of our liability, we have certain investment managers that have specific niches in terms of low volatility and other activities that AIMCo doesn't offer, that provides us with that diversification to manage the volatility with our portfolio. That's why we were able to manage that volatility throughout the financial crisis, as an example.

Mr. Allred: Well, isn't that motherhood and apple pie? Diversification is key to any investment portfolio. Do you not feel that AIMCo is sufficiently diversified?

Mr. Helmhold: We feel that AIMCo as an entity is a fantastic asset manager. There are certain elements of our portfolio that we feel are better matched to the characteristics of our liability than other asset managers offer.

Mr. Allred: Okay. Thank you.

The Chair: Thank you very much.

Mr. Chase, please.

Mr. Chase: Thank you. My questions have to do with the WCB bonus scheme. On page 7 of the WCB's annual report we see that the focus on "return to work drives everything we do and can be measured at the desk level." For some time the WCB has given bonuses to employees who reduce the number of workers receiving benefits. For example, an employee could receive a 6 per cent bonus for decreasing the number of claims where time lost from work exceeded six months; employees could receive an 8 per cent bonus for decreasing claims where time lost exceeded three months. Would you agree that giving bonuses to employees to limit benefits to legitimate claimants could reasonably be perceived as creating an adversarial relationship between employees and claimants?

9:00

Mr. Carpenter: Thanks, Mr. Chase. I'm going to take this question, at least at the outset, because we use the same criteria in determining pay for performance for the CEO as we do for the entire staff, and CEO compensation is a board responsibility, so that would more rightly fall for me to answer. Because your question actually covers both, perhaps Mr. Kerr could extend that after I'm complete here.

To fully answer your question, I'd like to walk you through our process, the measures that we select, why these measures make sense in the workers' compensation system, how they relate to the mission of WCB, and what the results have been. WCB Alberta has a market-based compensation system for its non-union staff. Our philosophy for overall compensation of employees is that general staff will be paid at market average plus 5 per cent, and executive staff will be paid at market median plus 5 per cent, and the payment of a pay for performance component supports this philosophy.

With respect to the senior executives the Human Resources and Compensation Committee of the board will annually retain an independent compensation consultant who will provide a comparative peer group of various positions, which the committee and then the board will review and approve. This peer group is comprised of public-, private-, and issuer-sector positions. It's important that we canvass all these types of employers because that is the marketplace in which we must be competitive or we will be unable to attract, retain, and motivate key personnel.

However, because some of the private- and issuer-sector positions may be substantially influenced by stock options or other types of profit-related payments, we use market median instead of the average so that the outliers will not unduly influence the outcome. From this information the consultant can provide us with details on the compensations, on the breakdown between the fixed portion and the at-risk portion as well as any other type of employment-related payments.

In the case of the CEO the 2010 fixed salary is \$354,000 and the maximum possible portion at risk through pay for performance is an added 50 per cent of that amount, or \$177,000. Other cash and noncash benefits are commensurate with the marketplace. Annually in advance the board sets measurable targets which support the mission and allocates the maximum pay for performance, which will be awarded on achievement. The targets we approve each year reflect the organization's commitment and responsibility to help injured workers return to work and to demonstrate fairness.

The first target selected is that by harnessing all systems and resources to support injured workers in overcoming a disabling injury, WCB will help workers and employers achieve early and safe return-to-work results, and we achieve this measure by ensuring that at least 90 per cent of those cared for during the year achieve their fitness for work. The second goal focuses on our commitment to fairness and ensuring success for injured workers by delivering a certified decision and return-to-work plans which help define the path an injured worker takes to return to work. This goal is measured through quality audits with a target of achieving a result of 85 per cent or better.

The pay for performance measures of the CEO are the same as for the staff, which provides for a great degree of alignment within the organization. These measures are important because an injured worker's return to employment and independence is the best outcome following a workplace injury. Chronic disability is not a good outcome. Return to work is the right thing to do.

Since becoming CEO in 2002, Mr. Kerr and his staff have achieved outstanding results. Having the right focus and bringing the right resources at the right time to help injured workers return to work has been a remarkable success story. They have maintained consistently high return-to-work rates of over 90 per cent; in fact, 93 per cent in 2009. I take comfort from the fact that as we've been committed to this program, our level of appeals and complaints has gone down and injured workers' satisfaction with fairness of decisions has remained high at over 80 per cent. All measures were achieved in both 2009 and 2010, and the board authorized payment of the pay for performance amounts.

It's important to note at this time that our mission has no direct link to financial market performance, which is beyond the scope of management.

The Chair: Mr. Carpenter, we appreciate the detailed answer, but there is a long list of members waiting patiently to ask their questions as well.

Mr. Chase, your second question.

Mr. Chase: Thank you. A discussion of means and medians takes me back to the painful memories of educational statistics in my second year at the University of Calgary, but we're talking about real people here instead of statistics.

Given that the WCB's board of directors voted to remove references to the bonus scheme from any discussion of 2009 performance measures, could you explain what bonuses were paid to employees for their part in decreasing payments to claimants in 2009?

Mr. Kerr: Well, I'd have to object. No payments were made. No pay for performance or variable pay was paid for cutting anybody off or reducing anybody's benefits. This is for achieving a return to work. I think David has talked about some of the things. We take very seriously this business of fairness and making sure that people have the right level of benefits and services. I'm really clear to my staff all the time. It's a corporate culture that we have that we want to be fair. We would always – always – miss any performance goal we had instead of having somebody do something inappropriate, and I'm really clear with my staff about that.

