

Ministry of Finance

CROWN Board of Directors Professional Development Meeting on June 24, 2015 in Vancouver

Location: Coast Plaza Hotel & Suites, 1763 Comox Street

SUMMARY OF MEETING COSTS

Notes	Description	Cost
1	Room Rental & Catering	\$ 9,368.80
2	Speakers & Panel Members Travel Expenses	\$ 620.38
3	Travel Expenses - Staff attending and supporting event	\$ 2,367.19
4	Meeting Expenses	\$ 237.52
TOTAL COSTS		\$ 12,593.89

Total # of attendees 117

***Per Person Cost \$ 107.64**

NOTES:

- 1 Includes food, beverages - coffee/tea/juice service, and audio/visual rental equipment/service
- 2 Speakers/panel members were not paid a fee; only travel or meeting expenses reimbursed for those travelling from outside Victoria (2) and parking cost (1) to attend meeting at Coast Plaza Hotel & Suites
- 3 Staff travel expenses - includes per diems and return travel from Victoria to Vancouver for 8 staff and hotel accommodations for 3 of these staff, who were required to be in Vancouver the night before the event for venue advance setup and logistics work
- 4 Speakers/panel members (7) were provided with a small gift of approximately \$30 each plus a thank you card for their contribution

OTHER NOTES:

*Compare to similar Institute of Corporate Directors PD Event - \$1295 / person, see attached business case developed prior to event

Minister of Finance was the only Cabinet Minister that attended. He was already in Vancouver and did not incur additional travel costs.

AGENDA

CROWN BOARD OF DIRECTORS PROFESSIONAL DEVELOPMENT MEETING
9:45-10:25: Board of Directors: General Registration & Networking
10:30-10:40: Welcome/Review Agenda & Housekeeping
John Dyble Deputy Minister to the Premier
10:40-11:15: Minister's Opening Remarks
**Honourable Michael de Jong, Q.C. Minister of Finance
11:15-12:30: Plenary with Expert Panel: Differences Serving on Public vs Private Sector Boards
Speaker: Brenda Eaton, Corporate Director
Expert Panel: Stephen Bellringer, Chair of BC Hydro Chris Trumpy, Director: Puget Sound Energy, Coast Capital Savings, and Pacific Sport Victoria. Neil de Gelder, Executive Vice President of Stern Partners
KEYNOTE PRESENTATION AND AFTERNOON PLENARY SESSIONS
1:30-2:30: Key Note Presentation & Interactive Session: Monitor and Improve Board Performance Using Board Self- evaluations
Speaker: Elizabeth Watson, President, Watson Advisors Inc.
2:45-3:15: Plenary 1: Cyber Security: What Directors Need to Know
Speaker: Eric Winsborrow, Founder, Shadow Networks
3:25-4:20: Plenary 2: BC Auditor General's Key Observations on Good Governance Practices and Findings
Speaker: Carol Bellringer, Auditor General
4:20-4:30: Closing Remarks
Cheryl Wenezenki-Yolland, Associate Deputy Minister of Finance

SPEAKING NOTES FOR

**CROWN BOARD OF DIRECTORS
PROFESSIONAL DEVELOPMENT MEETING**

**HON. MICHAEL DE JONG
MINISTER OF FINANCE**

COAST PLAZA HOTEL & SUITES

June 24, 2015

10:40 a.m.

Room: Denman & Comox Room

Coast Plaza Hotel & Suites

1763 Comox Street

Vancouver, B.C.

AUDIENCE: Board director, chairs and deputy ministers

THEME: Taxpayer accountability principles, government priorities and public sector compensation.

TIME: 10-15 minutes; followed by questions and answers

WORD COUNT: 1,600

INTRODUCTION

- Welcome, and thank you all for being here today.
- The fact that you've all taken the time to be here is a testament to your dedication and service to British Columbians.
- Under your leadership, B.C.'s Crown corporations have made significant progress in terms of managing costs while continuing to deliver the programs and services taxpayers rely on.
- As we continue down this path of transformation, it's critical that we keep the lines of communication open.
- That's what today's event is all about.
- We're here to provide you with access to resources and information to ensure that as decision-makers, we're all guided by the same philosophies.
- For you to be effective leaders and stewards of public resources, you need to know about government's priorities and strategic direction.

