



Legislative Assembly of Alberta

The 27th Legislature
Second Session

Standing Committee
on
Public Accounts

Workers' Compensation Board

Wednesday, October 7, 2009
9 a.m.

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Second Session**

Standing Committee on Public Accounts

MacDonald, Hugh, Edmonton-Gold Bar (AL), Chair
Quest, Dave, Strathcona (PC), Deputy Chair
Benito, Carl, Edmonton-Mill Woods (PC)
Bhardwaj, Naresh, Edmonton-Ellerslie (PC)
Chase, Harry B., Calgary-Varsity (AL)
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Drysdale, Wayne, Grande Prairie-Wapiti (PC)
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Johnson, Jeff, Athabasca-Redwater (PC)
Kang, Darshan S., Calgary-McCall (AL)
Mason, Brian, Edmonton-Highlands-Norwood (ND)
Olson, Verlyn, QC, Wetaskiwin-Camrose (PC)
Sandhu, Peter, Edmonton-Manning (PC)
Vandermeer, Tony, Edmonton-Beverly-Clareview (PC)
Woo-Paw, Teresa, Calgary-Mackay (PC)

Workers' Compensation Board Participants

David Carpenter	Chair, Board of Directors
Ron Helmhold	Chief Financial Officer
Guy Kerr	President and Chief Executive Officer

Auditor General's Office Participants

Fred Dunn	Auditor General
Merwan Saher	Assistant Auditor General
Betty LaFave	Principal

Support Staff

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Diana Staley	Research Officer
Rachel Stein	Research Officer
Liz Sim	Managing Editor of <i>Alberta Hansard</i>

9 a.m.

Wednesday, October 7, 2009

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to call this Standing Committee on Public Accounts to order, please. If we could perhaps quickly go around the table and introduce ourselves, starting with the vice-chair.

Mr. Quest: Good morning, everybody. Dave Quest, MLA, Strathcona.

Mr. Chase: Good morning, everyone. MLA Harry Chase, Calgary-Varsity, the first MLA in the room today.

Mr. Kang: Good morning, everyone. Darshan Kang, MLA, Calgary-McCall.

Thanks for guiding us through that door, Harry.

Mr. Chase: You're most welcome.

Mr. Kang: We could probably have been wandering out there, you know, all day.

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

Mr. Drysdale: Wayne Drysdale, Grande Prairie-Wapiti.

Mr. Jacobs: Broyce Jacobs, Cardston-Taber-Warner.

Mr. Dallas: Cal Dallas, Red Deer-South.

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

Mr. Saher: Merwan Saher, office of the Auditor General.

Ms LaFave: Betty LaFave, office of the Auditor General.

Mr. Dunn: Fred Dunn, Auditor General.

Mr. Benito: Carl Benito, Edmonton-Mill Woods.

Mr. Mason: Brian Mason, Edmonton-Highlands-Norwood.

Ms Woo-Paw: Good morning. Teresa Woo-Paw, Calgary-Mackay.

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

Mr. Bhardwaj: Good morning. Naresh Bhardwaj, Edmonton-Ellerslie.

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

The Chair: Hugh MacDonald, Edmonton-Gold Bar. I believe we're going to be joined at some point by the hon. Member for Calgary-Egmont, who has not joined us yet. When he does, we will welcome him as well.

Approval of the agenda, item 2. Anyone want to approve it? Mr. Wayne Drysdale. Thank you. Moved by Mr. Drysdale that the

agenda for the October 7, 2009, meeting of the Standing Committee on Public Accounts be approved as circulated. Any opposition to that? Okay.

Now, yesterday we moved item 5 up, any other business to be raised. Any members want to do that this morning?

Mr. Chase: Well, I was just going to move that the business be accepted.

The Chair: Okay. That's fine.

We will proceed, then, with item 3 on the agenda, our briefing meeting with the office of the Auditor General and committee research staff. Like yesterday, the first hour, if we need it, of our meeting is to be an internal briefing from the Auditor General and the research co-ordinator. I would now like to call for a motion, please, to move in camera. Moved by Ms Woo-Paw that we move in camera for this portion of the meeting. All those in favour? Opposed? Seeing none, thank you.

[The committee met in camera from 9:03 a.m. to 9:54 a.m. and reconvened at 10 a.m.]

The Chair: Good morning, everyone. I would like to call this portion of our meeting to order and welcome officials from the Workers' Compensation Board. I would like to on behalf of the committee thank you for making time to meet with us today. Mr. Kerr, I appreciate your organization's co-operation with the committee and with the research staff in providing information to us. You came back from holidays in the summer, and you immediately phoned us to see if there's anything we need for today's meeting. I can only say that if other entities in this province were as co-operative as you, the province would be better served. Thank you.

Please note that you do not need to touch the microphones. Our *Hansard* staff will turn them on and off for you. Also, members, please do not leave your BlackBerrys on top of the committee table as they interfere with *Hansard* equipment. I would also like to advise that legislative committee meetings are now being audio-streamed for listening on the Internet.

If we could quickly, for the convenience of our officials from the Workers' Compensation Board, go around the table, starting with the vice-chair, and introduce ourselves for the record.

Mr. Quest: Good morning. Dave Quest, MLA, Strathcona. I have no other message this morning.

Dr. Massolin: Good morning. I'm Philip Massolin. I'm the committee research co-ordinator from the Legislative Assembly Office.

Mr. Dallas: Good morning. Cal Dallas, MLA for Red Deer-South.

Mr. Jacobs: Good morning. Broyce Jacobs, Cardston-Taber-Warner.

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

Mr. Bhardwaj: Good morning. Naresh Bhardwaj, Edmonton-Ellerslie.

Mr. Benito: Carl Benito, Edmonton-Mill Woods.

Mr. Mason: Good morning. Brian Mason, Edmonton-Highlands-Norwood.

Mr. Kang: Good morning. Darshan Kang, Calgary-McCall.

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

Mr. Helmhold: Good morning. I'm Ron Helmhold, CFO with the Workers' Compensation Board.

Mr. Kerr: Hello. Guy Kerr with the Workers' Compensation Board. I'm the president.

Mr. Carpenter: David Carpenter, chair, board of directors.

Mr. Saher: Merwan Saher, office of the Auditor General.

Ms LaFave: Betty LaFave, office of the Auditor General.

Mr. Dunn: Fred Dunn, Auditor General.

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

Mr. Fawcett: Kyle Fawcett, MLA, Calgary-North Hill.

Ms Woo-Paw: Good morning. Teresa Woo-Paw, Calgary-Mackay.

Mr. Drysdale: Wayne Drysdale, MLA, Grande Prairie-Wapiti.

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

The Chair: Hugh MacDonald, Edmonton-Gold Bar. I believe we will also be joined by teleconference with Mr. Jonathan Denis.

Mr. Denis: You already are.

The Chair: Okay. From Calgary-Egmont.

We will now proceed. I understand you have a PowerPoint that you would like to present to us. Please feel free to proceed.

Workers' Compensation Board

Mr. Carpenter: We have at this time, Mr. Chairman, distributed – I believe it's gone out to everyone – the copies of the slides. I think we've sent one out electronically, so Jonathan Denis has one, too.

Okay. Good morning, Mr. Chairman, and members of the standing committee. Thank you so much for inviting us here today to talk about WCB Alberta's operations, their philosophy, and results. We welcome this opportunity to discuss these with you and to answer any questions you may have about our organization.

WCB Alberta is a 91-year-old organization founded on the historic agreement workers and employers made to grant no-fault disability insurance for one at a fair cost to the other. It is fully funded by employer premiums and operates at arm's length from the provincial government. The board is a neutral and independent administrator of workers' compensation insurance for the province.

Now, as you can see from slide 4 – I'll give you just a minute to get there – WCB provides coverage for workplace injury and illness based on the Workers' Compensation Act, paying one of the highest rates of compensation in the country at the lowest average premium rate.

Slide 5 shows the board's vision: "Albertans working – a safe, healthy and strong Alberta." To reach that vision, our mission is to work with our partners to reduce the impact of workplace illness and

injury on Albertans. These concepts drive the organization and help WCB keep focused on providing the right benefits and services to our clients.

As you can see in slide 6, over time the system has grown. Today WCB works with over 140,000 employers and almost 2 million working Albertans to help protect them from the financial impact of workplace injuries. Despite tremendous growth in recent years, these employers and workers have made great progress in safety and disability management.

Slide 7 shows that the proof is in the total number of claims and the number of lost-time claims reported, both of which are on the decline. All of these elements combine to produce a stable system.

In slide 8 you'll see that to ensure Albertans are well served by the workers' compensation system, WCB has a strong governance process in place. The board of directors is accountable to Albertans through the Minister of Employment and Immigration. In turn, we hold WCB management accountable for maintaining a stable system. As a board we focus on the long-term impact of the organization's strategic direction, plans, and results to ensure that WCB realizes its objectives, manages its resources, and reflects the interests of stakeholders in key decisions.

We review information results from all areas of the business, and the results are further reviewed by the Auditor General. In turn, WCB shares the results with the public through documents such as the accountability framework, annual report and investment report, and in person at events like the annual general meeting. These discussions with stakeholders, both written and oral, are invaluable as they allow WCB to explain its business goals and results and to receive feedback to help improve the system.

With policy and legislation to guide the way and good governance to provide oversight, WCB has a strategic plan to keep the organization focused on activities that will have the greatest positive impact on stakeholders. WCB's efforts are divided into four strategic themes in the plan, which are described on slide 9: focus on return to work, commitment to fairness, leveraging prevention, and financial stability. These four themes are a unifying and motivating force for everyone in the organization, from the board of directors to front-line staff. Much of the WCB's success in recent years can be traced back to this steadfast focus on the concepts that provide balance, fairness, and measurable focus to the system. I can say with confidence that Alberta's system is in good hands now and is well prepared for the future.

Now I'm going to turn you over to Guy Kerr to tell you more about this focus and to give you a more detailed description of WCB's operations.

Mr. Kerr: Thanks, David. David mentioned the four themes of our strategic plan. They're on slide 11. You can see how they all work together, especially focused on our mission, which is to reduce the impact of workplace illness and injury in Alberta. What this strategic plan really does for us is it gives everybody in the organization the focus and direction they need to have to know what they should be working on. For us the key goal out of all of this and the shared understanding we all have is that we're here to help injured workers get back to work safely and appropriately. I think every single person in WCB understands this mission, understands these goals, and I think they pursue it with a passion that would amaze you.

One of the reasons we have such conviction is on slide 12. We know that the longer a worker is off the job, the less likely it is that they'll ever go back to work. You can see that this graph shows that after 12 weeks the likelihood of going back is only 50 per cent, and after a year it's almost zero per cent, so it's really important.

10:10

The way we do that, the way we help get people back to work, is working with our partners, and we have a clear partnership with workers, employers, our service providers, the health care system. When all of us focus on this common goal, that's when we see results, and really it's a safe and appropriate return to work.