I have a high level of confidence from that perspective, but we also check, check, check. We have lots of checks and balances in our system to make sure that if somebody has gone back to work, if they're deemed fit to work, we have good medical evidence for that, that their level of ability supports that, and that the return to work is a reasonable one and makes sense. The details of the actual payments, I think, are in the annual report, and we circulated an answer in advance to that.

Clearly, it's a corporate culture of WCB for fairness and making sure that people have the right level of benefits and services. There's no payment at all for anybody to end benefits before their time.

The Chair: Thank you.

Mr. Sandhu, please, followed by Mr. Mason.

Mr. Sandhu: Thank you, Mr. Chair, and thank you, Mr. David Carpenter and your board members. Can you explain what checks and balances are in place to make sure WCB case management staff is following proper policy and procedures?

Mr. Kerr: Well, I think the essential check and balance for the workers' compensation system is that it is a system. So any decisions that we make are ultimately appealable to the independent and separate Appeals Commission, and of course folks can go on to the Ombudsman and to the independent medical panel process. If you look at all of those statistics, they show declining numbers and fewer people going on to appeal their decisions, which I think is a good thing.

We also look at it internally. We have our own internal quality assurance and audit groups that look at these decisions and make sure that the right things have happened. They go through and review actual case files, look at the results and audit and say: was the right thing done here? Especially in the last half of the year we're auditing every single decision that gets made to make sure that it's the right one.

I think there are lots of checks and balances not only within the WCB but within the system itself to make sure that the right things are happening.

Mr. Sandhu: My second question: where are the policies and procedures for WCB case management available for viewing so that clients can reference them? I have a constituent who is at a standstill with the WCB because of a mistake in their adjudication. What is being done to stop the constant state of appeal some clients find themselves in?

9:10

Mr. Kerr: Well, any time a client has a difference of opinion or an issue with the decisions being made on their claim, they should always go back to that adjudicator or case manager to ask for clarification or questions. If they are unsatisfied with that, then we have levels of review within the WCB at the supervisor level or at the DRDRB, Dispute Resolution and Decision Review Body. If

they are not getting what they think they need, there are mechanisms for them to deal with that.

Then you specifically in your office or your constituency staff in the office – we've got a dedicated group of employees who do nothing but offer services to MLA offices to help with these very challenges you get in your offices: help explain things, help look back within the WCB to make sure that we've done the right things on those files. I really encourage you to take advantage of our GR services if you have constituents that are at your office looking for help.

Mr. Sandhu: Thank you.

The Chair: Thank you very much.

Mr. Mason, please, followed by Mr. Fawcett.

Mr. Mason: Thanks very much. I'd like to ask a couple of questions with respect to performance pay. Now, it's my understanding that we're only one of three provinces that retain this system of providing performance pay for our executives. The total compensation for the top six executives, exclusive of variable compensation, was 2 and a half million dollars in 2009. What was the total value of the variable compensation for the top six?

Mr. Helmhold: I don't have that specifically handy, but where you would see that is in the other cash benefits column on note 17 to the financial statements. The overwhelming majority of the numbers in that column represent performance pay that was paid out in 2009.

Mr. Mason: Could you, since I don't have that in front of me, just tell me what that number is?

Mr. Helmhold: It's not totalled on this page. But in terms of the president that's at 50 per cent of his base salary. The other cash benefits number there is \$181,000, so it's slightly less than that. About \$170,000 would be the pay for performance for the CEO.

Mr. Mason: All right. Well, Mr. Chairman, maybe they can provide those specific numbers to all members of the committee afterwards.

You know, other provinces no longer use this, if they ever did, and I'm wondering if the organization has reviewed this as a policy relative to what other workers' compensation organizations are doing in Canada to ascertain whether or not it is effective.

Mr. Kerr: I'll start on that. I think that looking at the other WCBs, while we all have the same essential role, we do things very, very differently. So while they may or may not have it, I think if we look at the results that we've had and the performance that the Alberta Workers' Compensation Board has, I think we'd say we got good value from it.

The biggest value to me is that lots of organizations lack clarity from their staff about: what are we really here for; what's our purpose; what are we trying to achieve? When we say so clearly to our staff that focus on fairness and return to work are the things that matter to us and that are reflected in our pay for performance, that gives them that guidance to know what things they should be working on.

I told you before that we do an annual staff survey. Almost 90 per cent of staff participate – it was 87 last year – and 95 per cent of them say: I can see a direct link between my work at a desk level and the corporate objectives. I think that strength of vision, that strength of all things from compensation systems to

communication to corporate culture leading to that, makes us the best WCB in Canada. The numbers just don't lie.

Mr. Mason: That wasn't what I asked, Mr. Chairman.

Mr. Kerr: Oh, sorry. A specific answer to your question about whether we review that: absolutely. We look at that all the time. This system of compensation for WCB employees, the fixed portion and the variable portion: is that looked at? It's looked at every year, and I make an assessment for the staff. The board makes an assessment for me and says: yes, we believe this continues to be the right thing to do.

Mr. Carpenter: From a board perspective: absolutely. It's reviewed at the Human Resources and Compensation Committee. We get independent advice as to how it should be structured. We work with that. We question it. It's then a recommendation to the board. The board does the same thing and approves it.

Mr. Mason: Thank you.

The Chair: Mr. Fawcett, please, followed by Mr. Chase.