GOVERNMENT DIRECTION AND PRIORITIES

- Budget 2015 is the B.C. government's third-consecutive balanced budget.
- We have balanced the budgets three years running, which provides room for modest investments that strengthen and encourage growth in key economic sectors, sustain core public

services, and make life a little easier for families and those in need.

- The balanced budget has also helped us maintain our triple-A credit rating through turbulent economic times.
- Following the introduction of Budget 2015 in February, Moody's reaffirmed B.C.'s Aaa credit rating and upgraded the Province's outlook to stable. Aaa remains the credit rating agency's highest-possible rating.
- Most recently, Standard & Poor's reaffirmed our AAA/stable credit rating — the highest possible — in May 2015.
- Standard & Poor's made some highly positive commentary saying B.C. has very strong financial management.
- They also specified: "we view B.C.'s financial disclosures as transparent, comprehensive, and timely; and its financial practices are the best among the Canadian provinces."
- Our triple-A credit rating saves taxpayers millions of dollars a year in the government's cost of borrowing.
- Independent economists forecast B.C. to be near the top among provinces in terms of economic growth in the next few years.
- Earlier this month, the Conference Board of Canada released a report forecasting that B.C. will lead the country in economic growth in 2015 – and be second in 2016.
- The next major fiscal update will be in July at Public Accounts... and as you all know, that's also the same time we release the executive compensation disclosures for 14/15.

- B.C. has the most transparent and comprehensive executive compensation disclosure of any jurisdiction in Canada.
- The measures we have taken to control pay, perks and benefits for senior public sector executives, as well as increased transparency, are working.
- That's something to take pride in as we move forward, together.

WHAT GOVERNMENT IS DOING:

- Public sector culture and expectations are always evolving.
- Our direction is towards greater transparency and enhanced accountability.
- Government and the public sector are responding and several important steps have been taken to ensure accountability and transparency, including:
 - Conducting Crown reviews... started in 2011... they are a useful tool to pinpoint what's working and what areas could use improvement.
 - Implementing a new executive compensation framework for Crown corporations in July 2012...and we will continue to make changes as required as a result of ad hoc and formal reviews.
 - Last year, we revised disclosure guidelines for 2013/14 to further clarify and enhance the transparency of the executive compensation paid to CEOs and the top four decision-makers working at public sector entities.

- Almost one year ago, the Premier introduced the new taxpayer accountability principles.
- And then in July we provided some specific direction to all of you on standards of conduct, including post-employment

TAXPAYER ACCOUNTABILITY PRINCIPLES:

- As board directors, you all play a key role in setting the tone within your organization.
- Your leadership can help drive a cost-conscious, principled culture within public sector organizations.
- I know you have all been working hard to build Taxpayer Accountability Principles into the ongoing business of your organizations... to ensure the decisions you make reflect the priorities and values of government and our shareholders — the public.
- The taxpayer accountability principles are:
 - **Cost-consciousness**
 - **Accountability**
 - **Appropriate compensation**
 - **Service**
 - **Respect**

- **Integrity**

- These principles strengthen accountability, promote cost control, and ensure all provincial public sector organizations operate in the best interest of taxpayers.
- They are also helping to streamline and simplify public sector organization service plans and reporting.
- As board members of public sector organizations, you are accountable for these new principles.
- By integrating the Taxpayer Accountability Principles into the everyday operations of your organizations, you are recognizing that the public sector has a higher accountability to the taxpayer—in addition to our traditional fiduciary duty to the organization.
- Various reviews have identified communication between government and public sector organizations as an area with room for improvement.
- We agree and are taking the necessary steps to improve our two-way communication methods, beginning with:
 - Establishing semi-annual Crown board chair meetings with me to discuss government priorities;
 - Holding quarterly meetings between ministers, board chairs, deputy ministers and CEOs; and
 - Hosting professional development opportunities such as this one.

- Increased communication with respect to government direction, accountabilities and alignment with strategic priorities will ensure:
 1. Better understanding of the government's mandate, including fiscal responsibility.
 2. Actions and decisions are consistent with government's mandate and priorities.
 3. A cultural shift in the broader public sector to drive a principled, cost-conscious approach to efficient public service delivery.
 4. As board members, you act independently from your organization's executive and have a responsibility to act in the best interests of taxpayers and shareholders.