On slide 14 you can see the results are clear that we have made a difference on return to work. Our return to work percentage is amongst the highest it's ever been. It's the second highest right now, at almost 93 per cent. That means that of all the injured workers in Alberta last year, in 2008, 93 per cent of them went back to work. If you look at the average amount of time they spent off the job, it's now down to 32 days. If we go back not too far in history, back to 2002, that was about 58 days. So it's been a significant reduction in the amount of time that workers spend off the job, and that's a good thing for them, and it's a good thing for employers. It's an extraordinary accomplishment, and it comes from a lot of people working hard.

To give you some context, I actually just saw an article in the *Seattle Post-Intelligencer* last week, and it was commenting on the workers' compensation system of Washington state. The article was talking about how employers in the state were so upset that premium requirements were going up \$110 million next year and that they were frustrated because nearly half of the workers in Washington state once they're injured never go back to work. So think about that in comparison to what happens here: half compared to 93.

They also talked about the average duration in Washington state being 266 days. Ours is 32. It shows you how effectively we're all working together to get people back to work.

They also talked about – and this is one thing I always forget about the States. It's a good comparison because in Washington state workers themselves actually pay financially part of the cost of the system. About 25 per cent of the system in Washington state is funded from worker contributions. Of course, in Alberta there are no financial contributions from workers.

If we go to slide 15, we'll look at some of the success we've been having on lowering the number of people who are being hurt in the province. Our lost-time claim rate is now down to 1.8. I remember that when I started, that was 3 point something. I think there's been tremendous success on that. What I'm most excited about is that our disabling injury rate is now also going down. Lost-time claims are claims that miss more than a day of work. Disabling claims is a broader set of claims, so everybody who's been hurt at work in the year. That's also going down. That's a sign, I think, that workplaces are getting safer in Alberta. There's always room for improvement, but I think we're getting better.

If you go to slide 16, we talk about return to work, but also important for us is the whole balance of fairness. We always want to make sure that everything we do is done with a sense of fairness and respect for our stakeholders. It's really important and something I talk to staff about every day because we make decisions that profoundly affect the lives and the livelihoods of the people we work with, so it's really important. I talk about that all the time. We also have measures that we look at to make sure we're not just talking about it, that we're actually doing it.

If you go to slide 17, one of the things we measure is worker satisfaction, so how we're doing on both workers and employers, how we're doing in terms of their satisfaction. You can see that that's been high and consistently high for the past five years.

Of course, we always know we can do better. One of the things we pay particular attention to is how we do on communicating claim decisions to workers especially. We find that when we communicate

it in a fair way and make sure we've done it in a fair way, it helps everybody in the system. We've had a goal on our scorecard for the past three or four years to improve that, and we've done great things.

Slide 18 talks about: well, we do have people who don't agree with our decisions sometimes. This slide shows you the appeal process that people can go through if they're not happy. We have some levels that we go through internally to make sure we've done the right thing, and then at the end if people are still unhappy, they can go on to the independent Appeals Commission and get decisions reviewed there. I think that's a really important feature that is independent from the Workers' Compensation Board.

In terms of our own performance and our internal review processes our goal is to make sure that if people are unhappy with their decisions, they get those reviews done quickly. Our goal is to have those reviews internally done within 40 days, and right now 90 per cent of those happen within 40 days. It's a really good thing. If somebody is unhappy, they don't have to spend a long, long time waiting for a decision on their claim. Right now about 70 per cent of those people get resolution and don't have to go on to the external Appeals Commission, so I think that shows that we're doing a good job.

We also monitor in terms of fairness how many appeals are happening, how many people are going to the Ombudsman, how many people are coming to your constituency offices to complain. From an Appeals Commission point of view the volumes are down 27 per cent in the last four years, so that means fewer people are feeling the need to go on and have those decisions appealed. Ombudsman complaints are down 60 per cent during that same time, and our tracking of complaints at your offices is down 48 per cent during that same time. I know it still happens, and we're working hard on reducing those further still, but I think we've made some good progress.

One of the common misperceptions we have about the Workers' Compensation Board is where the funding comes from. I talked about that a little bit. Of course, in Alberta the entire system is funded by the employers of the province of Alberta. We collect enough money each year to pay for the total current and future costs of all claims in that year. So the accident fund is something that we have that contains all of the premiums we've collected previously to pay for those future costs. This is really the ultimate level of protection that workers have to know that enough money has been set aside to pay for all of those costs.

Of course, we base the premiums we charge to employers on how those employers do. On slide 21 we show that employers who do a good job on safety and disability management pay lower rates than those who don't do a good job. Our point of view is that we want to make employers more accountable through their premiums and incent them, influence them to focus more on prevention and disability management.

We also have two pricing programs, that I think are of interest to you, on slide 22. We talk about our partnerships in injury reduction program, and that's a program we have for employers that rewards them financially for having certified health and safety programs. So if they make the investment in having a certified health and safety program, they get immediate discounts on their WCB premiums.

We also, on slide 23, have a program that recognizes that not everybody gets the message through other programs and that we need to have a stronger financial hammer for employers who just don't get it. So a couple of years ago we increased our maximum surcharge to employers from 40 per cent to 200 per cent. We've seen those kind of increases actually get employers' attention, and they start to do something about it.

To give you some context, I looked at an employer category the

other day, and if you were in the construction industry with a certain size of payroll and if you earned all of our discounts, you could be paying premiums as low as \$98,000. That same employer if they were in the worst surcharge could be paying almost \$800,000. It's almost a 90 per cent difference between the lowest rate and the highest rate, and it depends entirely on your performance, so that's something you have charge of. We've seen that when we moved to the 200 per cent discount, we motivated a lot of employers to improve their performance and get out of that surcharge. Now, to earn the 200 per cent surcharge, you have to be 80 per cent worse than the industry average for five consecutive years. This is not just somebody who has one bad claim; this is a sustained poor performance. Premium rates are how we hold employers accountable.

I think there are also financial measures that we hold ourselves accountable to, and I think the most important one we see right now is our funded status. I talked about having those funds set aside. We're by law required to be fully funded, meaning we have enough money set aside to pay for the current and future obligations of all claims to date. We've been fully funded since 1994, and we're confident we have the funds in place to continue that. We actually lead jurisdictions across Canada in our funded status. Lots of jurisdictions are not fully funded, meaning they don't have enough money set aside for those injured worker obligations. Our goal is to be financially stable not only for making sure that we have enough money set aside to pay those benefits but that we're also financially stable for employers. What they don't want is rates that wildly fluctuate up and down, so we've worked hard to do that.

Our current funded position, where we ended at the end of 2008, you saw was just under 112 per cent. Our funding target is 114 to 128 per cent. By law we have to be 100 per cent; by board policy we want to have a reserve on top of that of between 14 and 28 per cent just to deal with fluctuations in markets and things like that. We finished last year at just under 112, as I said, and we're happy to say that quite a bit of that has been recovered this year. In the last stat that I saw, we are now in the sort of low 120s, so we're back in our green zone. We're back in our target zone, and we don't anticipate that we'll have to have a levy for next year. Now, a lot can happen between now and the end of the year on markets, so we'll see what happens.

10:20

On the investment front you saw in our annual report that we had a return of minus 15 per cent last year; not great. But if you look at it in the context of how major institutional investors did across Canada last year, minus 15 was actually a pretty good result. I think the average that I saw was about minus 18 per cent, so I think we did well. One of the things we started doing about four years ago was recognizing that we're here as an organization for the long term; we don't need to make short-term bets or take short-term risks. So we started changing our asset mix, the kinds of things we invest in, and took some of those more volatile investments like equities and reduced our proportion and increased our proportion allocated to fixed income and infrastructure and real estate, things that are more like our liability and less volatile. I'd hate to think what would have happened if we hadn't taken that long-term view four years ago and started to shift our asset mix. We're a very conservative organization in our investments, and we really look for low volatility.

If you go to slide 27, it shows our \$514 million operating deficit from last year, and that's entirely attributable to the investment markets. If you look at our operations in total, we actually had a positive contribution from operations, but it was offset by this investment loss, so that's really why it was there.

Slide 28 shows you the average assessment rates across the

country. As David mentioned, it shows that Alberta has the lowest assessment rate in Canada.

Slide 29 shows that claims costs have risen in 2008. That's primarily due to some benefit changes we made as well as inflation. We increased benefits in 2008 to injured workers, mainly around dependants of fatally injured workers and some things on some travel and other kinds of costs. That's the prime reason why those have gone up as well as inflation.

On the next slide, in terms of accountability, one of the things I'm most proud of in my time is how we've managed to control administration costs. You can see how employment has gone up, number of claims has gone up, number of covered workers has gone up, number of employers, but in that time we've had a very stable administration base. It's about three-quarters of a million more workers in that same time, about 50,000 more employers, and about 45,000 more claims during that time, and our staffing level has only gone up about 3 per cent over the entire 10 years. That represents only about five more staff per year over that time. I think we've been really good at using technology to help offset some of our growths in business.

As I mentioned, we ended the year in a strong-funded position even despite, you know, what people are calling a once-in-a-lifetime kind of financial event.

I'd be remiss if I didn't close by talking about how important all of our employees are to all of this. I know that some of you people in this room have been on our life of a claim tour and know how many folks we have that are working hard to do everything they can for the system. They've gone to extraordinary lengths to help get people back to the job.

Right now we have our lowest caseloads in history, and I think it really contributes a lot to how we're doing in terms of managing claims and also how we're doing in terms of keeping our staff motivated and capable in their jobs. We have a satisfaction survey that we run a couple of times a year, and for a couple of years now we've been running at 95 per cent staff satisfaction with WCB as a good place to work.

I'll close just with a story that I give to all of my staff. I meet with each of our new staff members and tell them a couple of things that I think are really important if they're coming to work at WCB. The first is that they need to do everything with integrity. From my point of view it's always doing the right thing. If you ever have a question, do the right thing. That's how we keep on the straight and narrow. The other is to always remember that we saw a lot of numbers here today, but this is also about real people.

I spend time once a week sitting with case managers. I have a cubicle with them, so once a week I spend some time sitting with them. I also go out to our Millard Health facility. I was out there one time, and I met with an injured worker named Spencer Beach. I don't know if that name rings a bell. He was a guy working on a housing project, and his boss told him to take out this flooring product they'd put in wrong, with this solvent. It was the wrong solvent. This solvent went down into the basement. The furnace was on. The whole house blew up, caught on fire. He was horribly burned, probably should have died. He's been through countless, countless surgeries. He actually now has a career as a safety and motivational speaker, where he earns more than he ever did. Of course, most of his success comes from his own internal, intestinal fortitude, I guess you would call it, but he also gives a lot of credit to us for helping him get back on his feet and get back into a good life. So I always tell my staff: if you ever doubt the importance of what we do here or the importance of your role, think about a guy like Spencer Beach because this really makes a difference.

That's the end of my comments. We'd be happy to take questions.

The Chair: Mr. Dunn, does the office of the Auditor General have any observations?

Mr. Dunn: Brief comments, Merwan.