Before we get to Mr. Fawcett, I would like to welcome Mr. Benito, Mr. Xiao, and Mr. Elniski. Good morning, gentlemen. [interjections] It's all in Calder?

Mr. Elniski: Including bad drivers and road construction.

Mr. Fawcett: Thank you, Mr. Chair. In your presentation you provided a slide and talked about the ratio of administration costs per \$100 of assessable employer payroll. You know, we can see from your chart that that number in Alberta is quite low compared to other jurisdictions. I think you mentioned briefly as to why, but I was just wondering if you could provide some further details as to why you believe that number in Alberta is significantly lower than the national average as well as substantially lower than the highest in other jurisdictions.

Mr. Kerr: There are kind of two answers to that. One, if you look at the highest, it's a bit of a challenge for some of the smaller boards like P.E.I., Yukon, Northwest Territories, Nunavut. You know, the Northwest Territories only has 35,000 people living in the entire territory, and for them to provide services, it's just really hard. They're not as efficient. They have to have more staff. So they'd be on the outlier side. On the national average I think it's because, you know, it's the Alberta thing. We do things more efficiently.

I look at how much investment we've made in technology to help our business. I started at WCB in 1999. Our staffing levels are essentially the same now as they were in 1999, with almost a doubling of business in that time. Because we've invested in technology, some of those manual, routine processes don't have to have added staff to do them. I think it's really that. It's the size and scope. We're big enough that we can be efficient, but then we also are always looking at: how do we do this responsibly and not drive up costs? I'm really proud of that FTE number. You know, that's a long time to be holding staff steady.

Mr. Fawcett: Okay. Mr. Chair, my follow-up. You know, as a skeptic one could take a look at these numbers and say: well, that doesn't tell the whole story. The other story is where we stand in relation to these other jurisdictions as far as performance measures. Could you provide us some insight as to whether you sort of compare this number of the administrative costs ratio in the context of the performance measures with other jurisdictions as well and where we rate?

Mr. Kerr: We're leading most of them. You know, the ones that we pay particular attention to are funded status – and we'd be at the top of that – the amount of money that we've got set aside. We just came back from the Association of Workers' Compensation Boards of Canada get-together. We meet once a year or so. If you look at the province that's the biggest in the country – I won't name it – they're \$12 billion short on their funded status. That's a significant gap from where they should be.

You look at average duration. How are we doing in getting people back to work? The average duration, the percentage of return to work is the highest. The percentage of people who get their first compensation payment within 14 days is at the highest. You look at almost any metric – and I encourage you, actually, to go to the AWCBC website. There's a portion there where they actually have a statistical comparison of all the WCBs, and you can see that we lead in most categories.

The Chair: Thank you.

Mr. Chase, please, followed by Mr. Vandermeer.

Mr. Chase: Thank you. I just want to put on the record that a beacon of light in what is frequently a dark sea of despair is Kathleen Ruelling. I very much appreciate her efforts, and it's unfortunate that a caring attitude and competence can't be cloned, or we'd have several more Kathleens on duty.

The Auditor General's report April 2010, occupational health and safety and the Workers' Compensation Board. The Auditor General reported on an audit of the occupational health and safety program in April 2010. On page 32 the AG noted that

half of those employers that persistently fail to comply with the OHS Act also continue to hold a valid Certificate of Recognition (COR), and continue to have elevated injury rates among their workers.

The AG continues:

Although these employers do not comply with OHS orders, and their workers are much more likely to get injured on the job, these employers continue to receive Partners in Injury Reduction financial rebates and use their COR to bid on contracts with major companies.

Alberta Employment and Immigration has primary responsibility for the COR program, and the WCB relies on the department's database of COR recipients to administer its partners in injury reduction program. The WCB issues rebates of up to 20 per cent of premiums to COR employers. The first question: can you explain how the WCB can be offering rebates to employers that persistently fail to comply with the OHS Act?

9:20

Mr. Kerr: Sure. The interesting thing about the PIR program, the partnerships in injury reduction program, is that the vast, vast majority of the rebates are performance based. You don't earn it just because you have a certificate of recognition. You earn it because either your performance is improving or you've exceeded the industry standard and are, in fact, what we call an industry leader. So in some ways the COR is a good indication of your intent. Our program rewards performance. It doesn't go to people who have declining experience. It doesn't go to people who are way worse than industry average. It goes to people who are making a difference, who are getting better, or who are industry leaders.

Mr. Chase: Thank you.

My follow-up. The WCB's annual report states that its target of increasing the number of companies with a COR by 3 per cent

was exceeded in 2009. There was a 12.6 per cent increase. Given the AG's assessment how meaningful is this for promoting safety?

Mr. Kerr: Well, we still believe tremendously in the COR program and in partnerships in injury reduction, so while anything can always be improved – I have a sense the department is working on that – the numbers show that the companies that are enrolled in PIR that have a certificate of recognition on average have much better performance than those who don't. Our view always is that this is a voluntary program. If you can get more people to get in, if they get interested – they may not be good performers – if they get in, we have expectations that they'll improve if financial incentives are there for them.

Mr. Chase: Thank you.

The Chair: Thank you.

Mr. Vandermeer: I guess my questions are similar to Harry's questions, only that mine would go in the opposite direction. What's your relationship with occupational health and safety, and how does the Workers' Compensation Board influence them on direction, let's say? If there's not a problem with people getting injured and if occupational health and safety is focusing on different areas, then if there's not a problem, why would they have to be dealing with that?