STANDARDS OF CONDUCT

- As part of the Taxpayer Accountability Principles, we provided some specific direction on standards of conduct.
- Every single one of your organizations now has a comprehensive code of conduct – that's no small feat.
- Problems with disclosure have been rare but garner considerable attention, both mine and the public's.
- This is an issue I take very seriously; I ask that you do as well.
- One particularly important part of codes of conduct is the requirement that they must include clear post-employment

restrictions, which at a minimum must be equal to those in the B.C. public service.

- This includes a one-year restriction on employment with an outside entity with which employees have a business relationship, in addition to the requirement to immediately disclose the prospect of other employment.
- Standardizing codes of conduct across the public sector was an important action item in the implementation of the taxpayer accountability principles, ensuring public trust – and integrity – by making sure no one finds themselves in a conflict of interest situation.
- Post-employment restrictions are one of the ways in which we are able to mitigate potential conflict of interest situations.

COMPENSATION

- Overall, controlling the cost of compensation has been a very important component in government's overall effort to control costs and maintain fiscal discipline.
- With nearly 60% of the province's budget going to compensation, appropriate management of compensation continues to be an important part of achieving and maintaining a balanced budget.
- Your efforts to help achieve this goal need to be recognized.
- I know it was tough, and you and your executive teams have had to make some hard decisions.

- And it's been tough for employees whose compensation has been frozen.
- In the spirit of maintaining meaningful two-way communication, we listened to what you told us during our consultation stemming from the compensation review.
- We recognize the challenges you have been facing and the effect the wage freeze has had on managers and other affected employees.
- We recognize that specific compensation issues need to be addressed in the short term.
- Government has informed public sector employers that they may begin to address specific compensation issues that have arisen as a result of the wage freeze—specifically where there are issues of salary compression and inversion, or recruitment and retention issues.
- Employers in the broader public sector and core government public service will now be permitted to provide modest, targeted increases in compensation where there are specific issues to address.
- I want to stress that this must be done within the context of the Taxpayer Accountability Principles.
- Any increases must be managed responsibly within the employer's existing budget – there will be no additional funding to support the increases.
- This is not intended to be a long-term, broad-based solution. This is an interim solution to help alleviate specific pressures in some areas brought about by the compensation freeze.

- Increases will be considered case-by-case. This is not a general wage increase.
- The BC Public Sector Compensation Review led to recommendations that all public sector employers align their compensation philosophies.
- Over the coming months your organizations will be working to develop common compensation philosophies that align with the Taxpayer Accountability Principles of cost-consciousness and appropriate compensation.
- Once this work is complete, we will be in a position to consider next steps with regard to compensation, but we are expecting this common framework to help address some of the immediate challenges reflected in public sector compensation.

CONCLUSION

- I'd like to thank each and every one of you for taking the time to attend today's professional development session.
- And thank you for your hard work and dedication to the B.C. public service.
- And for your commitment to helping government achieve its goals.
- Despite fiscal constraints, you continue to deliver quality service and for that I am grateful and impressed.

- Our government's ability to deliver on the promise for consecutive balanced budgets is directly linked the work you are doing to control costs and increase accountability.
- There's still work to be done in ensuring British Columbians receive the best value for their dollars.
- The Taxpayer Accountability Principles are designed to help your organizations achieve that goal.
- And in many ways, we won't ever reach the end of that journey... because there will always be opportunities to increase efficiency, deliver higher quality services and ultimately respect the taxpayer's dollar.
- Thank you again for your service. And thank you to your staff who carries out this important work on behalf of government.
- I can tell you that government is committed to supporting its public sector organizations and keeping the lines of communication open.
- Your success is our success.
- Thank you.