Mr. Saher: Yes. Thank you. Mr. Chairman, our October 2009 report, made public last week, includes two recommendations made to the Workers' Compensation Board. The first, on page 191, recommends that WCB assess whether it is conducting sufficient claims audits each year. The low overall employer pass rate in claims audits indicates that WCB is successful in targeting those who need education; however, it also suggests that additional employers could benefit from a claims audit.

On page 192 we recommend that WCB formalize its security monitoring procedures to ensure that security threats to critical information systems are detected promptly. Failure to actively monitor security and access violations can allow intruders to probe for possible weaknesses or entry points to WCB's information systems.

Finally, all previous recommendations made to WCB have been implemented.

Thank you.

The Chair: Thank you very much.

We'll proceed to questions. Mr. Chase, please, followed by Mr. Drysdale.

Mr. Chase: Thank you. With regard to very competent and caring employees I'd just like to throw a bouquet towards Keri Grainger. Our office has worked recently with Keri, and she's helped us traverse what I would consider a minefield at times. Workers' compensation has and continues to take up the majority of our office time in terms of navigating claims for injured workers.

I'm referencing page 42 of the government of Alberta's 2008-09 annual report, and my question is: why did the amount in the Worker's Compensation Board accident fund decrease by over \$1.2 billion from the previous year, and, as part of that first question, what is being done to compensate for this loss?

Mr. Kerr: The decline in value was entirely attributable to the change in investment markets. The entire amount was due to the market value of the portfolio falling because of the value of the underlying asset. I mentioned our minus 15.1 per cent return; that's the direct result of that. What we've done is made sure that we have a well-diversified portfolio. It doesn't have a lot of exposure to the kind of risky assets that everybody's been talking about. So while it did go down, it's also since recovered substantially. I was just looking at it the other day, and while that was a decline in the market value, if you look at our market value today, we've almost recovered all of that and more. As I was coming over here, I just looked at our October 31 results, and we were back up to \$6.5 billion. Combined with the two dividends that were given out, that are reflected in those year-end statements, we're actually probably above where we were at the end of 2007.

Mr. Chase: My supplemental. I notice on your chart from page 25 that your ideal circumstance is to be in sort of the 112 per cent to, I think you said, 128 per cent. Currently you're still at 11 per cent, almost 12 per cent above the 100 per cent compensation. Will the losses impact the ability of the WCB to pay workers going forward, say, within this next year?

Mr. Kerr: Well, we ended 2008 at 111.7 per cent, so that represents

a significant cushion on top of full funding. As I said, if you look right today, we're probably at about 121 or 122 per cent, so we have recovered. But I would say that no matter what our funded status was, even if we slipped into unfunded, so say we went to 95 or 90 per cent like other provinces have, we would never let that impact on worker benefits. We'd have to send a bill out to employers, which wouldn't be very pleasant, but we would never have it impact the benefits that we pay injured workers. Their entitlement is irrespective of the level of our funding status.

Mr. Chase: Thank you.

The Chair: Thank you.

Mr. Drysdale, followed by Mr. Mason.

Mr. Drysdale: Thank you. On page 66 of the annual report it states that within the long-term disability plan the current benefit costs have increased significantly in 2008 from 2007. Is there a specific explanation as to why that is?

10:30

Mr. Kerr: This is to do with the long-term disability plan for employees.

Ron, do you want to . . .

Mr. Helmhold: Yes. I can answer that question. With respect to the long-term disability plan at the WCB it is entirely event-driven based on the number of claims that we receive as an employer from employees that go on long-term disability. To give you an example, in 2008 we had seven claims go on long-term disability versus two claims in 2007. So that accounts for the increased costs.

Mr. Drysdale: Has this been a trend over the years, that this is increasing? I guess that with two or eight it's not a big number.

Mr. Kerr: The numbers we look at also are things like our average number of sick days and those kind of bigger numbers that are a bit more volatile. Our average sick days have gone down in the past couple of years, and I think that's reflective of the healthy workplace we have and the focus we put on health and wellness for our staff. This is a number that goes up and down quite a bit each year. And I see these people; these are individual employees who have cancer and other kinds of long-term diseases like that.

Mr. Drysdale: Thanks.

The Chair: I would like to recognize the hon. Member for Wetaskiwin-Camrose, Mr. Olson, who was late coming in this morning. Welcome, sir.

Mr. Olson: Sorry I was late.

The Chair: Mr. Mason.

Mr. Mason: Thanks very much, Mr. Chairman. In a previous life I was employed by Edmonton transit. They had a program to reduce claims to the WCB, and it involved getting a beer mug every three months if you didn't file a claim. I think there are two problems with that. First of all, getting that beer mug was not at the top of people's minds when they were considering whether the action they were taking was safe or not. Also, it was for not filing a claim; it wasn't for not getting injured. I wonder how you work with employers to make sure that their programs to reduce claims are

effective and that employees are not subtly or otherwise encouraged or coerced to not file claims if they're injured.

Mr. Kerr: We take that really seriously if we hear stories of employers, you know, trying to suppress claims. We make sure in all of our education to workers that they know their rights, that they have a right to submit a claim if they feel they've been hurt at work. We also talk a lot to employers about their obligation. So we do that, but then we also check. We do lots of audits both on employers and on worker files to make sure that claims that have been incurred have actually been reported. We actually go out to employer work sites and look at all of their records and make sure that the claims that have happened have actually been reported.

Mr. Mason: Okay. Thank you very much. A related question has to do with how you evaluate performance of an employer. What criteria do you use to evaluate that? The core of what I'm trying to get at is: how do we know that the employers are not pressuring their workers to get back on the job before they're ready?

Mr. Kerr: There are two pieces to that. One is how we measure employers. Our way to do that in terms of how it impacts premiums is the amount of claims costs they have. So that's representative of costs they have that come from their claims.

Sorry. The second part of your question was, again?

Mr. Mason: Basically, how do you ensure that the employer, in order to improve its performance, doesn't pressure workers to go back to work earlier than when they're ready?

Mr. Kerr: Right. Sorry. The other thing I was going to say was that when we have claims where someone has returned to work after they've had a workplace injury, we have a lot of checks and balances to make sure that when they return to work, it's actually because all of the evidence on the file shows that they're ready to return to work. So they have a doctor's opinion that says they have some work capacity that allows them to return to work, that the job duties they're returning to work to are within their restriction. We have a lot of checks and balances to make sure that if somebody goes back to work, it's because they're appropriately going back to work, not because they've been pressured to by their employer or anybody else.

The Chair: Thank you.

Mr. Denis.

Mr. Denis: Yes. Thank you very much. Just a couple of questions here. First of all, on page 10 of your annual investment report it talks about that there was an investment policy amended to include a 2 per cent allocation for infrastructure assets. Could you talk about why this decision was made? I'll make my second question once you're done.

Mr. Kerr: Sure. Infrastructure is an investment vehicle that we've gone into in the last couple of years. You remember that I talked a little bit about changing our asset mix to take some of the more volatile investment vehicles out of our pool and going to some that are less volatile and more connected to our liability. We're really concerned about how our assets go but also how our liabilities go. The best result is when those two move in concert, when they're related. Our goal would be to have our liabilities exactly match our investment pool. This was one of the recommendations we got

through our internal folks about how we better match up our assets and our liabilities. Infrastructure is a way to do that. It's long term, it's stable, and it quite well matches up with our assets. So we've started a slow move into infrastructure. It's something you don't jump into right away. We're gradually building up our exposure to that over the years. It's not a big allocation right yet, but we hope it to be an important part of matching our assets and our liabilities.

Mr. Denis: Thank you for that. Just a second question here. Dealing with page 30 of your slide show, entitled Financial Stability, I see that the number of WCB full-time employees hovers roughly around the same amount, as you referenced in your verbal report. Then you see numbers of registered employers on the rise. You see numbers of workers covered rising quite heavily, almost doubling over the last 10-year period, reflecting the economic growth that we've had during that time. My question is this: with this amount of workers covered, total claims, registered employers, and at the same time having a roughly static amount of WCB full-time employees, has that placed the WCB at risk for greater costs due to overtime and time-and-a-half pay that you may have to pay if additional time is required?

Mr. Kerr: It hasn't. We track something like that. What we've done – I'll just give you a quick example. We have a system now for employer clearances. This is where employers call in to make sure that the companies they're working with actually have workers' compensation coverage. We put in an electronic system for doing that about seven or eight years ago, and we've calculated that if we didn't have that same system, for the number of clearances we're doing now and the number of employers we'd have to have about 45 more staff. So that investment in technology and system has allowed us to manage that growth without adding a lot of folks. It's had no impact on our overtime, and we've been able to manage it.

Mr. Denis: Thank you very much.

The Chair: Mr. Denis, would you like to get back on the list? Do you have additional questions?

Mr. Denis: That is all for now, Chair. Thank you.

The Chair: Okay.

Mr. Kang, please, followed by Mr. Benito.

Mr. Kang: I've just got this one general question first. Lots of injured workers, you know, are going in circles. Their family doctor says: you are not fit to go to work. Then when they go to the WCB, they send them to a doctor, and the doctor says: you're fit to go to work. Those people are suffering with pain, and they have surgeries and all that, and they're not getting anywhere with workers' comp. My question is: how many injured workers are out there in that predicament? Do you have any record of those? What is being done? Is there some kind of independent body there which will deal with their claims? I don't want to name any names, but there are a few of them in my constituency. They're suffering, and they're getting nowhere with it.

Mr. Kerr: Well, a couple points. One is that if you have specific names, I'd be delighted to have our government relations folks look at those for you to make sure that they have in fact got the benefits and services they are entitled to. Any of you around this room, that's one of the things our government relations people do. Keri Grainger, that we talked about, is one of those people.

I can't give numbers of those kinds of people that you're talking about, but I do know that from our point of view if there's ever a difference of medical opinions – one doctor saying on thing, another doctor saying another – there are a couple of ways that we resolve that. One is to send that to an independent expert. Usually it's an orthopaedic surgeon or somebody who has expertise in that area of injury. Then they make the decision about, you know, the work restrictions: what's the nature of this injury? Then that becomes part of the claim file. Then, ultimately, if somebody is unhappy, they appeal to the Appeals Commission. As we know, the Appeals Commission is an independent body. They're completely separate from us, and they make decisions based on their view of the facts of the claim.

10:40

Then one final thing that was added a number of years ago is that there's now an independent medical panel process. So if we really get to a point where there's a fundamental difference of medical opinion or some uncertainty, it can go to this external body run through the ministry. Dr. Larry Ohlhauser is the head of that. I think most of you know him from his days with the College of Physicians and Surgeons. That's an independent body. It's a panel of three experts, one of whom is chosen by the workers themselves, and that's where they can resolve some of these perplexing medical issues.

Mr. Kang: Just a comment. The fear out there with the WCB is that, you know, the more people they cut off workers' comp, the more bonus they get. That may be perception, but it is the reality out there when workers get injured. When they get cut off and they've got nowhere to go, they give up, and they just disappear in the wilderness. That's the point I'm getting at, and something should be done about that.