Mr. Kerr: Well, our relationship with the department is very good. We talk and co-operate on many, many things. Partnerships in injury reduction is a great example of that. We are independent, though, so I wouldn't say that we have a lot of ability to influence their direction. That's driven by the minister. That's driven by their own folks. We certainly offer our guidance and advice on things that we think are important, that impact us. In Alberta clearly there is a difference between the prevention-enforcement side, which the ministry has, and us, which is the Workers' Compensation Board's return-to-work piece. You know, I think there's always more we can do and there's always more that they can do to make sure the province is safer. We've always said that our role in the safety piece of this is that we have pricing programs that incent the correct behaviour.

Mr. Vandermeer: Okay. I just wish that you would have more input there. If there is not a problem and occupational health and safety is focusing on issues that are not problems, you would have more influence and say: hey, why bother with going there? If people are falling off roofs, yes, we need to address that, but if there's not a problem with Kyle here, that he has to wear safety glasses while he's on his computer, then why go in that direction, right?

Mr. Kerr: I think that's probably good advice. The more we can work together with them to make sure we're both focusing on the right things, that's probably worth while, too.

Mr. Vandermeer: I'd like to see that more. Thanks.

The Chair: Thank you.

Mr. Chase – do you have another question? – followed by Mr. Xiao.

Mr. Chase: Thank you. The Auditor General's report April 2010, underreporting of injuries by workers and employers. The Auditor General reported in April 2010 that there's a concern about underreporting of injuries by workers and employers across all Canadian jurisdictions, including Alberta. He notes that underreporting results in underresourcing OHS programs and that the

costs of unreported injuries are absorbed by the health care system and social support services, page 39. What is the WCB doing to ensure that information on workplace injuries is reliable and to address the issue of underreporting?

Mr. Kerr: Well, if you think about where injuries and incidents get reported, there are three places that comes from: from the employer, from the worker, and from the attending physician. We rely on all three of those people to accurately assess when an injury or an illness is work related and to submit the documentation to us. We don't rely just on any one of them; we rely on all of them. Not often but at times somebody will think, "Well, maybe this isn't work related" – you know, the employer will or the worker will or the doctor will – and that's when we get involved to investigate.

I've got a high level of confidence that with that, combined with the many, many audits we do at the employer level, both of the employer and the worker, we should have confidence in those numbers. There's always going to be underreporting, just like in the tax system there is undercollection, just like with any system, but I'm confident that we have systems that make sure we collect the vast majority of that.

Mr. Chase: The Alberta Federation of Labour, AFL, has said that reports of improvements in occupational health and safety are misleading. The AFL believes that lost-time claim and disabling injury claim rates are misleading measures because employers underreport injuries in order to pay lower WCB premiums. President Gil McGowan has said that "employers can and do hide injuries." He argues that "it makes absolutely no sense to say that fatality rates will go up while at the same injury rates are going down." That's from the *Edmonton Journal*, May 2, 2011. The AFL position seems plausible. What is your response to the argument that rates for injuries and fatalities would not go in opposite directions?

Mr. Rodney: Sorry, Mr. Chair. It's your deputy here. It's nice to hear that there's a quotation or a citation, but that's not from last year's numbers. That's the role of this committee, and I reminded members of that at the outset, so I would feel that WCB has no obligation to answer a question like that.

Mr. Chase: Let me point out to the deputy chair that these underreportings of injuries are an historical effect. You can ignore the citation as a most recent citation, but you can't ignore underreporting, so I would appreciate the question being answered.

The Chair: Mr. Rodney, you can go through anywhere in the 2009 WCB annual report, and you can find references to what Mr. Chase is talking about.

Mr. Rodney: Okay. As you and I know, best practice across the country and around the world – and Mr. Chase would indeed be assisting his own cause – is that if at the outset he would say with reference to whatever page of whatever report that we're dealing with, I wouldn't be asking this question.

The Chair: That is true, but if you look directly at the provincial figures – and we're not going to spend too much time on this – in Alberta for 2008-09 there are detailed statistics regarding person years worked, lost-time claims, lost-time rate, modified work claims, lost-time claims involving modified work, disabling injury claims, duration rate, days lost, transaction claims cost. So all of that is included, sir.

Mr. Chase, Mr. Rodney has a point, but please proceed.

Mr. Chase: I will repeat my reference for . . .

The Chair: No. Just get directly to your question, please, sir.

Mr. Chase: Yes. The question has to do with page 39 of the April 2010 Auditor General's report and the concern that rates for injuries and fatalities would not go in opposite directions.

Mr. Kerr: Well, I think that's an important question because if you look at the fatality number, while for 2009 it went down substantially, for 2010 it went back up. I think that while every single one of those fatalities is a tragedy and we all should be a little bit sick about that, if you look at that number, it has some variability year to year. It's a useful number for analyzing the health and safety of the province, but because of its variation, because a third of it comes from occupational disease from exposure a long time ago and a third of it comes from motor vehicle accidents, you look at how much is directly related to the safety of today.

Regardless, it's one of the measures but I don't think it's the best overall measure for the health and safety of the province. I think the lost-time claim rate, the disabling claim rate are better indications. As I said, I just came back from AWCBC, and the trend that we're seeing in Alberta is happening almost across Canada. Other jurisdictions have also seen that trend down over the last number of years, so this is not something that, you know, Alberta employers are doing. We've got all these controls in place. This, I think, is just the fact that the folks across Canada are getting safer. It would be nice if we saw that fatality number go down all the time, but there is some variability to it.