Minister of Finance
Event Details Checklist
Updated: 2015-12-18

DRAFT 4

Function Date	June 24, 2015
Name of Function	Crown Board Chairs & Directors Pro-D Meetings
Number of attendees expected	Approximately 120 board chairs and directors
Sponsor/Host	CARO
Contact name and number	Gilbert Neves (o) 250 387-8180 (c) s.17
Event Theme	Update to Crown Board Chairs & All Board Directors Pro-D
Speech topic	Re-emphasize government's priorities and TAP as key to establishing a Common Compensation Philosophy for the Public Sector & addressing the wage freeze
Recommended arrival time	
Time Minister will be introduced	9:10 a.m. (Crown Board Chairs Meeting) 10:40 a.m. (Crown Board of Directors Pro-D Meeting)
Speech length (both speeches)	10-15 minutes (each speech)
Q&A time?	10-15 minutes (each Q&As session)
Anticipated departure time	11:15 a.m. (end of entire event)
Appropriate Dress	Business attire
Address/ directions	1763 Comox Street, Coast Plaza Hotel & Suites, Vancouver
Contact meeting Minister at location/ cell number/phone	Cheryl Wenezenki-Yolland cell # s.17 PSEC/compensation: Christina Zacharuk s.17
Name and title of person introducing Minister	John Dyble, Deputy Minister to the Premier
Media anticipated	No
Name and title of notable guests	
Board chairs or delegates:	BC Assessment Authority and BC Housing Managing Commission – Judy Rogers, Chair BC Council for International Education – Jim Hamilton, Chair BC Games Society – Byron McCorkell, Chair BC Hydro and Power Authority – Stephen Bellringer, Chair

	<p>BC Innovation Council – Derek Lew, Chair</p> <p>BC Lottery Corporation – Art Willms, vice-chair</p> <p>BC Securities Commission – Brenda Leong, chair</p> <p>BC Transit – Kevin Mahoney, chair</p> <p>Columbia Basin Trust – Rick Jensen, director</p> <p>Columbia Power Corporation – Rick Jensen, director</p> <p>Destination BC – Loring Phinney</p> <p>First People’s Cultural Council – Susan De Stephanis</p> <p>Forestry Innovation Investment Ltd. – Shannon Baskerville, DM, MIT</p> <p>Industry Training Authority – MJ Whitemarsh, director</p> <p>ICBC – Walter Gray, Chair</p> <p>Knowledge Network – Mitch Taylor, Vice Chair</p> <p>Legal Services Society – Tom Christensen, Chair</p> <p>Oil and Gas Commission – Paul Jeakins, Vice Chair</p> <p>Royal BC Museum – Susan Knott, Chair</p> <p>Transportation and Investment Corporation – Colin Hansen</p> <p>WorkSafe BC – Tazeem Nathoo, Vice Chair</p>
Deputy Ministers	<p>John Dyble, Deputy Minister to the Premier and Head of the Public Service</p> <p>Grant Main, Transportation and Infrastructure</p> <p>Shannon Baskerville, International Trade</p> <p>Athana Mentzelopoulos, Jobs, Tourism and Skills Training</p> <p>Sheila Taylor, Social Development and Social Innovation</p>
Staff attending event	<p>Cheryl Wenezenki-Yolland, Assoc. DM, Finance</p> <p>Gilbert Neves, A/Executive Director, CARO</p> <p>Sasha Clarke, A/Director, CARO</p> <p>Arlene Anderson, Senior Advisor, CARO</p> <p>Johanna Scholten, Senior Advisor, CARO</p> <p>Chris Maclean, Senior Advisor, CARO</p> <p>Christina Zacharuk, Interim CEO & President, PSEC</p> <p>Chris Rathbone, Executive Director, PSEC</p> <p>Kindree Draper, Director of Corporate Relations, PSEC</p>

CROWN BOARD CHAIRS MEETING	
9:00: Welcome/Introductions	
John Dyble Deputy Minister to the Premier	
9:10-9:55: Taxpayer accountability principles and compensation update	
**Honourable Michael de Jong, Q.C. Minister of Finance	
CROWN BOARD OF DIRECTORS PROFESSIONAL DEVELOPMENT MEETING	
9:45-10:25: Board of Directors: General Registration & Networking	
10:30-10:40: Welcome/Review Agenda & Housekeeping	
John Dyble Deputy Minister to the Premier	
10:40-11:15: Minister's Opening Remarks	
**Honourable Michael de Jong, Q.C. Minister of Finance	
11:15-12:30: Plenary with Expert Panel: Differences Serving on Public vs. Private Sector Boards	
Speaker: Brenda Eaton, Corporate Director	
Expert Panel: Stephen Bellringer, Chair of BC Hydro Chris Trumpy, Director: Puget Sound Energy, Coast Capital Savings, and Pacific Sport Victoria. Neil de Gelder, Executive Vice President of Stern Partners	
KEYNOTE PRESENTATION AND AFTERNOON PLENARY SESSIONS	
1:30-2:30: Key Note Presentation & Interactive Session: Monitor and Improve Board Performance Using Board Self- evaluations	
Speaker: Elizabeth Watson, President, Watson Advisors Inc.	
2:45-3:15: Plenary 1: Cyber Security: What Directors Need to Know	
Speaker: Eric Winsborrow, Founder, Shadow Networks	
3:25-4:20: Plenary 2: BC Auditor General's Key Observations on Good Governance Practices and Findings	
Speaker: Carol Bellringer, Auditor General	
4:20-4:30: Closing Remarks	
Cheryl Wenezenki-Yolland, Associate Deputy Minister of Finance	