Mr. Kerr: Well, I sure can dispel any kind of notion that anybody in WCB gets bonuses or payment or anything financial or anything for cutting workers off. We have a very robust process to make sure that when people have benefits ended and go back to work, it's because we have evidence on the file that suggests that that's appropriate. It's reviewed by ourselves, it's reviewed within our own internal audit group, and it's subject to review by the Auditor General. So I can categorically say that there is no way that anybody gets any kind of incentive for cutting somebody off benefits. That's really clear.

Mr. Kang: That's the perception out there. That's why I bring it up.

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

Mr. Benito: Thank you very much, Mr. Chair. I'd like to say thank you to WCB for taking the time to come here this morning and, of course, to our committee for inviting the WCB. My question is about translation services within WCB. Canada is a bilingual country. Alberta has more multicultural groups than most provinces. What translation services within WCB are available to the French community, out-of-province, and foreign workers? Why is there no statistic on these services?

Mr. Kerr: I'm not sure that there's not a statistic on this service. We might not track it, but for sure we're clear that anybody who requests it or has difficulty with the English language can always have a translator both for conversations with case managers as well as translating any kind of documents or forms or anything like that.

You know, I've been out to Millard and talked to some of the folks. We've got services contracted. We do this through a private provider. We spend a lot of time and a lot of effort translating materials for different folks, so if anybody ever needs it, it's always available.

Mr. Benito: My supplemental question is: is there a delay of benefits and services to workers, and where are the costs of this outlined?

Mr. Kerr: Delays for . . .

Mr. Benito: Delays for benefits and services to the workers.

Mr. Kerr: No. One of the measures we have that we think is really important is how long it takes for us to get the first payment to a worker from the time he or she is injured. That's something we measure. We measure across Canada. For us it's really important to get that first payment to that worker within two weeks of the injury so they don't miss, you know, their regular pay cycle. It's something we focus on internally. Our stats now are in the high 80s for percentage of the time we get somebody a payment within those first two weeks.

If you look at the reasons why we don't, it's usually because of late reporting from the worker or the employer; mostly it's from the worker. They haven't given us the form; they haven't sent it in; we don't even know about the accident. I think we do a really good job of making sure that people get their payments so there aren't any delays.

Mr. Benito: Thank you very much, Mr. Chair.

The Chair: Thank you.

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

Mr. Chase: Thank you. My question has to do with bonusing. The government has recently paid out over \$44.1 million worth of bonuses during a recessionary time, which has caused considerable controversy. The Auditor General in our previous in camera meeting pointed out that you have a separation between the investment arm of the WCB and the actual workers' compensation, the helpful sort of part. I understand that there's a difference in terms of how the bonusing happens from our government organizations, but this is my question. The Minister of Employment and Immigration stated that the WCB board of directors approved bonuses for performances in 2008 from the voted administration expenses. How does the board determine the amount of the bonuses and who receives them?

Mr. Carpenter: You know what? I'm going to jump into that one, Mr. Chair, if that's all right. CEO compensation is a board responsibility, and as such it's probably more appropriate that I answer the question. When I'm done, though – and I've prepared a full and complete answer to your question – I'm going to turn it over to the president. He may wish to fill in some additional details or address it from the point of view of staff in the WCB.

To answer that question, I'd like to approach it in two portions, the first of which will explain the board process for setting the compensation and its composition and the second which will outline the targets which the board sets for the variable pay component, how those targets relate to the mission of WCB, and what the results were which triggered payment of the variable pay component.

WCB Alberta has a market-based compensation system for all of

its non-union staff. Our philosophy 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.

With respect to senior executives the Human Resource 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 the board will review and approve. This peer group is comprised of public-, private-, and issuer-sector positions. Now, it's important that we canvass all of 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 the 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 compensation, the breakdown between the fixed portion and the variable portion, as well as any other type of employment-related payments. In the case of the CEO the fixed salary is \$335,000, and the maximum possible variable portion is 50 per cent of that amount, or \$167,500. Other cash and noncash benefits are commensurate with the marketplace. For the last four years Mr. Kerr has achieved outstanding results, but in no year was his leadership more evident than in 2008, when even though we were faced with world-wide financial meltdown, the entire organization stayed focused on our mission. Working together with our partners, we will significantly and measurably reduce the impact of workplace injury and illness on Albertans.

Annually in advance the board sets measurable targets which support the mission and allocates the maximum variable pay which will be awarded on achievement. For 2008 the goal-sharing measures of the CEO were the same as for the great majority of the staff, which provides for a great degree of alignment within the organization. These measures relate to successful return-to-work outcomes and to fairness. All measures were achieved, and in early 2009 the board authorized payment of the goal-sharing amounts.

Now, 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 largest single issue which impacts financial market performance is asset allocation, which is reviewed by the investment committee and approved by the board. Accordingly, when WCB achieved double-digit performance in its portfolio over the last several years, none of the funds – none of the funds – were paid to senior executives. As the combined outperformance pushed us beyond the green zone, special dividends were paid to employers from the total amounts of approximately \$1,200,000,000.

By the same token, when financial market performance is negative, no amounts will be deducted from the variable pay which has been earned by senior executives. Variable pay is based solely on the measurable impacts of employee performance as it achieves the goals of the organization as defined in the mission statement.

Mr. Kerr.

10:50

Mr. Kerr: Yeah. I think you've really defined it. It's based on the operational measures we have about how we do on return to work and how we do it on fairness, and for us that fairness is really, really important. We make sure that, you know, for every claim that gets ended or closed, it's entirely appropriate and the evidence is there to back that up. Every single one of those is reviewed to make sure it's appropriate. If we saw that we were doing something inappropriate like you were talking about, if we were closing claims, if we were

bumping people off benefits, I'm sure that our appeal volumes would be up, the number of people going to your offices would be up, the number of inquiries to the Ombudsman would be up. But all of those are going the other way. So I think that's some evidence that we're doing things that are appropriate and make a difference for the organization and for the province.

Mr. Chase: Leading up to my supplementary question, I'm very pleased with how well organized and prepared you were to explain the bonusing approach and the measures that go into the bonusing, and I'm extremely pleased to hear that the bonusing goes right down to the front-line worker as opposed to the top CEOs. I don't need specific names, for FOIP reasons, but could you give me a sense of what the average bonus paid out would be and what the highest bonus paid out would be?

Mr. Kerr: I can do that. Mine would be the highest, and that's in the annual report. The average for all staff, taking out the executive, would be about \$4,300, something like that. So the average for staff members, from an entry-level clerk to somebody at the director level, would be about \$4,300.

Mr. Chase: Thank you.

Mr. Kerr: Just one thing to add, and I think David pointed this out. My objectives are exactly the same as the staff, so if they don't get it, I don't get it. If I get it, they get it. So we have complete alignment in the organization. We're all working towards the same thing, and there's no way at all that I could earn my incentive pay if they didn't earn theirs.

Mr. Chase: Thank you.

The Chair: Thank you.

Mr. Vandermeer, please, followed by Mr. Mason.

Mr. Vandermeer: Thank you. I want to give you credit because I know that from '01 to '04 in my constituency office we definitely had a lot more visits from people with complaints. So I want to just give you credit for that.

My question is on slide 12: "At 12 weeks, employees have only a 50% chance of ever returning to work." I'm having trouble understanding that. I can understand if somebody can't go shingling a roof, but can't they find work doing something else?

Mr. Kerr: Well, this comes from a study that we didn't do. I'll have to get you the source. It comes from an international study that shows that after somebody's been away from work for 12 weeks, their chances of ever going back are 50 per cent regardless of the occupation. I'm not sure if it almost becomes kind of a cycle where you just can't get back to work. We really see that once you've lost that connection to the workplace, it's really hard to get back into it. This is a stat that's bigger than just Alberta, but it's really clear. We saw the example from Washington. If you don't have a focus on keeping people connected to the workplace, it really materially affects their ability to get back to work.

Mr. Vandermeer: Can you give me an example of what kind of occupation somebody would have been in?

Mr. Kerr: You know, I've seen everything from roofing to clerical. There's almost not much connection between the occupation and their ability to return to work. In some ways it's like injuries as

well. I've seen injuries that appear to be minor that for whatever reasons go on for a long, long time. I've seen a guy like Spencer Beach who was nearly killed, and within the year he was back at work doing something. So, you know, I think it's as much a positive mental attitude and a desire to return to work as anything. Really, you can't sort of cut it by occupation or injury type, that kind of thing. It's other things.

[Mr. Quest in the chair]

Mr. Dunn: Can I just supplement a little bit here? Maybe, Guy, you could spend a moment and explain the EEP program, if I've got my acronyms right.

Mr. Kerr: ELP.

Mr. Dunn: ELP. Thank you. The ELP program, where you help people transition to another career, basically.

Mr. Kerr: Thanks, Fred. What happens is that oftentimes if you get a 55-year-old carpenter who now has some injury, his ability to go back and do carpentry is pretty limited or potentially may be limited. So what we do have are vocational programs that help him or her find a new career, anything from academic upgrading to computer training to whatever to help train them. Then if they do get a job and, let's say, it's a different job that earns less money than they were earning before, we have one of our long-term benefits that's called earnings lost payment. It is a payment stream that we have that will last as long as you have a gap between your postaccident earnings and your preaccident earnings. You saw in our financial statement that that represents a substantial portion of our liability, the money we've set aside to pay for those circumstances where somebody has gone back to work but now either earns less because they get paid less or they have fewer hours or something like that. So ELP, earnings lost payment, is a big part of our liability.

The Deputy Chair: Thank you.

Mr. Mason, please, followed by Ms Woo-Paw.

Mr. Mason: Thanks very much. I just want to clarify comments about my former employer. That was a really long time ago, and I'm sure that they've improved their programs significantly.

Mr. Denis: Are you saying that you're old, Brian?

Mr. Mason: Sure. Whatever you want, Jonathan. Whatever you want.

An Hon. Member: How many beer mugs did you get?

Mr. Mason: I still have my beer mugs, in fact.

An Hon. Member: Was there beer in it?

Mr. Mason: There has been from time to time.

Can I get on to my question, please, Mr. Chairman? I wanted to ask about injury reduction. You know, despite lots of great statements about wanting to affect the number of workplace injuries and deaths in Alberta, they continue to be a very significant problem. I think that if there's any reduction, it's probably due to the downturn in the economy rather than overall rates, but I stand to be corrected. My question is: what do you do to improve employer and employee job safety, aside from adjusting premiums?

Mr. Kerr: Just back to your first comment, the slowdown in Alberta has had a direct impact on claims, so they are down, but that's actually a trend that was evident before the slowdown, so I think, you know, there are fewer claims. A lot of that has to do with better disability management. People are still getting injured, but their employers are finding ways through modified work to keep them attached to the workplace, which we all think is a great thing. But we also look at the more encompassing measure of disabling injury rate, which includes not only lost-time claims but modified work claims, and even that's going down now. So I would say that the signs are positive, but you just have to look at the number of fatalities and the number of injuries we still have to show that there's lots more work to be done.