9:30

The Chair: Thank you.

We'll move on now to Mr. Xiao, followed again by Mr. Chase.

Mr. Xiao: Thank you, Mr. Chair. Before I raise my questions, I'd really like to take the opportunity on behalf of my constituents to thank you. You know, if you can recall, about a year and a half ago one of my constituents, a fuel tank driver, was burned to death. You acted very quickly, and just within days you sent somebody to his house to meet with. He was survived by his wife and three very young children, from one to four years old. I'd really, really like to thank you for your professionalism and everything you have done for that family. I'd like to thank you very much.

My question to you. In the last few years you tried to link – you have done that – to reward the good behaviour and also punish the bad behaviour. I want to know: in the last three years how much money have you funded to those companies who have improved significantly their safety record? I remember that I attended a few of those events with you, Mr. Kerr, to present the cheque.

Mr. Kerr: Right. There are kind of two elements to that. We have our experience rating program, which also changes an employer's premium based on their record. That also is a direct financial incentive. The PIR rebates that you're talking about are the rebates the employers have earned for improving safety performance or industry leadership, and I think the total that we just gave out this year was about \$75 million.

Mr. Helmhold: On average it's been about \$75 million a year for the past three years. It varies slightly, depending on the number of employers and level of insurable earnings. In aggregate, it's been in excess of \$200 million.

Mr. Xiao: My supplementary question to this: does this program or this policy have any impact? I understand our injury rate has declined comparatively, but we still have a considerably high

fatality rate as well. Can you find any way, really, to improve the program and which can really help to reduce the fatality rate? Maybe I'm a little bit naive.

Mr. Kerr: The fatality rates are really tricky ones to talk about.

Mr. Rodney: Mr. Chair, sorry to interject again. As you can see, in all-party spirit, whether it's the government side or otherwise, I just want to remind our own members in this case that we can't deal with policy on the Public Accounts Committee. That's not the role of the committee.

The Chair: Again, the privileges of the committee are at stake here, Mr. Rodney. The partners in injury reduction program, the COR program, which Mr. Xiao is referencing, is clearly outlined regardless of what year you want to look at, and I would have the view that he's entitled to ask these questions. The partners in injury reduction program is millions of dollars, and there's a part of it that comes from occupational health and safety through Employment and Immigration.

Mr. Xiao, please proceed. Or if the WCB officials can respond.

Mr. Rodney: Well, Mr. Chair, all I'll say is that if it's policy, you would agree that it's not subject matter for the committee.

The Chair: It's not policy. There are a number of references, direct references, to the money that is being spent. Mr. Rodney, I'm going to ask, respectfully, that you allow this meeting to proceed.

Mr. Rodney: I will, sir, yes. Once again I'll say that a citation would make this matter moot, so I would encourage members to make a reference. It's so easy for folks who are visiting us for the first time or the first time in a long time to venture into an area that is not their responsibility in this case. Go ahead and proceed. I have no problem with that. I'm just saying, whether it's to Mr. Chase or Mr. Xiao or anyone else: let's start with a citation so we know exactly what we're referring to in last year's report. I think we can all agree on that.

Thank you.

Mr. Kerr: I can go ahead and answer. The question really was about: do we think that the PIR program has some causal effect on safety in the province? I would say definitely yes because we know that people, the companies, the employers, and the workers in those companies have better safety records. I think it's really difficult to attribute a specific portion to it. We know there are lots of things that are going on in this province, directed by the ministry and by employers and by union groups, to improve safety, so I wouldn't apportion any portion of it.

Your second question was about things we can do to improve PIR. We do an annual review of PIR to make sure we have the right level of incentives, that the right things are being looked at, that the right companies are in there, that kind of thing, so our assessment is that, yes, we are on the right track. Where we have improvement – Mr. Chase, I think, mentioned it – is that one of our goals is getting more employers into the PIR program. That's the biggest difference we can make, by getting more employers to say: "Hey, this is something we need to do. I'm going to voluntarily sign up because I know it's the right thing to do, and there's a financial payoff."

The Chair: Thank you.

To all members, if you look at page 69, you can see that in note 13 in 2009 there were \$71 million in partnerships in injury reduction rebates. It's also clearly outlined in note 10 on page 65.

Now, Mr. Xiao, before we continue, could you clarify to the committee: were you involved in presenting cheques to companies that met or exceeded their safety record so that they could get partners in injury reduction rebates?

Mr. Xiao: Yes, I'm glad to answer that question. As everybody knows, I was the parliamentary assistant for Employment and Immigration. I was invited to attend the AGM of many companies on behalf of the minister, and on that occasion it happened that the WCB also was invited there. That's what I was referring to. In those AGMs on a few occasions the WCB presented a cheque while I was attending the same meetings.

The Chair: Okay. Thank you. I appreciate that. Earlier in the meeting there were references to how independent the WCB is from Employment and Immigration.

Mr. Xiao: They are very independent. They never talked to me directly.

The Chair: Okay.

Mr. Chase, please, followed by Mr. Benito.

Mr. Chase: Thank you. For Mr. Rodney I'm citing pages 10 to 11 of the WCB annual report.

Mr. Rodney: Thank you, sir.

Mr. Chase: You're welcome. Both being former teachers, we believe in citations and bibliography, so I understand the referencing.