KEY MESSAGES

TAXPAYER ACCOUNTABILITY PRINCIPLES

- In reviews of public sector organizations since 2011, we have identified opportunities to enhance public sector governance and increase accountability to taxpayers.
- The taxpayer accountability principles strengthen accountability, promote cost control and ensure provincial public sector organizations operate in the best interest of taxpayers.
- In July 2014, as part the taxpayer accountability principles, government provided direction to public sector entities on standards of conduct, including post-employment restrictions. Public sector entities are now required to develop comprehensive codes of conduct that will apply throughout their organization.
- The taxpayer accountability principles are: cost-consciousness, accountability, appropriate compensation, service, respect and integrity.
- These principles are being built into the ongoing operations of provincial public sector organizations to ensure the decisions they make reflect the priorities and values of government and their shareholders—the public.
- These principles reflect that citizens of B.C. expect a higher level of accountability and transparency from organizations that are responsible for stewardship of public resources, an obligation that is complementary to the traditional fiduciary duty of the organization.
- For the first time, board members of public sector organizations will be accountable for these values, which will drive a principled and cost-conscious culture across the public sector.
- The taxpayer accountability principles place a heavy focus on strengthening two-way communication between government and provincial public sector entities, as various reviews have identified this as an area that could be improved.

ACCOUNTABLE PUBLIC SECTOR COMPENSATION:

- We recognize the challenge public sector employers are facing and the effect the wage freeze has on managers and other affected employees.
- The province's fiscal situation has improved since 2012, when the wage freeze was implemented, but it remains an overriding priority and significant challenge.
- We have informed provincial public sector employers that they may begin to address specific compensation issues that have arisen as a result of the wage freeze—specifically where there are issues of salary compression and inversion, or recruitment and retention issues.
- Employers in the broader public sector and core government public service will now be permitted to provide modest, targeted in-range increases to compensation to address specific issues.
- We won't be able to fix all the issues in one year, but we will start to address them over time.
- All increases must be managed responsibly within the employer's existing budget – there will be no additional funding to support the increases.
- This is not intended to be a long-term, broad-based solution. This is an interim solution to help alleviate specific pressures in some areas brought about by the compensation freeze.
- Increases will be considered case-by-case. This is not a general wage increase.
- This does not allow for changes to overall salary ranges. An employee at the top of the salary range will not have their wage increased beyond the maximum range for their position.

SECONDARY:

- Nearly 60 per cent of the province's budget goes to compensation — which is why controlling compensation continues to be an important part of achieving and maintaining a balanced budget.
- While Budget 2015 shows a larger-than-planned surplus for 2014/15 only, the outer years have remained largely the same if not a bit lower than Government's earlier forecasts, and there remains significant

uncertainty in the economy.

- During this period of frozen management compensation, unionized employees have seen general wage increases of approximately 4%, not including regular within-range movement of approximately 2% per year.
- The compensation freeze has created challenges in some specific areas, particularly as the unionized staff who work for the managers have seen modest increases through their collective agreements.
- In some cases, bargaining unit employees are earning nearly as much or more than the managers who supervise them. Some positions have become chronically hard to fill. And staff are being lost to other higher-paid positions in both the public and private sectors.
- In 2012, government announced it was freezing compensation for public sector management, including government, Crown corporations, health authorities, universities and colleges, and community social services agencies.

SECONDARY: ALIGNING COMPENSATION PHILOSOPHY

- Following the recommendations of the *BC Public Sector Compensation Review*, in the coming months, public sector employers will be expected to align their compensation philosophies.
- This alignment will include shared principles and benchmarking to reflect government's Taxpayer Accountability Principles of cost-consciousness and appropriate compensation.
- These revised philosophies will help address some of the challenges reflected in public sector compensation.

EXAMPLES OF COMPENSATION ISSUES

- Since the management compensation freeze was implemented, challenges have arisen in some specific areas for public sector employers with respect to compression and inversion, as well as recruitment and retention.