One of the things we've always said about workplace safety, and we've gotten into trouble in the past, is that there's a real separation in Alberta between prevention and education, which is done by the ministry, and workers' compensation, which is responsible after the injury happens: how do we get these people back to work? Our role in prevention, working with employers and workers, is really driven from the premium side. How do we provide incentives for them to do better? It's in our strategic plan. That's what we really do. At times when we started to stray into the ministry's territory, we've been clearly told by our employers, who pay the bills: "Don't do that. The ministry is working on that."

That being said, we do have programs and staff who visit employers, especially those with poor accident records, poor safety records, poor claims costs. We actually go out and visit with them and help them figure out how they can do better on disability management and prevention. So it's not, you know, province-wide advertising campaigns and things like that. It's directed where we see problems and where we see that employers can make a difference. As I said, in our poor performance surcharge program, because we've now got it at 200 per cent, we see 50 per cent of those employers getting out of that surcharge in two years. That means they've made a measurable difference to their records because of, you know, a financial incentive.

Mr. Mason: When you do identify employers that have a poor safety record and, therefore, are paying more premiums, what's your interaction with the department in terms of trying to reduce the incidents at those particular work sites? I rather suspect that there's a relatively small number of employers that generate a fairly high number of claims. I could be wrong on that, but it seems to me, based on my experience, that would be the case. So what do you do to work with the department to target those employers and help them or make them get their injury rate down?

11:00

Mr. Kerr: A couple of things. One, we do work with the ministry quite a bit. That hasn't always been the case. We used to have our list of poor performers, and they had their list, which they developed through their own mechanisms. Now we actually talk and share those lists and try to actively work together on working with those employers. But it is more of an information sharing kind of agreement than it is that we're out actively visiting them together. We're quite distinct. We try to keep that separation. While we share those lists and we know what each other is working on, we kind of do our own program and they do their own program. But, you know, four or five years ago we wouldn't even have shared that data. So I think we've come a long way in working with the ministry on: how do we as a group make this better?

Mr. Mason: It sounds like you could go farther.

The Deputy Chair: Ms Woo-Paw, please, followed by Mr. Kang.

Ms Woo-Paw: Thank you, Mr. Chair. Thank you for coming today. I know the Auditor General's office is very positive in regard to your management and the responsiveness of the WCB. The Auditor General's report also identified on the report on the claims audit an 8 per cent overall passing grade. It's not the most desirable number, according to this, so I would like to hear your response to this recommendation.

Mr. Kerr: Sure. We have this program where we go out to employers and audit their claims to make sure they're reporting on time, all the right claims have been identified. Our program to do this audit is identified based on risk. We send our teams out to the worst performers to try to figure out how to help them get better. In my mind it's kind of not surprising that most of them failed because that's why we sent people out, because we knew they weren't doing a very good job.

One thing the recommendation said was that it seems like this is an effective program because it is finding people who aren't doing a good job. Should we be doing more? In our response we've done an assessment now. We've done two things: we're actually doing more audits now, and we've changed our processes up a little bit internally to make them more efficient and really go after the ones that have problems. You know, somebody might have failed the audit before because they had a claim a day late. Well, you know, it's failing, but perhaps we need to focus on things that are more important. So we're being more directive with our audits, we're doing more of them, and I think we're being more efficient at how we're doing them.

Ms Woo-Paw: Thank you. Good to hear.

The Deputy Chair: Very good.

Mr. Kang, please, followed by Mr. Fawcett.

Mr. Kang: Thank you, Mr. Chair. Looking at the case study on page 13, study 3, of the 2008 annual report, the occupational injury services, OIS, program is mentioned in here. How many of these sites are in existence across the province, and are they located in the pre-existing medical facilities? Does WCB provide any compensation to these clinics for participating in the OIS program? Maybe too many questions.

Mr. Kerr: It shows you the locations there. I'm not sure of the exact number. I could get that to you. It's a couple of dozen, I think now, occupational injury specialist clinics. These are clinics that are set up in the community. It's really a contract the employer has with that clinic that when somebody gets injured at that work site, they then go to that clinic and they have a physician there who understands modified work and those kinds of things with the employer. They are not compensated by WCB at all except in terms of the regular payment any physician would get for seeing an injured worker. There's no added compensation. There are no extra fees for that.

In our view this is a really good thing that employers are starting to do because it helps them focus on safety, helps them focus on disability management, and the whole point of this is to work with their workers to get back to work sooner. So I think this is a really good development in the province, and we've seen some good success from it.

Mr. Kang: That answers part of my supplementary question, too,

how these sites are chosen. WCB has no input into this. Do you think it would be a good idea if WCB started working with employers, you know, to choose those clinics? Do you think that would be a good idea? That way you can monitor the level of utilization of these sites and evaluate the programs.

Mr. Kerr: Oh, we do have involvement. It's just that the contract is between the occupational injury clinic and the employer. But for sure we're involved in overseeing how they're doing, what the results are, that kind of thing. We're quite extensively involved. It is an arrangement between the employer and the OIS clinic, but we are definitely involved in that. I think we have the right level of oversight in those.

The Deputy Chair: Thank you.

Mr. Fawcett, please, followed by Mr. Chase.

Mr. Fawcett: Thank you, Mr. Chair. On page 3 of the 2008 accountability framework report there seems to be a clear trend that the number of decisions overturned by the Appeals Commission is decreasing, although it's not apparent if you look at the other chart below because there doesn't seem to be a trend when it talks about the percentage. It kind of seems that around a quarter, roughly, give or take a few percentage points, each year are overturned by the Appeals Commission, so there are 75 per cent that aren't. You talked about, you know, complaints that then go to the Ombudsman, and some go to the Human Rights Commission and that sort of thing. Do you guys track that other 75 per cent, and what happens to them?

Mr. Kerr: Well, that 75 would be the 75 per cent where the Appeals Commission upholds the decision. They've said that we have made the correct decision. We don't specifically track what happens to them afterwards. We have an ongoing relationship with every single claimant because often they have ongoing entitlement anyway, regardless of that decision. But we don't track specifically, then, how many go on to the Ombudsman or the Appeals Commission. We could go back and look at all of the Ombudsman's inquiries, the few that there are. He'll only look at them if they've actually been through this appeal process, so they would have to have been. Anybody can complain to your office at any time, so that's not something we could track.

I think you're right. The trend is clearly down in the number of people who are going on. We're pretty comfortable with the 25 per cent overturn. If you look at the reason why those are overturned, mostly it's different weighting of medical evidence. So the Appeals Commission looks at a file and says, "Well, we've decided that even though you have this specialist, we're going to give more weight to the injured worker's position, and we'll decide that way," or for whatever reason. Almost all of them are weighting of evidence on the file.

Mr. Fawcett: Okay.

The Deputy Chair: Very good.

Mr. Chase, please, followed by Mr. Dallas.

Mr. Chase: Thank you. I'm referring to page 17 of the annual report. In the 2008 financial highlights section of the annual report, page 17, administration expenses are represented as \$82.1 million. However, in the 2009 budget administrative spending for 2008 is listed at \$157.9 million. What accounts for these two different amounts of administrative expenses? The supplementary: are different types of expenses included in each figure?

Mr. Kerr: The \$82.1 million is representative of actual administrative costs outside of claim administration. We track the claimants' administration separately. That'd be the sum of the bigger number. The claim administration would be all of the work around the case managers, adjudicators, medical consultants, all of that. So we sort of track the pure administration of the back office versus the portion that works with actual workers and employers. So the larger number represents, obviously, all of them together. This represents just purely administration cost.

Mr. Chase: Just to clarify, then: the \$82.1 million fits within the \$157 million.

Mr. Kerr: Correct.

Mr. Chase: Thank you.

The Deputy Chair: Thank you.

Mr. Dallas, followed by Mr. Kang, please.

Mr. Dallas: Thank you, Mr. Chairman, and thank you, gentlemen, for attending today. I'm way back in the annual report, page 73 in the notes, note 21 regarding commitments. I'm looking at a change in forward obligation of a little over \$20 million over a period of time and in particular a bump of something more than \$12 million in the current year. I wonder if you can speak to that.

Mr. Kerr: Sure. I'll let Ron talk to that.

11:10

Mr. Helmholtz: Thank you for the question. There are a couple of reasons why the commitment schedule has increased. One of them is that the WCB entered into a new facility arrangement in Calgary in '09, where we've moved from our downtown location to a new location which had some lease commitment costs. The other, bigger portion of the commitments that have increased is commitments with respect to our IT infrastructure, as Guy Kerr spoke to earlier. We've invested significantly in our IT systems and continue to invest significantly in our IT systems over the course of the next several years, a lot of it related to increasing our web-based applications and employer self-serve account capabilities as well as injured worker capabilities. So a big part of those commitments is related to our IT infrastructure.

Mr. Dallas: Thank you. My supplemental is unrelated, but I'd sure like it if the chair could indulge me.

The Deputy Chair: Go ahead.

Mr. Dallas: Thank you. I'm back to the discussion that really struck me, as I think everyone here, the 12-week, 50 per cent chance to return or not to return to work. I don't know if there would be any review of this or evidence, but the question that I have is: are there any other metrics that we might measure that might change the outlook on that number? I guess the ones that came to mind are: what about the time to first receive rehabilitative supports in terms not just of filling out an accident form or attending with their family physician but at the point where the resources of the organization come to bear and support the individual or the length of time it takes to evaluate an injury? Is there anything in those areas that would indicate that there's a prospect for some type of intervention or service aspect that might improve the outcome beyond that 50 per cent?

Mr. Kerr: Yeah, we've spent quite a bit of time on that, and what we've endeavoured to do is reduce the amount of time it takes to get into those programs, to have those programs take place, and that leads to better outcomes. But if we look at that 12-week measure, most claims that we see have actually resolved by 12 weeks. Almost all of the injuries we get are of the type that, you know, through rehabilitation, through modified work they actually get back to work. Once you're getting beyond the 12 weeks, the time it takes to register the claim or access services has very little bearing on the eventual return to work. I'd say that the biggest factor is keeping the connection to the workplace. Keeping connected to the employer would be the number one predictor of somebody going back to work.

The Deputy Chair: Thank you.

Mr. Kang: According to the financial statements, page 69, WCB paid out \$2.9 million in consultation fees. What was the nature of these consultations?

Mr. Kerr: I'll get Ron to answer this, but I think most of it's related back to that information technology piece. It's paying external vendors to help us with issues around implementation and evaluation of technology.

[Mr. MacDonald in the chair]

Mr. Helmholtz: Yeah. Just to supplement the answer, a big chunk of it is related to our external service providers with respect to our IT systems, but also we do engage consultants with respect to our asset liability management initiatives and various other consultants in the organization as part of the normal course of our business.

Mr. Kang: My supplemental is: was there any competition bid process used for these consultants? How were they hired?

Mr. Kerr: We're really big on that whole process of having competitions, no sole awarding, all of that kind of stuff. We're subject to TILMA, and we follow it to the letter, so all of these contracts would have followed under that process.