On pages 10 through 11 of the WCB annual report there is a description of the occupational injury service, which allows workers to obtain access to medical attention without waiting in a hospital emergency room. The report quotes a disability manager as saying, "Ideally, the employer is also at the first visit, where he or she discusses with OIS staff and the worker the best return-to-work plan." Most people would consider the interaction between a patient and a health care professional private. Could you explain why it's appropriate for an employer to attend while a worker receives medical attention?

Mr. Kerr: Well, certainly, they wouldn't be in the room while the person is being examined. The point of this is really that when a physician is looking at an injured worker and trying to assess their level of work restrictions, what work abilities they have, it's really important for them to have an understanding of what the employer's modified work program is, to see if those two can match up. In no way is the patient's confidentiality breached. In no way is that doctor-patient relationship impacted. This is simply making sure that the doctor has the best information about the match of the worker's remaining abilities or work restrictions and the job duties.

Mr. Chase: Thank you.

My supplemental. The 2009 numbers reported on page 11 indicate a 22 per cent reduction in time-lost claims and a 9 per cent reduction of all costs on new claims for those employers. Could these figures be indicative of a somewhat coercive approach?

Mr. Kerr: I don't think so. I think it's exactly speaking to the match that I talked about before, that if a worker goes in with some sort of injury and without this consultation, the doctor might have said, "Well, just go stay home," which is not a good thing. With this consultation they say, "Hey, you can actually stay at work, keep contributing, stay attached to the workplace," which

we know is so, so important, and that's where those numbers come in. They're not from any coercion. The worker, remember, always, always, always has the ability and the right to go to their own physician.

9:40

The Chair: Thank you.

Now we're going to move on, please, to Mr. Elniski and then Mr. Benito.

Mr. Elniski: Thank you very much, Mr. Chair. I must apologize at the outset, but I'm looking for the citation.

The Chair: Okay. Mr. Benito, I apologize. Could you proceed, please?

Mr. Benito: I'm going to start with a citation.

The Chair: You go right ahead.

Mr. Benito: Referring to page 50 of the 2009-2010 Employment and Immigration annual report, it shows that a total revenue of more than \$1.1 billion is offset by total expenses of \$822.9 million, which yields an operating surplus of \$306.8 million. With these figures in mind, does this mean that employers who pay WCB premiums are being overcharged?

Mr. Kerr: No, it doesn't at all. Remember that the total revenue piece comes from both premiums and from investments, so the difference between the two in this case is simply attributable to investment returns.

Ron, do you want to maybe add to that?

Mr. Helmhold: Yeah. I think the surplus really arose because of the actuarial gains that Guy spoke to and that we spoke to earlier. In 2009 we had significant actuarial gains that decreased the costs that are recorded on the income statement. In terms of the fully funded costs related to 2009 injuries, they were much higher than the \$704 million that's shown on this statement because this is a net number. That's net of those actuarial gains. In terms of the revenues that were charged to pay for those fully funded costs, that generated a surplus of \$55 million, which is shown on page 21 of our annual report. So that \$55 million represents, basically, the excess that was collected, and that was primarily because insurable earnings were significantly higher than we had anticipated when we had set the budget. That was part of the recovery that started to take hold in 2009.

Mr. Kerr: There's a great graph on page 23 that shows you how over time we've gotten better at making sure we charge the right level of premium for the total claims costs. You can see that that gap has been narrowing consistently since 2002.

Mr. Benito: A supplemental, Mr. Chairman: what is the reason for budgeting only \$11.6 million in premiums while actually collecting \$55 million? Page 51 of the annual report.

Mr. Kerr: I think I actually have different page numbers than you.

Mr. Benito: That's Employment and Immigration, I guess. On page 51 of the annual report, you know, there's only \$11.6 million in premiums.

Mr. Helmhold: I think what you're referring to is page 21 of the WCB annual report. Basically, the \$11.6 million is the surplus that we had budgeted with respect to our rate setting for 2009. Basic-

ally, our approach is to take generally a conservative approach with respect to rate setting, keeping in mind that we're setting rates 15 months ahead of when we actually see employer reporting coming through. We have an obligation to remain fully funded, and we have an obligation to charge rates that cover the fully funded costs of injuries arising in 2009. In 2009 we budgeted for a surplus of \$11.6 million. In fact, the surplus that came through from rate setting was \$55.3 million, and as I mentioned, that was because insurable earnings were significantly higher than we had anticipated.

Mr. Benito: Can I do another supplemental, Mr. Chair?

The Chair: Mr. Benito, you proceed.

Mr. Benito: Thank you very much, Mr. Chair. Looking at the same report – I have page 51 of the annual report here – what constitutes the \$2.2 million expense in other items?

Mr. Helmhold: The \$2.2 million expense in other items, basically, is a result of prior-year adjustments to premiums. What happens is that we do do premium audits, as Guy had spoken to earlier, where we go out to employers and validate the level of insurable earnings that are being reported. Because those adjustments relate to prior-year injuries and prior-year assessments, we report that through other revenue because it doesn't factor into the current year cost of fully funded claims, and that's why it's shown in other revenue. Basically, in 2009 we had a net adjustment for prior-year revenues of minus \$2.2 million, which is quite immaterial.

Mr. Benito: Thank you, Mr. Chair.

The Chair: Thank you.

Mr. Benito's second question, for the record, was from page 51 of the 2009-10 Employment and Immigration annual report, and it was dealing with the table summarizing the major contributors to WCB's operating surplus of \$306 million.

Mr. Kerr: That's page 21 from our actual printed annual report.

The Chair: Yeah. Okay. Sorry for that confusion.