EXAMPLES OF SPECIFIC COMPENSATION ISSUES

Health Sector – Clinical Managers (Nurse Managers)

The most significant issue facing Health Authorities is compression issues for Clinical Managers (Nurse Managers). All HA's communicated to PSEC the severity of the issue with respect to recruitment and retention.

Clinical Managers

- Level II and III RNs earn \$90,129 and \$94,419 respectively per year, based on 37.5 hours per week - this does not include overtime, etc.
- Clinical Managers work in a range with \$76,906 as the minimum, \$96,133 as the midpoint, and \$110,553 as the maximum. Clinical nurse managers are hired from the bargaining unit in almost all cases.
- Cost of compression adjustment for Nurse Managers across all HA's would be \$2.8million; with increases running from an average low of 3.6% (Interior Health) to a high of 8.9% (Fraser Health)

K12 Education – Principals, Vice Principals, and Teachers

- While teachers' compensation has increased, the salary freeze has not allowed for Principals or Vice Principals' salaries to increase- this has led to compression in the education sector.
- For example, 34% of VPs are paid less than 10% above the maximum teaching salary.
- In addition, 30% of Principals are paid less than 10% above the maximum Vice President salary.
- This will only be exacerbated by unionized increases through to 2019.
- There are no ranges for VPs and Principals, they are employed on contracts.
 - For VPs, the current minimum in BC is \$83,400; maximum is \$118,000 with an average salary of \$101,000
 - For Principals, the current minimum is \$84,800; maximum is \$125,200 with an average salary of \$102,200

SPEAKING NOTES FOR

BOARD CHAIRS MEETING

**HON. MICHAEL DE JONG
MINISTER OF FINANCE**

COAST PLAZA HOTEL & SUITES

June 24, 2015

9:00 a.m.

**Room: Barclay and Gilford
Coast Plaza Hotel & Suites
1763 Comox Street
Vancouver, B.C.**

AUDIENCE: Board chairs and deputy ministers

THEME: Common Compensation Philosophy for the Public Sector & addressing the wage freeze

TIME: 10-15 minutes; followed by questions and answers

WORD COUNT: 1,700

INTRODUCTION AND ACKNOWLEDGEMENTS

- Thank you, John. And, thank you all for your hard work.
- Thank you for your service.
- In a lot of instances your organizations are the face of government... your staff are the ones who come face to face with the taxpaying public every day.
- To the public, you are government — a reflection of our principles and actions.
- Thank you for being engaged in the delivery of these important services.
- And please convey my thanks to your fellow board members.
- Our second meeting since the introduction of the Taxpayer accountability principles or TAP.
- It's important that we continue to meet like this for these timely updates.
- CARO's work in implementing TAP is the basis for these updates – compensation is one of the elements and happens to be a main component of today's update, and next time there will be another theme.

TAXPAYER ACCOUNTABILITY PRINCIPLES

- As you all know, last June we introduced the Taxpayer Accountability Principles:
 - Cost consciousness
 - Accountability
 - Appropriate compensation
 - Service
 - Respect
 - Integrity
- These principles are being built into your organization's operations ... to help ensure the decisions you make reflect the priorities and values of government and our shareholders—the public.
- Here we are one year later and I have seen evidence of progress, and look forward to further steps to come as these corporate governance best practices become second nature to the broad public sector.
- These principles are meant to guide organizations, one of which is about taking opportunities to talk with one another and engage in professional development - which is really what much of today is all about.
- In my view, we are all on a “small market team” – so today is the chance to harness the expertise in the room through information-sharing and discussion.

- Another element of that good corporate governance in the public sector is that of appropriate compensation
- Since our last meeting in October, Board members and senior staff took part in accountability and disclosure sessions earlier this year to get more information about corporate governance and accountability structures and requirements for Crown agencies ...
- and some specific information on updates to the transparency of executive compensation across the public sector.
- One of the major accomplishments is the introduction of standards of conduct for public-sector organizations.
- Every single one of your organizations now has a comprehensive code of conduct – that's no small feat.
- One particularly important part of codes of conduct is the requirement that they must include clear post-employment restrictions, which at a minimum must be equal to those in the B.C. public service.
- This includes a one-year restriction on employment with an outside entity with which employees have a business relationship, in addition to the requirement to immediately disclose the prospect of other employment.