Mr. Kang: Thank you, sir. Thank you, Mr. Chair.

The Chair: Mr. Bhardwaj, please.

Mr. Bhardwaj: Thank you, Mr. Chairman. I'm looking on page 23 at the chart down towards the bottom. It looks at an eight-year trend comparison of required versus collected premiums. By looking at it, it looks like it continues to decrease from 2001 to 2008. What are some of the factors that have led to continual decline in the required premium rates?

Mr. Kerr: Right. There's a bit of a history lesson here. If we go a long way back, to the start of this chart, we used to anticipate excess investment gains and build them into the rate. Of course, that got us in big trouble where you'd have things like what happened last year where you'd be expecting a really big return from your investments, and if you didn't get it, you'd have a great shortfall in your rates. So we changed that philosophy. We don't have any anticipation in those investment gains. This has been a direct result of not having that subsidy anymore, of better performance in terms of injuries in the province, and our own management of those injuries. I guess those would be the things. It's really because we properly charge for what the workers' compensation insurance really is, we've actually

just gotten better at managing the business, and the province has gotten safer because there are fewer injuries.

Mr. Carpenter: If I could jump in. Starting in 2003, there was a substantial amount built in to build up the accident fund because the policies that were in place previously had tended to depreciate the accident fund and would have set it on a course where it would not have been fully funded. Especially getting into 2004 and 2005, a significant portion of that excess was related to building up the accident fund. Once it was built up, then it was no longer needed and was able to be taken out of the rates.

In terms of the continuing issue, I think a lot of it has to do with the fact that we set these rates in advance. To do that, we make estimates on the economic activity in various sectors. Sometimes you'll find that the economic activity is up or down. Usually what's been happening is that the economic activity in higher rated industries has been up higher, and lower rated industries has been down lower, which leads to an amount collected being more than the amount required, looking at it retrospectively.

Mr. Bhardwaj: Okay. Then I guess the follow-up question – I think you've alluded to a part of it. Would the current economic situation have any bearing on the rates at all in the long run?

Mr. Kerr: Potentially it could. Our rates are driven by, you know, how much premium we're going to collect and what the cost of injuries is going to be. We look forward and think: what are the prospects in the province for continued growth, continued employment? We think next year, especially 2010, might be a bit slower, so that would have an impact. We also have to look at what we think the cost of injuries is going to be going forward. What we've seen is that as that injury trend continues down, it points to claims costs being well managed. If we had to make a prediction for 2010, probably this would remain relatively flat, so I don't think it'll have a tremendous impact on the rate for next year.

Mr. Bhardwaj: But over a longer period?

Mr. Kerr: Potentially. Our rates are set each year for what we have estimates for that year's insurable earnings and claims costs, so it completely depends on how the economy goes and how the claim volume goes.

Mr. Bhardwaj: On a year-to-year basis.

Mr. Kerr: If in 2011 we had a significant increase in employment in the province – say, there was a really big recovery, and claims costs kept down – then you might look at a rate reduction. It really depends on what happens with those two numbers.

Mr. Bhardwaj: Okay. Thank you.

The Chair: Thank you.

Mr. Chase, followed by Ms Woo-Paw, please.

Mr. Chase: Thank you. My questions are general. In my office I don't presume that the people I see are more extreme than other offices see, but there seems to be a presumption of guilt, that workers are capable of going back to work. There's a fair amount of pressure being placed on them by WCB to return to some form of modified work. I had a young welder who had his hand practically sliced off, his thumb, and injuries up his arm. He contracted MRSA. The pressure on him to return to work, even though he still had a

very highly infected arm and reduced capabilities, was such that it involved cutting him off benefits, cutting off medication, refusing to pay for medication. He was also under surveillance.

11:20

I had two men who were involved in labouring jobs, backgrounds with very little literacy, which restricted their ability to do modified work. Again, they were under surveillance. In the case of one chap, Vincenzo, I went to a tribunal appeal board. The evidence was presented of the surveillance and so on, and the surveillance information reporting was rejected. I'm just wondering what percentage of individuals are placed under surveillance and as a result proven to be guilty of, you know, faked injuries or not returning to work versus the number of people who are found to be innocent. Then, do you believe that this investment in surveillance is worth the amount it costs in terms of dollars and pressure on injured workers?

Mr. Kerr: Surveillance is something that we use very, very sparingly. It would be far less than 1 per cent of any claims that have ever had surveillance on them. We have very strict criteria, thanks to the Ombudsman – I'm looking at you, but I meant the Ombudsman – for helping us make sure we have criteria established about when we use surveillance and how it's used. Of course, the people we use for that are subject to all the professional standards their body is subject to. So it would be a very, very small number. We're also very clear that anybody who is surveilled is notified of that fact after, so there's nothing hidden behind the scenes of any of this kind of thing.

I don't like to think of it as guilty and innocent. It sounds so – it's not what we're all about. If we do a surveillance, it's because we've gotten some information from somebody. Often it comes from an employer, or surprisingly from ex-spouses is where we get most of our surveillance tips. They're saying that this person is collecting benefits and is in fact working, doing something – playing football, installing drywall – so we have an obligation to the accident fund to make sure that people are not getting benefits they're not entitled to. So we use it sparingly. We make sure it's disclosed. I think if you look at the cost of it – from the top of my head I can't tell what it is – I think the cost we invest compared to the integrity of the system is a really worthwhile investment, so I'm satisfied.

Mr. Chase: Another concern I have is the difference, as my colleague brought up, between a family doctor's interpretation or a family psychologist's, psychiatrist's interpretation versus the WCB's interpretation. I'm pleased to hear about Dr. Larry Ohlhauser in a sort of an interim circumstance, but what I've found is that in a number of . . .

The Chair: Mr. Chase?

Mr. Chase: Yes. Sorry.

The Chair: Could you get to your question, please?

Mr. Chase: Yes. The point I'm making is the difficult medical determination between, say, a spinal injury that occurred in, say, 1990 and disc deterioration due to age and arthritis. This has come up three or four times in cases, and I'm just wondering how this gets resolved when there's a denial that the deterioration is related to an earlier injury and the compensation for it.

Mr. Kerr: Right. Well, I think what you're talking about is one of

the things we see where a general physician, the injured worker's physician, has an opinion about something. When the medical consultant looks at the file, when they have a difference of opinion, instead of just deciding on it, what we do now is have a really robust program where we require those medical consultants, those doctors, to actually phone that GP and say: "Hey, this is what I'm seeing. Why are you seeing something different? Can we talk about this?" Not everybody returns our calls, but we've had a lot of success in just having the conversation with the physician. Maybe they are looking at different reports or different pieces of evidence or different dates of X-rays. We spend a lot of time trying to resolve those medical difficulties so they don't have to go on. You know, those calls to physicians, the independent medical panel, and the Appeals Commission I think all are reasonable mechanisms for somebody if they have a difference of medical opinion to get resolved.

Mr. Chase: Thank you.

The Chair: Thank you.
Ms Woo-Paw, please.

Ms Woo-Paw: Thank you, Chair. Slightly more than 50 per cent of employer reports are received within the 120-hour time frame. First, I'd like to know how we compare with other jurisdictions in this regard. Secondly, has WCB set targets or measurements to improve this?

Mr. Kerr: You know, I don't know how we compare with other provinces. There probably is a statistic on that. I look at – and for me it's more important – have we improved that? And that number has gone up. Of course, the legislated requirement is 72 hours, and a lot of employers will tell you that it's very, very difficult to meet that standard for a number of reasons, some of which are legitimate and some maybe not so much. We spend a lot of time working with employers, and we think it's important to make sure that employers have the attitude of trying to report as soon as they can. If they're slightly over the 72, as long as they're making their best effort . . .

Ms Woo-Paw: Is it 72 or 120?

Mr. Kerr: Seventy-two is the actual requirement. We measure 120 because it's probably more of a realistic deadline, but the legal requirement is 72.

We work with employers a lot on that, but we're really focusing on the ones who chronically report days and days and days late. We've actually in the last four years instituted a fining program for the worst offenders. So those employers who really don't report on time, chronically by a lot, we have now started to fine them. The fine is substantial for each day they're late. You can imagine the difference it makes. Employers change performance quite a bit when they start getting fined for that.

Ms Woo-Paw: Thank you.

The Chair: Mr. Kang, please, followed by Mr. Sandhu.

Mr. Kang: Thank you, Mr. Chair. Page 2 of the Workers' Compensation Board report states that WCB's secure financial position ensures that WCB Alberta can continue to administer a fair workers' compensation system for Albertans. This statement does not reflect out-of-province or foreign workers. What legislation is in place to ensure a fair workers' compensation system for workers that are non-Albertans?

Mr. Kerr: The legislation is really clear in Alberta that if you're a worker in a covered industry, you're covered. Whether your employer pays premiums, whether you're from out of province, whether you're from out of country, whether you're here illegally, it does not matter from our perspective. If you're a worker in a covered industry and you get hurt and the accident arises out of the workplace and is during the course of your employment, then you're entitled to benefits and services.

A perfect example is those Chinese workers that were killed a couple of years ago. We went to extraordinary lengths to make sure that the two widows back in China were actually getting the money that they were entitled to. Somebody mentioned the old 80-20 rule. Boy, it caused a lot of work for us to make sure those people got their benefits and services.

We're clear that it doesn't matter whether you're a temporary foreign worker or not; if you're injured here, then you get the benefits and services of WCB.

Mr. Kang: The reason I brought up that question was because lots of foreign workers when they're here, you know, seem to think that they are not entitled to those benefits. Is there any kind of program in place to educate those foreign workers when they come here?

Mr. Kerr: The process for working with temporary foreign workers – we never get involved until we hear about an accident, and there's no requirement for employers to report to us when they've hired temporary foreign workers, so it's literally impossible for us to notify them in advance. What we do have is that in every single workplace it's a mandatory requirement that employers have posters up advising employees of their rights to workers' compensation coverage. So it is in every single workplace.

Mr. Kang: Those temporary foreign workers are kind of under the gun. They don't want to lose a job if they report the employer or any infraction at the workplace. That's why I think workers' compensation should be doing much more to educate those people about what rights they have.

The Chair: Thank you for that, Mr. Kang. I would refer you to the annual report of Employment and Immigration, where there is a budget set aside for that specific purpose, whether it's used appropriately or not. Perhaps you can bring it up with the minister.

Mr. Sandhu, followed by Mr. Chase.

Mr. Sandhu: Thank you, Mr. Chairman. My question is in line with the commitment to fairness, as Darshan Kang and Mr. Chase already said. When two doctors, the WCB and the worker's doctors, differ in opinion, what happens? Does the injured worker get paid, or do his benefits stop if they don't match each other's?

Mr. Kerr: Well, if we've made an entitlement decision based on the physician reports that they're not entitled to benefits and services or that they should return to work, then benefits are not paid anymore. If that worker then appeals and goes on to the Appeals Commission, where then they look at the different medical opinions, that worker would not have benefits paid until that decision was altered at the Appeals Commission or the medical panel.