Mr. Chase, please, followed by Mr. Elniski.

Mr. Chase: Thank you. The WCB's target for postinjury income is that 70 per cent of clients will achieve 75 per cent of their preinjury income. That comes from page 14 of the WCB annual report. In 2009 WCB did not achieve this target. Only 64 per cent of clients were back to 75 per cent of their previous income, which is attributed to a lagging economy. This means that after an injury at work 1 in 3 workers finds himself or herself with an income that is at least 25 per cent less than before the injury. This situation must cause considerable hardship for the one-third of workers going back to employment at a lower income. Question 1: is there any concern that WCB is sending workers back to work too soon?

Mr. Kerr: Well, two issues with what you've said. The first is that this statistic only refers to those who have gone through supported job-search services. This is a very, very small subsection. These are the people who have the biggest challenges, the biggest barriers to returning to work. It's a small number. This is a very ambitious goal we have of helping 70 per cent of them achieve 75 per cent of their preaccident income. Now, if we don't do that, then, of course, we have benefit streams that make up that difference. So nobody is left short. This is simply our goal to say: let's try to get you back as close to where you were before in terms of your actual earning capacity. If you don't get there, for sure we

make up the difference. That's part of what some of our benefit streams are.

Mr. Chase: Thank you. In my office we are seeing injured workers that agreed to a return-to-work plan only to have any number of things go sideways, resulting in their not being satisfied with the assistance and/or unable to continue the plan. We can see these workers assigned economic loss payment, ELP, where they are assigned an imaginary job. The imaginary earnings from that job are deducted from their WCB payments. What percentage of WCB claimants that begin a return-to-work plan end up receiving an ELP without actually having a job?

Mr. Kerr: I don't have the statistics on that, but we know that someone who is getting an earnings loss payment – that's a payment to make up the difference between any job they have or are deemed to have and their actual earnings. Most of the people who get an ELP have actual earnings to accompany that. The only reason they wouldn't – remember that WCB legislation is clear that we focus on employability, not employment. We get someone with our service providers back up to where they can work, where they have capacity to work. Then that's where the difference is made up. You know, the issue of whether those jobs are real or not: we have a pretty robust process to make sure that the jobs that we talk about exist and they match up with what that worker's restrictions are.

Mr. Chase: An observation in my office: for at least two constituents their low levels of literacy weren't taken into account with equivalency job offers, so there was a large disconnect.

The Chair: Thank you.

Mr. Elniski, please.

Mr. Elniski: Thank you very much. My citation, Mr. Chairman, is actually the footnotes on page 9 because that's the best one I can find at the moment. So if you'd be so kind, gentlemen, as to go to the 2009 numbers on the right-hand side of the page, it says that "6,847 workers received services at Millard Health in Edmonton." The first thing I'd like to say is thank you very much. Millard Health is a tremendous asset to my constituency of Edmonton-Calder. However, in saying that, I have to ask you a question. It's a fairly high-end facility, and I'm certain that it runs some fairly significant operating costs, that I specifically cannot identify in your report. I'm wondering how it is that you determine that, in fact, the most cost-effective way of treating these 6,847 people is actually through Millard Health?

9:50

Mr. Kerr: Right. Well, the way that this is set up across the province is that we own and operate Millard Health here in Edmonton, and it provides services to north-central and northern Alberta. Then for the rest of the province there are private providers who provide the same services. So the contracts, the service levels, the dollar amounts paid at Millard are the same as they are at all of the other private facilities. From our point of view it's a good way of measuring that the same standards that we have, the same costs are what the private facilities have. Of course, we measure our service levels on that, too. I'm proud to say that Millard is a leader in the province in terms of its outcomes and its satisfaction.

Mr. Elniski: That's good. That's good to know.

In saying that, then, given that you're using two particularly, you know, different models in a little bit of a unique way, is there

a plan – and I realize this may be slightly off topic – that, in fact, you're going to adopt a single model at some point in time, whether it be the Millard type of model or the external service provider?

Mr. Kerr: We're really happy with the current model. I think it provides that right balance. If we took over the whole province, we'd be putting people out of business, and then we'd lose that comparative. I think that both of those things are not good. I'm quite happy with the current model, and I think we'll stick with it.

Mr. Elniski: Great. Thanks, Guy.

The Chair: Thank you.

Mr. Chase, do you have a question?

Mr. Chase: Yes. I have at least one question I'd like answered and another read into the record.

The Chair: If I could be excused, please, Mr. Chase. We have a couple of other items on the agenda to deal with, so if you could read your questions into the record, and then, Mr. Kerr, if we could get a written response.

Mr. Chase: Okay. By all means. Thank you.

The WCB is the sole owner of Millard Health, with which WCB contracts services to injured workers, kind of an in-house organization. Does the WCB solely own any other organizations or is the sole contractor to owned and/or nonowned organizations? What are the ownership and operating names, and what services do they provide?

Supplemental: what were the earnings of each solely owned organization that provided services to the WCB for each of the last five years, and where is that reflected in the financial statements?

The Chair: Thank you.

Mr. Carpenter, Mr. Kerr, and other senior members of your executive team, I would like to on behalf of all members of the committee thank you for your time this morning.

We would like to thank the Auditor General and his staff for their time as well.

We have a couple of other issues to discuss, so good luck, and I hope you look after all injured workers fairly and with respect. Thank you.

Mr. Kerr: Thank you, Mr. Chairman.

