

**Ministry of Finance**  
**Questions & Answers: KPU executive compensation report**  
**June 16, 2014**  
**Draft #4**

**1. Chronology of report transmission**

- June 11 - Report provided to Minister de Jong (received in New York). Minister briefed by phone.

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- June 17 - Morning - media briefed under embargo
- June 17 - Afternoon - report released.

**2. What prompted the review?**

During question period on March 5, 2014, the opposition asked for an explanation of executive compensation and reporting at Kwantlen Polytechnic University (KPU).

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4. The terms of moving allowances should be part of an employee's employment contract and available for PSEC to review and the public to see as part of the mandatory disclosure reporting.
5. PSEC compensation reporting guidelines should be rewritten to emphasize that transparency is the overarching intent of the guidelines.

**5. What direction was Mr. Mingay given?**

The Minister of Finance, as minister responsible for the Public Sector Employer's Act, directed PSEC secretariat Mr. Mingay to conduct a review of the compensation provided in order to determine:

- a. What payments were made and pursuant to what contractual arrangement?
- b. What was disclosed?
- c. Did disclosure occur consistent with the applicable guidelines, including PSEC requirements?
- d. Was the total compensation received by the employees consistent with the compensation guidelines?

**6. What is the Province going to do to ensure this doesn't happen again?**

We have accepted all recommendations in the report and will be implementing them:

- PSEC conduct annual mandatory one day disclosure and reporting session for the appropriate executives in each organization.
- Boards of post-secondary institutions have a formalized process to make board members aware of their responsibilities and obligations for compensation transparency, statutory requirements and guideline reporting.
- When statements of executive compensation are submitted to PSEC include an attestation that there are no known pre-employment or post-employment contracts to senior administrators that are not disclosed.
- The terms of moving allowances should be part of an employee's employment contract and available for PSEC to review and the public to see.
- PSEC guidelines should be rewritten to emphasize that transparency is the overarching intent of the guidelines.
- Government announced new taxpayer accountability principles that will strengthen accountability, promote cost control, and ensure they operate in the best interest of taxpayers.

**7. What steps will be taken to ensure KPU board and executives correct their actions? How do you know this won't happen again?**

- Changes to the annual reporting of executive compensation have been made, effective this year, to identify similar attempts by boards to skirt the government's guidelines.
- The new Taxpayer Accountability Principles will instil a duty on boards to meet government's expectations in this and other matters.

#### **8. Who knew about the improper compensation?**

- In the case of Lavack, it appears that neither KPU's board of directors or its administrative staff were aware of Lavack's offer letter and agreement, or the pre-employment contract. Administrative staff became aware of the terms of the offer letter, employment agreement and pre-employment contract after they were signed by Lavack and the then-president (Atkinson).
- In the case of Davis, KPU's Administrative Staff and its Board of Governors were aware of Davis' offer letter, agreement and the pre-employment contract.

**12. Will there be consequences for Minister Virk? How can he have any credibility as a minister of advanced education?**

- Minister Virk will continue as minister of advanced education.
- The matters under review transpired while he was on the KPU board, prior to undertaking his responsibilities as minister.
- He has given the premier assurance that he recognizes the board acted inappropriately and he will carry out government's direction.
- It is incidents like these that illustrate the importance of the taxpayer accountability principles: to remind all public sector boards that their duty goes beyond the traditional fiduciary duty to the organization—they have a duty to the taxpayer as well.
- Minister Virk is committed to ensuring that message is fully appreciated in the post-secondary sector.

**13. By what process was it decided there should be no consequences for Minister Virk, and who made that decision?**

- Minister de Jong reviewed the report and discussed the matter with Premier Clark.
- Both spoke with Minister Virk and were satisfied with his commitment to the government's principles, values and direction.

**15. Why didn't you table this report when the house was sitting?**

We released the report at the earliest opportunity once it was ready. Minister de Jong was briefed last Thursday when in New York, read the report over the weekend, met Monday with Premier Clark, and released the report Tuesday.