11:30

Mr. Sandhu: It's very hard for the worker to survive, with family, making payments, you know, to carry on their lifestyle if you stop the benefits. Are there any other mechanisms for the injured worker while he's fighting with the WCB doctor and his own doctor or

specialist? You don't get a specialist appointment just like that. It sometimes takes six to eight months, and the worker doesn't have any money. What is he supposed to do after that?

Mr. Kerr: Well, the issue we have is that our legislation is clear: we're intended to pay compensation for injuries that arise out of and during the course of employment. Once we have made a determination that they didn't or you've returned to work or whatever the reason why your benefit has ceased, we have no legislative or policy authority to pay somebody benefits while they think about appealing or getting more medical evidence or something like that. You know, it's pretty clear that the system pays for work-related injuries. If we found it not to be or you've gone back to work, then we can't do anything more.

Mr. Sandhu: I'm talking about a worker's doctor supporting the worker, you know, saying that he's not fit to work, but the WCB doctor saying that he's fit to work. That's what I'm talking about. His own doctor says, "You can't go to work," and the WCB doctor says, "You've got to go to work." What happens then? Like, how can he survive?

Mr. Kerr: Well, you know, if one of the medical consultants has a medical opinion about what the level of restrictions are as to the ability to work, and once the adjudicator, the case manager, makes the decision, we have mechanisms to try to help resolve that difficulty. They don't make that decision about cutting somebody's benefits off until they've got a clear picture of what the evidence on the file says. Sometimes it's difficult for the physician of the injured worker either because they don't have occupational medical experience or they don't understand what modified work is, especially in some of the small communities. They've got a 35-year relationship with that worker, and it's hard to tell them they need to go back to work. We have to rely on the weighting of the evidence, which is what we do, and if the weighting of the evidence is that that's the decision, then we have to do that. I know that doesn't satisfy your answer.

Mr. Sandhu: No, no.

Mr. Kerr: We really don't have any ability to pay somebody during an ongoing medical dispute once we've made our decision.

The Chair: Thank you.

Before we get to Mr. Chase: Mr. Kang, the Employment and Immigration department spent more money, \$1.8 million more, trying to deal with the issues around temporary foreign workers in Alberta than they had allocated. So EI is working at this. There's obviously a great need. That information is on pages 55 and 56 of the annual report of Employment and Immigration.

Mr. Kang: Thank you.

The Chair: Okay. Mr. Chase, followed by Mr. Benito.

Mr. Chase: Thank you. On page 2 of the annual report it states: "It has been our privilege to partner with labour and employer organizations and practitioners of many disciplines to successfully help over 92 per cent of injured workers stay at work or promptly return to work." Chair, please have patience. There are four different categories of workers potentially returning. Does this statistic also include modified return to work plans determined by the partners above, workers that do not return but are found fit to return to work

by the system, workers that return to work for economic reasons who cannot do the work and subsequently resign, workers that seek other benefits, such as employment insurance benefits, short-term disability, or CPP? How broad is the 92 per cent category?

Mr. Kerr: The 92 per cent includes workers who return to work at their old job or return to work at a new job.

Mr. Chase: Thank you. How many of the 92 per cent of workers retain and sustain the employment? Does the fact that 16,352 workers had recurrent claims in 2008 suggest that workers are not recovering before returning to work?

Mr. Kerr: Sustainability of return to work is something that's really important, too. I can't tell you what the stats are for that number. I think that's consistent with the number of recurring injuries, and that can be a variety of things. It wouldn't mean that somebody just tried to return to work too early. They've had another incident at work that has led to further injuries related to that initial one. So I don't think they're related.

Mr. Chase: Thank you.

The Chair: Thank you.

Mr. Benito, please.

Mr. Benito: Thank you very much, Mr. Chair. With all respect and appreciation to WCB, may I ask what the tenure is for the president and CEO position? Is this a term tenure: one year, two years?

Mr. Kerr: I'm an employee just like everybody else, so I have no term. I serve at the pleasure of the board of directors.

Mr. Benito: Thank you very much. Now, on the achievement bonus for the employees so that they can have a predetermined percentage of salary bonus, if I'm an employee of WCB, in order for me to qualify for this bonus, is the recommendation or letter from the worker themselves being accredited, or is it the coemployees who are saying to me that, you know, on this file you did a good job? Is the worker's voice being heard when we do the achievement bonus for the employees of WCB?

Mr. Kerr: The worker's voice is being heard, for sure, but it does not have an implication on the variable portion of the employee's pay. The variable portion of the employee's pay is reflected on two goals: one is return to work; one is fairness. We achieve that as a corporation or we don't, and that's how it's determined for every employee.

Mr. Benito: Thank you.

The Chair: Thank you.

Mr. Kang, do you have any more questions that you would like to ask?

Mr. Kang: Sure. Turning to investment, page 1 of the annual investment report appears to distinguish the investment returns obtained from the externally managed bond portfolio and the 20 per cent of the portfolio managed internally. Has the WCB considered increasing the proportion of its investments managed internally?

Mr. Kerr: That's something that's actually changed over the last

few years. It's a relatively recent thing that we've managed investments internally, so I think we're comfortable with the percentage that it is now. Longer term maybe it makes sense to do more internally, but I think we're comfortable with it now.

Ron, would you have anything to add?

Mr. Helmhold: I think that answers the question.

Mr. Kang: Okay. I think that probably answers my question, but I'll ask it anyway. What decisions were made by the WCB's internal managers that contributed to their superior performance?

Mr. Kerr: They're smart guys, I guess.
Ron, do you have anything?

Mr. Helmhold: Yeah. I think we have a very, very dedicated internal investment team that has a lot of expertise. In terms of decisions that they made that led to good performance internally, as we moved into the recession and the market meltdown, our bond portfolio did not have a heavy credit weighting. As I think you all know, it was the credit bonds within the bond portfolios that performed extremely poorly. Our internal people foresaw a little bit of that coming, and as a result the proportion of our bond portfolio was heavily skewed into federal bonds and provincials as opposed to heavy credit weightings.

Mr. Kang: Thank you, sir. Thank you, Mr. Chair.

The Chair: Thank you.

Ms Woo-Paw, please, followed by Mr. Chase.

Ms Woo-Paw: Thank you. Your presentation here today as far as the material has certainly impressed me as a very proactive and progressive organization. I also understand that the WCB conducts a survey on people's satisfaction with your annual report. I'd like to take the opportunity to express, I guess, my response to your annual report. I'm very impressed by the level of your sensitivity to include and reflect the diverse population of Alberta in your document's images. It does have an impression on me. I appreciate that. We don't see it often enough, I think. You also take a very proactive approach in working with employers. Both employers and employees in our province are becoming more diverse, so you interact with an increasingly diverse population. Some organizations work towards having a more reflective workforce, and they would do that by collecting data on the ethnicity and linguistic ability of their staff. I'd like to know whether the WCB does that.

11:40

Mr. Kerr: We certainly do not collect any data on the ethnicity of our staff. I think we have a self-reported ability to disclose other languages, but it's not mandatory, so it wouldn't be a comprehensive listing of that.

Ms Woo-Paw: Thank you.

The Chair: Thank you.

Mr. Chase, followed by Mr. Jacobs.

Mr. Chase: Thank you. I'm referencing page 29 of your annual report. Page 29 states that of the claim benefit liabilities only 2 per cent is for rehabilitation services. This appears to be a very low percentage, and WCB has a hard line to retraining injured workers.

This statistic supports that injured workers who need retraining are potentially not getting the services. My first question: what percentage of the 2 per cent is reflected in interim allowance to ensure that WCB meets the goal-sharing goals at the end of the year?

Mr. Kerr: The claim benefit liability would have no allocation for variable compensation. I think that's what you're saying, right? That's what you're asking? The reason why it's 2 per cent is, if you think about what this is, this represents the liability that we have from now into the future – and this could go 60 or 70 years – for payments and services we provide to injured workers. If you think about that, the biggest part of that is long-term disability, so that's compensation payments for people who have long-term disability. Health care is obviously their ongoing health care cost. Survivor benefits is a benefit paid to dependants of fatally injured workers. Short-term disability is obviously there. The reason why rehabilitation services is smaller is that most rehabilitation services are short-term in nature, so they're used up in the early portion of the claim. So if you look at our expense, it would be more skewed toward the earlier years. This represents our long-term benefit liability, so it's a smaller portion compared to the long-term disability payments that we'll pay to somebody for a long period of time.

Mr. Chase: My supplemental: what part of the 2 per cent is reflective of workers given 12 weeks of job search benefits and then cut off compensation at the end of 12 weeks?

Mr. Kerr: I wouldn't know that percentage. I could certainly get it to you.

Mr. Chase: Is that something you could find, through the chair?

Mr. Kerr: Yeah.

Mr. Chase: Thank you.

The Chair: Through the committee clerk to all members, we'd appreciate that.

Mr. Kerr: Let's just be clear that, you know, the benefit stream that pays for 12 weeks of job search doesn't always end in benefits being cut off. There are often other streams that go with it. We'll have to make sure what information we can actually give you. I don't know that we can give you what you require. We can show you what percentage of the total volume is for 12-week assisted job search. It'll be a small percentage.

Mr. Chase: Thank you.

The Chair: Okay. Thank you.

Mr. Jacobs, followed by Mr. Kang.

Mr. Jacobs: Thank you very much. Gentlemen, at this point in the meeting it's getting difficult to ask a question that hasn't been covered, and the question I'm going to ask has been hinted around by several of my colleagues. First of all, I'd like to say that I've been impressed by your presentation this morning, and I have learned a lot. Thank you for coming.

I'm assuming from what I've heard that your goals and objectives are similar to us as MLAs. Even though since 2002, '03, and '04 the number of calls I get on WCB claims has decreased, I still get some. As an MLA one of my challenges is that when I get a constituent who has a complaint or a problem, first of all I assume that they're

correct and that they're being honest. That's the assumption I make to start with. Sometimes I find out that I've received incorrect information or that I'm even being deceived, so I guess I'd just like to ask the subjective question of one of you: how can we as MLAs and you as a board work better together, communicate better together, so that we can avoid wasting time and help people that really need to be helped? I know that there's a process, but do you have any additional insights or comments about your relationship with Members of the Legislative Assembly in dealing with people who have complaints?

Mr. Kerr: Well, I think the way the process works now may be time-consuming and cause a lot of work especially for your constituency office, but it's the right one. The way it works now or should work now is that if you have a constituent come to your office complaining about WCB, your first call should be to our government relations team to say: hey, can you investigate this for me? They act a little bit like an ombudsman within the organization. They go out and do research on the file. They talk to the claim owners. They look at all the information that's contained. If something needs to be done or if there's a benefit stream that's been missing or something we haven't done right, they help to correct it. Then they can provide information to you that gives you another view of that claim, so you can sort of help them figure it out yourself.