The Chair: Hon. members, item 5 on our agenda, our meeting schedule. Last week there was some discussion about holding out-of-session meetings, and all members were encouraged to consider whether there were any specific departments or organizations we should invite to meet with the committee. Does anyone have any thoughts or suggestions or direction on this?

Mr. Rodney: Mr. Chair, I can't see any hands up, for obvious reasons.

Mr. Chase: I'll have to flap harder.

The Chair: There is only one hand up at the moment.

Mr. Chase.

Mr. Chase: Yes. I would certainly like to see again Children and Youth Services.

The Chair: Okay. Specifically outside session, or do we wait?

Mr. Chase: Well, I'm very worried that we're unlikely to have either a fall or a spring session. Therefore, I would suggest that an out-of-session meeting with Children and Youth Services would be appropriate.

I would love to be contradicted. I would like to hear a sessional date that has been confirmed, but all we have is a rumour that October 25, I believe, is the date for the fall session. If anyone knows other than that, I'd be willing to put that meeting on hold.

The Chair: Okay. There's quite a list of agencies, boards, and commissions on the government website and, of course, in each and every annual report and the annual report of the province.

Hello, Mr. Rodney.

Mr. Rodney: Yes, sir. Thank you for recognizing me. I'm waving my hand wildly here. I appreciate Mr. Chase's comments. I, too, would be in favour of the department named and perhaps others.

Folks, we know that there's more than one white elephant in the room sort of in terms of leadership questions to answer, and there may or may not be a fall session. What I would want to do is continue to do the work of the committee, of course, understanding current reality. In other words, by October 1 at the latest I would expect we'll have these questions answered by the major parties that are determining who their next leaders will be.

I would encourage us to meet shortly thereafter and come up with a schedule because at that point we'll know whether there is a fall session or not, and then we might have a day where we can meet one or two departments in a morning and one or two, again, agencies, boards, or commissions as well in an afternoon. I just wonder, Mr. Chase, if you'd be open to meeting right after these leadership questions are answered and then coming up with a full schedule at that point in time. If there is a session, for instance, we could probably do all of the Wednesdays of that session and continue business as usual.

Mr. Chase: I'll try and summarize what I believe you said and just add my own comments. We as members of this committee and the other standing policy committees receive \$1,000 a month whether or not we meet. We're doing wonderful work, I'm assuming, all of us in our constituencies, but we have that extra money that needs to be accounted for.

If you believe that we'll know by October 1 whether or not we're going to have a fall session, I would suggest that at the very latest mid-October, if we don't have a fall session, we have your full-day meeting as you suggested, morning and afternoon. If that meeting could take place on a Monday for the convenience of us southerners, who have to travel up, that would be most appreciated.

Mr. Rodney: Mr. Chair, I'd be happy to hear what the other members have to say about this as well.

I want to work with you, Mr. Chase. You know that. I would go so far as to schedule Children and Youth Services for the first Wednesday of when we would be in session and meet whether or not we are in session.

Mr. Chase: What date would that be?

Mr. Rodney: Well, if you said that the date forecast was October 25 – what day of the week is that? I'm just saying the first Wednesday after. I can look it up really quickly here if you want.

The Chair: October 26 is the date, I believe.

Mr. Rodney: That's my suggestion, Mr. Chase. We're hoping to see them. I would say that we should meet them then. I'll tell you what. If before that point we know that we are not having a fall session, I would encourage us to meet other departments on that day. But we'll have to wait and see. If there is a fall session, of course, we'd have to go back for question period.

Mr. Chase: I'll just note that June, July, August, September will have passed, and we'll be \$4,000 to the taxpayers' good without having met. It's the will of the committee at what point in October they wish to have a meeting, but to me that is the absolute latest that such a meeting could take place.

The Chair: Thank you, Mr. Chase.

Certainly the chair would note that we met with Alberta Health and Wellness recently, and Alberta Health Services, I believe I'm recalling, has a budget in excess of \$10 billion. The chair would be very disappointed if we did not meet with Alberta Health Services over the summer for a detailed explanation of their financial statement. That's all I can say.

Mr. Chase: Mr. Rodney, would you like to formalize your meeting motion for October?

Mr. Rodney: Oh, well, sure. I would simply say that the Public Accounts Committee invite the Children and Youth Services ministry representatives to appear before the committee on October 26, whether or not there is a fall legislative session.

Mr. Dallas: I'll second that motion.

10:00

The Chair: Okay. Thank you. The hon. members heard the motion?

Mr. Rodney: The only question I have, Mr. Chase, or maybe it's for our clerk: do we know exactly when we saw Children and Youth Services last?

Ms Rempel: Mr. Rodney, that was on April 14, 2010.

Mr. Rodney: There you go. That's over a year. I'm not opposed to having them at all. I'm happy to stand by my motion, and I'd be interested to see if the others are in agreement or not. It's completely up to them.

The Chair: All in favour of the motion? Opposed? Seeing none, thank you for that.

We will get this teed up, and hopefully we will have a lot of meetings between now and the end of the year because this is an important committee. I think we can examine a lot of financial statements, and we can certainly ensure that money is being well spent on behalf of taxpayers. Thank you.

The date of the next meeting: we've taken care of that issue.

Is there any other business?

Seeing none, may I have a motion to adjourn, please?

Mr. Sandhu: So moved.

The Chair: Moved by Mr. Sandhu that the meeting be adjourned. All in favour? None opposed. Thank you very much. Take care.

[The committee adjourned at 10:02 a.m.]