**16. Why did the report take so long?**

Gathering and reviewing documentation. Availability of individuals for interviews. Follow-up. And finally a legal review, particularly in the context of the personal information disclosed in the report. It is important that personal information be used in a way that does not have unintended consequences.

**17. Would government have found out about this if the opposition hadn't brought it to your attention?**

Government would have eventually found out about the payments through routine examination of disclosure under the Financial Information Act.

**18. Is anyone going to lose their job over the findings of the report?**

The report identifies where the accountability falls.

With respect to the staff and executives at Kwantlen, the Province is not the employer. Kwantlen will need to make its own judgement.

**21. Was the Public Sector Employers Act violated?**

Yes. Under the PSEA, employers must have compensation plans in place that are approved by the Minister responsible. Employers may not make any changes to compensation outside of the existing compensation plans without the prior approval of the Ministry responsible.

**22. Will the finance minister take any other steps?**

We have moved to tighten up reporting and compliance across the entire public sector. We will continue to be vigilant in that process

**23. Did anyone refuse to participate in the review?**

ADM Mingay experienced no obstacles to obtaining the information required to prepare a thorough and complete report.

**24. Can you provide a summary of the testimony of each person interviewed?**

We're not prepared to discuss individual interviews. Mr. Mingay's overall impressions are in the report itself.

**25. Why can't you webpost the report?**

The report contains personal information subject to the FOIPP Act. If the report were posted online, it could be downloaded onto computers in the US, by people who

read the report. Under BC law, government cannot allow personal information to be released or stored on computers in the US. To meet our obligations under the act, we cannot make the report available on a government server. It is available on request.

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## ADVICE TO MINISTER

**CONFIDENTIAL  
GCPE-FIN ISSUE NOTE**

Ministry of Finance  
Date: June 17, 2014  
Minister Responsible: Michael de Jong

**Kwantlen Polytechnic  
University compensation  
report**

### ADVICE AND RECOMMENDED RESPONSE:

- Mr. Mingay conducted a thorough review into the allegations. He found that Kwantlen Polytechnic University failed to meet government's disclosure obligations.
- Kwantlen did disclose two pre-employment contracts in the Financial Statements filed pursuant to the *Financial Information Act*.
- However, more detailed disclosure under the Public Sector Employers' Council Secretariat's compensation employment guidelines was required.
- The report makes a number of recommendations to enhance B.C.'s already robust disclosure guidelines.
- Recommendations include ways to improve the understanding of boards and executive management of their responsibilities and obligations.
- The recommendations also provide for improved disclosure and reporting to government right across the public sector.
- B.C. has the most transparent executive compensation disclosure of any jurisdiction in Canada, possibly North America.

### Secondary:

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- However, we're satisfied the levels are appropriate, and expect boards to comply with our limits and disclose appropriately.
- The review has not determined this is a widespread issue, but the improvements will help ensure it doesn't become common practice.

## **Secondary – Taxpayer Accountability Principles:**

- **Premier Clark introduced new Taxpayer Accountability Principles for public sector organizations that strengthen accountability, promote cost control, and ensure they operate in the best interest of taxpayers.**
- **The principles are an important tool to be imbedded in all public service organizations, including post-secondary institutions.**
- **The taxpayer accountability principles will be built into the ongoing business of provincial public sector entities to ensure the decisions they make reflect the priorities and values of government and their shareholders—the citizens of B.C.**
- **While the taxpayer accountability principles were not developed in response to any specific situation, situations like this illustrate why they are necessary and important—to ensure the taxpayer is at the centre of decision-making by public sector organizations.**