You know, people don't intentionally try to be dishonest, but they might not recall things or have a different view of things. We need to think of them as all coming in here needing services. And how can we do that? It's through our doing a thorough review of the claim and making sure they have the right things. So I'd continue just to make sure your first call is to our government relations area, and they'll make sure that you have the information you need.

You know, I talk to other jurisdictions across Canada, a little bit less to the American jurisdictions. Every single jurisdiction has the same issue. It's a fundamental feature of the workers' compensation system that people don't like the decision sometimes, and then they go and complain to their elected officials. So we have to be prepared to do that. We have a responsibility to make sure that they have the right benefits and services. If you can be a conduit for that, then we'd be happy to help you.

Mr. Helmhold: If I could supplement that question. One of the initiatives that we've embarked upon recently is to increase our office visits to MLAs' offices by our GR team. We think it's important for our GR team to have a good relationship with the assistants in the MLAs' offices as well. It's the assistants within the offices that are fielding a bulk of the calls, and if we can provide some education and information to your assistants, that certainly helps enable that process. So that's something that we've initiated and we're planning on increasing over the next several years.

Mr. Jacobs: Thank you.

The Chair: Thank you.

Mr. Kang, please, followed by Mr. Quest.

Mr. Kang: On page 2 of the Workers' Compensation Board report it says: "It has been our privilege to partner with labour and employer organizations and practitioners of many disciplines to successfully help over 92 per cent of injured workers stay at work or promptly return to work." Does this stat include workers who do not return to work but are found fit to work, that 92 per cent?

Mr. Kerr: The 92 per cent is people who have returned to some employment.

Mr. Kang: So this excludes people who are fit to work but haven't returned to work.

Mr. Kerr: That would be in the 7 per cent.

Mr. Kang: Thank you. My supplemental is: how many of the 92 per cent of workers retain and sustain employment, and does the fact that 16,352 workers have current claims in 2008 suggest that workers are not recovering fully before they return to work?

Mr. Kerr: No, that's not suggesting that at all. I think we really are looking at a sustainable return to work. If those people don't have a sustainable return to work, they go on other benefit streams, but it's different from recurring injuries because that usually involves another incident.

Mr. Kang: Thank you, sir. Thank you, Mr. Chair.

The Chair: Mr. Quest, please.

Mr. Quest: Thank you. Just referring to page 8 of the 2008 Accountability Framework Report – Mr. Carpenter, you referenced this just in your opening comments – the number of reported injuries over three years has progressively gone down, which is great, but the number of reported work-related deaths has gone up at the same time. I'm just wondering if there's a short answer as to why we see this happening.

Mr. Kerr: You know, in our view, they're quite unrelated. The fatalities that happen, every single one of them, are a tragedy and shouldn't happen, but the difference between a fatality and a severe injury often is a matter of chance, so we don't see a great connection statistically or correlationally between the number of injuries and the number of fatalities. I think we all need to do a better job of getting that fatality number down. Generally, over the long term you would presume that if fewer people are being injured, which is happening, at some point that should have an impact on fatalities. We're actually starting to see that a little bit this year, but I think we have to look at that over the longer term.

11:50

Mr. Carpenter: If I could just jump in with a further comment. If you delve into those fatality statistics, what you'll find is that many, if not most of them, in any particular year relate to workplace illnesses from exposures that happened 20 or 25 or 30 years ago. It's the fatality that happens in this year, but the exposure or the incident happened many, many years ago.

Mr. Quest: Right. Thank you.

The Chair: Mr. Chase, followed by Mr. Olson.

Mr. Chase: My question has to do with the treatment of mental injuries versus physical injuries. Physical injuries: when a broken arm shows up on an X-ray, there are standard treatments. I'm interested in how the Workers' Compensation Board deals with post-traumatic stress. In the Calgary-Varsity constituency there is a federally funded clinic that works with the military service and RCMP. There's no such provincial equivalent. So in the case of a fireman, an EMS worker, police who are front-line workers, quite

often their injuries are traumatic stress. How does the Workers' Compensation Board ensure that these individuals' injuries are recognized and compensated fairly?

Mr. Kerr: Post-traumatic stress disorder is a specific diagnosis under DSM 4, which is a diagnostic tool that the psychologists and psychiatrists use. What we try to do is make sure that when we look at a claim with PTSD, we're using those diagnoses. We get a diagnosis from a doctor that says that and, once that's been accepted, then move into some of the treatment programs that you talk about. The challenge, of course, is that diagnosing a broken arm when you have an X-ray that shows that is a much easier diagnosis than using the DSM 4 for psychological or post-traumatic stress injuries. They're not as clean, they're not as easy to diagnose, so they are necessarily more complex. It presents challenges for us.

I know of one particular instance within your constituency that we've dealt with that, you know, we didn't do a very good job at the start. We've admitted that, and we've tried to make it better going forward. It's been, through the Ombudsman, good learning for us about how we need to deal with these kinds of injuries better. I think that as a result of that we do a better job now.

Mr. Chase: And that individual you mentioned has had numerous colleagues who have committed suicide, which leads to my next question. Do you track the number of workers' compensation individuals whose claims have closed due to suicide?

Mr. Kerr: No. When we get a death certificate, we would often not be privy to the cause of death for something like that, so I don't think that's something we could track.

Mr. Chase: Thank you.

The Chair: Thank you.

Mr. Olson, please, followed by Mr. Kang.

Mr. Olson: Thank you. Thank you very much for the information. I've also found it very educational. I just want to ask a question or two about the surplus dividends, this special dividend. As I understand it, if you achieve the fully-funded 128 per cent, I think it is, then beyond that there is a dividend. Does that kick in, like, immediately and automatically? What's the process for that?

Mr. Kerr: To be clear, when we say fully funded, that means we're a hundred per cent funded according to the legislation, and then our policy is to be between 14 and 28 per cent. When we get beyond 28 per cent, we have what we call a funding policy. It's a board policy that describes the mechanism and the intent as to which way those dividends are distributed. It is a board discretion. There are principles set out about, you know, how much, when, and in what proportion, and it's laid out in that funding policy. It's clear there. Before this year it was a total of over \$1.2 billion that was given out in those dividends, and it was according to those policies that we put in the funding policy.

Mr. Olson: Well, I have only one supplemental left, so I'll just ask a simple question. I notice that in the financial statement it talks about the dividend going to employers who meet the eligibility criteria. Can you just talk about what those criteria are? Is it just that you paid in at the time that it was created, or are there some other criteria?

Mr. Kerr: The eligibility requirement for the dividend payment was

that you certainly had to have paid premiums during that year. The cut-off – I can't remember what it was, Ron.

Mr. Helmhold: It's the poor performance surcharge.

Mr. Kerr: Oh, right. The poor performance surcharge.

Those employers who were in that maximum poor performance surcharge that I talked about, not only did they have that surcharge, but they didn't get dividends. There weren't many, but it was sort of added pain for them for having a poor performance.

Mr. Carpenter: If I could jump in just with a couple of additional comments. When the board authorized the payment of special dividends for 2005, '06, and '07, they took into account a maximum amount. In other words, just because we were over our maximum threshold of funding, we wouldn't pay the entire amount out in any one particular year. In 2005 and 2006 we limited the payment to 40 per cent of the premiums that were paid in those particular years. That's board discretion. We reduced it for 2007 – the payment actually went out in 2008 but was for 2007 – to I think 30 per cent or around there. So there was a reduction in that.

The other issue in terms of eligibility was that the amounts of the special dividends that were paid were based on the average premiums that were paid in a particular rate group. So if you're in a rate group that has an average rate of \$1 and you're a very, very good employer and you're paying only 80 cents, you get your special dividend based on the dollar. But if you're in a very, very bad performance area and you're paying \$1.60, you still only get it based on the dollar. So it's skewed, and it's a little bit of an additional incentive for good performers.

Mr. Olson: Thank you.

The Chair: Mr. Kang, please.

Mr. Kang: Thank you, Mr. Chair. On page 45 of the report there's an operating deficit of \$513.8 million. What strategies have been developed or are being considered to reduce or eliminate the operating deficit?

Mr. Kerr: Well, if you look at that operating deficit, exclusively it came from investment returns from 2008. There was actually a slight operating service from an operating point of view, and there were some actuarial adjustments. But going forward, we've already seen in 2009 that we won't have that same loss from investments; we're in positive territory. So that will be completely taken out for 2009. Our strategy in order to reduce the volatility or the impact that we have on our income statement from those investments is to go into less volatile investments, take out some of those risky things. Hopefully, we'll have less impact on the income statement from changes in the asset value on a fair-value basis.

Mr. Kang: How are you going to make up that shortfall, the \$513 million?

Mr. Kerr: Well, that had a direct impact on our funded status. The reason why we went from being 130 per cent funded down to 112 was reflected in that. It affected our funded status, and now that has started to be built back up as the markets recovered. It doesn't have any impact on premiums we've charged or benefits to workers. It just simply flows through the fund balance.

Mr. Kang: Thank you.

The Chair: Mr. Benito, to conclude, do you have any questions at this time?

Mr. Benito: Yes, just for the record.

The Chair: Please proceed.

Mr. Benito: Thank you very much. WCB legislation limits the right of workers to appeal to one year. How many requests for appeal are denied based on this legislation?

My second question. Workers earning over the cap amount of \$72,000 are financially and emotionally affected by WCB. Are there any statistics on how many workers are affected by the cap amount for compensation?

Thank you.

Mr. Kerr: I'll answer the second part first. Our policy of having a cap is set at making sure that 90 per cent of workers in the province have their full wages covered. That would be, you know, the majority of the workers in the province. There's literally only one jurisdiction in North America that doesn't have some sort of cap on earnings, so it's a pretty standard thing.

Your other question was around . . .

Mr. Benito: One-year appeal.

12:00

Mr. Kerr: Oh, the one year. I don't have off the top of my head what percentage of people who go beyond the one year would be denied. It would be a very low percentage because most people understand now that they have to do that within that year. Then we

have specific criteria set for offering exemptions to that limit if a worker can come up with a reason why they didn't meet that one-year time frame. So it wouldn't be a very big number.

The Chair: On behalf of the committee I would like to thank everyone for their time today. We really appreciate your presentation and, as I said before, your willingness to co-operate with the chair and with the research staff. Thank you and good luck with all your endeavours. We have a few other items on the agenda, so please feel free to go. Again, thank you.

Mr. Kerr: Thank you very much.

The Chair: Item 5 on our agenda. There's no other business, is there?

Seeing none, the date of the next meeting. I have no idea when it will be. We have to deal with the motion that the government caucus presented yesterday. Alberta Health Services has been uninterested in previous invitations to attend, like this afternoon, so we will have to correspond with both them and Alberta Health and Wellness and see what happens. The motion passed yesterday indicated that we would meet with them both for an hour and a half on the morning of October 26. The meeting on October 28 is cancelled. So we will get letters of invitation to them both, and we will see what happens. Okay?

An adjournment motion if there's no other business? Moved by Mr. Sandhu that the meeting be adjourned. All in favour?

[The committee adjourned at 12:02 p.m.]