CONTROLLING COMPENSATION COSTS

- When it all comes down to it, the Taxpayer Accountability Principles are about the accountability we all have to British Columbians

- Particularly when it comes to controlling costs and delivering services effectively and affordably with the money they entrust to us.
- One of the key yardsticks by which they measure us, is compensation.
- They scrutinize and judge what public sector employees, and especially executives, are paid.
- And they have the right to do that.
- This government has made a commitment: we will not spend more money than taxpayers send to us.
- That's a big part of the reason we've been able to balance the budget consecutively for the last three years and protect our triple-A credit rating through the economic downturn.
- And we couldn't have done that without your support.
- As the board chairs of Crown agencies, you are entrusted, like government, with the expenditure of public funds and have a direct influence on the provincial budget – we depend on your expertise and your decision-making on how these dollars are spent.
- That's why the model for coordinating and regulating these costs in B.C. has been done through best practices in transparency and through managing compensation maximums, as well as the Crown policy changes implemented in July 2012.
- Controlling the cost of compensation has been a very important component in government's overall effort to control costs and maintain fiscal discipline.

- With nearly 60% of the province's budget going to compensation, appropriate management of compensation continues to be an important part of achieving and maintaining a balanced budget.
- Your efforts to help achieve this goal need to be recognized.
- I know it was tough, and you and your executive teams have had to make some hard decisions.
- And it's been tough for employees whose compensation has been frozen.
- What we've heard from you in our consultation stemming from the compensation review, is that it's clear that the diligence in controlling compensation costs — primarily the wage freeze that has been in place since 2012 — has led to challenges for employers.
- I will get to that update shortly.

COMMON COMPENSATION PHILOSOPHY

- At our meeting last fall, you were given an update on the Ernst and Young report on public sector compensation.
- The report identified the need to increase consistency and rigour in compensation across the B.C. public sector so that it is aligned with the Taxpayer Accountability Principles and viewed from the perspective of one taxpayer.

- Ernst and Young recommended adopting a common compensation philosophy across the public sector – based on shared principles and common benchmarking tools.
- Over time, we expect that this approach will result in the increased rigour in determining compensation, and compensation levels that should be applied to these decisions.
- One of the guiding principles of the common philosophy is a performance-based culture, one in which compensation decisions are based on performance and merit rather than the entitlement to an annual increase.
- This recommendation for consistency in compensation, shared principles and other elements is part of some collective work being done with the Ministry of Community, Sport and Cultural Development with the municipal level of government — a sector which was also part of the review.
- The common compensation philosophy will also be rolled out to the local government sector through the work of Union of BC Municipalities and the Ministry
- PSEC has been broadly consulting with the public sector on the recommendations of the review, and with that we also got to hear about the effects of the wage freeze — and you gave us some feedback.
- Now while the work of aligning to the common compensation philosophies is underway, you need to release some of the pressure caused by the “unintended side effects” of the wage freeze.

CHALLENGES ARISING FROM COMPENSATION FREEZE

- At this point, you're listening to me and hoping that I'm going to lift the freeze entirely.
- Unfortunately, while the overall fiscal situation has improved – certainly compared to 2012 – we're not in a position to return to past practices.
- And we don't intend to return to past practices at all.
- We need to move toward a new framework where compensation is aligned and comparable across the entire provincial public sector. A framework of accountable compensation for the public sector.
- But while we begin to move in that direction, I am in a position to provide some additional flexibility to address some of the specific and targeted issues that you and your organizations have raised with us that have resulted from the freeze.

FLEXIBILITY WITHIN THE FREEZE

- As I said before, employers have identified that there are challenges resulting from the freeze.
- What we've heard from you is that your organizations are experiencing ongoing difficulties in hiring for some positions.
- There are problems of compression between groups of employees.

- And there are cases where managers supervising unionized employees are making the same or less than those bargaining unit employees.
- That's why we're introducing some flexibility within the freeze to address these issues as interim measure.
- We're allowing for modest, targeted increases within existing salary ranges for management staff based on the following parameters:
 - Any increase is targeted and limited to positions that can demonstrate issues of inversion or compression, or the retention of high performing employees.
 - A business case must be submitted before the increase is approved.
 - The salary adjustment must fall within existing salary ranges. Salary ranges are not being adjusted at this time.
- There will not be a general wage increase. The increases must be funded within existing budgets, and must not affect other efficiency targets.