## **KEY FACTS REGARDING THE ISSUE:**

- During question period on March 5, 2014, the opposition asked for an explanation of executive compensation and reporting at Kwantlen Polytechnic University (KPU).
- Under the Public Sector Employers Act, salaries for the CEO and the top four individuals paid \$125,000 or more within the organization are required to be disclosed annually.
- The Public Sector Employers' Council Secretariat (PSEC) reviews disclosure statements from each public sector employer to see if there is anything in them that requires explanation or footnotes.  
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- The Minister of Finance, as minister responsible for the Public Sector Employer's Act, directed PSEC secretariat ADM Rob Mingay to conduct a review of the compensation provided in order to determine:
  - What payments were made and pursuant to what contractual arrangement?
  - What was disclosed?
  - Did disclosure occur consistent with the applicable guidelines, including PSEC requirements?
  - Was the total compensation received by the employees consistent with the compensation guidelines?

The report concludes:

- There were failures by Kwantlen Polytechnic University (KPU) to disclose as required under the Public Sector Employers' Council Secretariat's (PSEC) compensation employment guidelines.

## ADVICE TO MINISTER

- KPU did disclose two pre-employment contracts pursuant to the *Financial Information Act*. However, more detailed disclosure under the guidelines was required to comply with the PSEC guidelines.
- Lavack findings:
  - It appears that neither KPU's board of directors or its administrative staff were aware of Lavack's offer letter and agreement, or the pre-employment contract.
  - Administrative staff became aware of the terms of the offer letter, employment agreement and pre-employment contract after they were signed by Lavack and the then-president (Atkinson).
- Davis findings:
  - KPU's Administrative Staff and its Board of Governors were aware of Davis' offer letter, agreement and the pre-employment contract.

### Report recommendations:

- The Post-secondary Employers' Association, PSEC and the Ministry of Advanced Education conduct an annual mandatory one day disclosure and reporting session for the appropriate executives in each organization.
- Boards of post-secondary institutions have a formalized process to make board members aware of their responsibilities and obligations for compensation transparency, statutory requirements and guideline reporting.
- When statements of executive compensation are submitted to PSEC, include an attestation that there are no known pre-employment or post-employment contracts to senior administrators by the relevant employer that are not disclosed.
- The terms of moving allowances should be part of an employee's employment contract and available for PSEC to review and the public to see as part of the mandatory disclosure reporting.
- PSEC compensation reporting guidelines should be rewritten to emphasize that transparency is the overarching intent of the guidelines.

Communications Contact: Jessica McLachlin

250 387-6591

Program Area Contact:

File Created:

File Updated:

File Location:

Program Area	Comm. Director	Deputy	Minister's Office
RM	JE		



## Hayes, Dana GCPE:EX

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**From:** Edwardson, Jamie GCPE:EX  
**Sent:** Tuesday, June 17, 2014 7:37 AM  
**To:** Porter, Rodney GCPE:EX  
**Subject:** Fw: ATTACHED: Revised Redacted KPU Review  
**Attachments:** KPU Redacted Compensation Review by ADM Rob Mingay dated June 13, 2014 - COMPLETE SIGNED FINAL.pdf

Thanks,

Jamie Edwardson  
250 888 0021

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**From:** Mingay, Rob PSEC:EX <[Rob.Mingay@gov.bc.ca](mailto:Rob.Mingay@gov.bc.ca)>  
**Sent:** Monday, June 16, 2014 14:08  
**To:** O'Connor-Dixon, Lara FIN:EX  
**Cc:** Edwardson, Jamie GCPE:EX; Menzies, Brian FIN:EX; Butler, Richard JAG:EX  
**Subject:** FW: ATTACHED: Revised Redacted KPU Review

Redacted version. This is the only version to be released

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**From:** Mayer, Fay PSEC:EX  
**Sent:** Monday, June 16, 2014 2:00 PM  
**To:** Mingay, Rob PSEC:EX  
**Subject:** ATTACHED: Revised Redacted KPU Review

Here's is the updated coverpage, as requested, with the complete redacted compensation review.

**Fay Mayer**  
Executive Administrative Assistant  
Public Sector Employers' Council Secretariat  
210 - 880 Douglas Street  
Victoria BC V8W 2B7  
Tel: 250-387-0842

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## INFORMATION BULLETIN

For Immediate Release

Ministry of Finance

2014FIN0021-000835

June 17, 2014

### **Kwantlen Polytechnic executive compensation review released**

VICTORIA – A review into allegations of improper compensation paid to two executive employees at Kwantlen Polytechnic University has found the university failed to meet government's disclosure requirements. The report makes recommendations to further strengthen B.C.'s disclosure guidelines and improve transparency.

Finance Minister Michael de Jong released the report and endorsed the recommendations today.

The report found:

- There were failures by Kwantlen Polytechnic University (KPU) to disclose as required under government's employment compensation guidelines.
- KPU did disclose two pre-employment contracts pursuant to the Financial Information Act. However, more detailed disclosure was required to comply with the guidelines.

The report recommendations include:

- The Post-secondary Employers' Association, the Public Sector Employer's Council Secretariat (PSEC) and the Ministry of Advanced Education conduct an annual mandatory one day disclosure and reporting session for the appropriate executives in each organization.
- Boards of post-secondary institutions have a formalized process to make board members aware of their responsibilities and obligations for compensation transparency, statutory requirements and guideline reporting.
- When statements of executive compensation are submitted to PSEC, include an attestation that there are no known pre-employment or post-employment contracts to senior administrators by the relevant employer that are not disclosed.
- The terms of moving allowances should be part of an employee's employment contract and available for PSEC to review and the public to see as part of the mandatory disclosure reporting.
- PSEC compensation reporting guidelines should be rewritten to emphasize that transparency is the overarching intent of the guidelines.

The recommendations have been implemented for the 2013/14 annual executive compensation disclosure, typically released at the same time as government's year-end financial statements.

The Minister of Finance, as minister responsible for the Public Sector Employer's Act, directed PSEC to conduct a review of the compensation provided in order to determine:

- What payments were made and pursuant to what contractual arrangement?
- What was disclosed?
- Did disclosure occur consistent with the applicable guidelines, including PSEC requirements?
- Was the total compensation received by the employees consistent with the compensation guidelines?

In compliance with government's duties under section 30.1 of the Freedom of Information and Protection of Privacy Act, the report is not available on the government website. It is available to media on request from the Ministry of Finance.

**Learn More:**

<http://www.fin.gov.bc.ca/psec/>

**Media Contact:**

Jamie Edwardson  
Communications Director  
Ministry of Finance  
250 356-2821

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Connect with the Province of B.C. at: [www.gov.bc.ca/connect](http://www.gov.bc.ca/connect)

Pages 16 through 18 redacted for the following reasons:

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For Immediate Release  
June 17, 2014

Ministry of Advanced Education

### **Statement from Advanced Education Minister**

VANCOUVER – Advanced Education Minister Amrik Virk issued the following statement following the release of the Kwantlen Polytechnic University executive compensation review.

“I would like to thank Mr. Mingay for his work on this report into executive compensation payments at Kwantlen Polytechnic University.

“As a volunteer member of the board in 2011, I take responsibility for the issues surrounding the president’s compensation. The legislation and its intent must be followed.

“I’m advised the finance minister has accepted the recommendations and directed they be fully implemented in time for the 2013/14 annual executive compensation disclosure report.

“I appreciate the importance and value of transparency and disclosure. Along with all members of this government, I will work to ensure the post-secondary sector embraces and implements both the review recommendations and the taxpayer accountability principles Premier Clark announced on June 11.

“The new principles strengthen accountability, promote cost control, and ensure public sector organizations operate in the best interest of taxpayers. They will help create a stronger relationship between the provincial public sector and government, and continue to foster a principled and cost-conscious culture.”

Media contact:

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