WHO IS AFFECTED

- This flexibility within the freeze will only be in effect for middle management employees.
- Compensation for executives — VPs and above — is status quo at this phase.

- What we heard from employers was the need to address immediate issues — this is an interim measure.
- We will look at compensation for the rest of the broader public sector from the perspective of the common compensation philosophy and the principle of Appropriate Compensation.
- But in order to allow for additional flexibility, we need employers and boards to use this lens when making compensation decisions — to use rigour and accountability as the anchors for determining how these dollars are allocated.
- Step one is addressing immediate issues.
- Step two is developing the common compensation philosophy, and letting it guide future compensation increases.
- Until that work has been done, further decisions that would affect executives, VPs and above, won't be made.
- So here's the point of emphasis: the work on the common compensation philosophy comes first and while that's underway, some relief from the pressure of the freeze.
- PSEC will be following up with info to CEOs and Board chairs on more information and how to submit a business case in the coming days.

CONCLUDING REMARKS

- One year ago we introduced the Taxpayer Accountability Principles:

- Cost consciousness
 - Accountability
 - Appropriate compensation
 - Service
 - Respect
 - Integrity
- These principles are meant to guide your organizations...
Because when it all comes down to it, the Taxpayer Accountability Principles are all about the accountability we all have to British Columbians.
 - Particularly when it comes to controlling costs and delivering services effectively and affordably with the money they entrust to us.
 - This government made the commitment to taxpayers that it would not spend more money than we collect from them...
 - That's a big part of the reason we've been able to balance the budget consecutively for the last three years... while at the same time protecting our triple-A credit rating.
 - And we couldn't have done it without your support.
 - And we continue to need your support as we align compensation philosophies with shared principles so that we move towards less competition between employers

- And the common benchmarking will remind us to look in our own backyard first — we should be recruiting from our own roster — looking at the talent we have in B.C. and who we already have on B.C.'s small market team.
- Government – and each of you as board chairs – have a responsibility to meet and hopefully exceed the expectations of the public to manage compensation... to build consistency across the public sector... reduce competition that drives costs up – all costs that the public pays for.
- Thank you again for your hard work, your dedication, and everything you do on behalf of British Columbians.
- B.C. is the strong, proud province it is because of people like you and the important work you do every day.
- Thank you.

SPEAKING NOTES FOR

BOARD DIRECTORS MEETING

**HON. MICHAEL DE JONG
MINISTER OF FINANCE**

COAST PLAZA HOTEL & SUITES

June 24, 2015

10:40 a.m.

Room: Denman & Comox Room

Coast Plaza Hotel & Suites

1763 Comox Street

Vancouver, B.C.

AUDIENCE: Board director, chairs and deputy ministers

THEME: Taxpayer accountability principles, government priorities and public sector compensation.

TIME: 10-15 minutes; followed by questions and answers

WORD COUNT: 1,600

INTRODUCTION

- Welcome, and thank you all for being here today.
- The fact that you've all taken the time to be here is a testament to your dedication and service to British Columbians.
- Under your leadership, B.C.'s Crown corporations have made significant progress in terms of managing costs while continuing to deliver the programs and services taxpayers rely on.
- As we continue down this path of transformation, it's critical that we keep the lines of communication open.
- That's what today's event is all about.
- We're here to provide you with access to resources and information to ensure that as decision-makers, we're all guided by the same philosophies.
- For you to be effective leaders and stewards of public resources, you need to know about government's priorities and strategic direction.

GOVERNMENT DIRECTION AND PRIORITIES

- Budget 2015 is the B.C. government's third-consecutive balanced budget.
- We have balanced the budgets three years running, which provides room for modest investments that strengthen and encourage growth in key economic sectors, sustain core public

services, and make life a little easier for families and those in need.

- The balanced budget has also helped us maintain our triple-A credit rating through turbulent economic times.
- Following the introduction of Budget 2015 in February, Moody's reaffirmed B.C.'s Aaa credit rating and upgraded the Province's outlook to stable. Aaa remains the credit rating agency's highest-possible rating.
- Most recently, Standard & Poor's reaffirmed our AAA/stable credit rating — the highest possible — in May 2015.
- Standard & Poor's made some highly positive commentary saying B.C. has very strong financial management.
- They also specified: "we view B.C.'s financial disclosures as transparent, comprehensive, and timely; and its financial practices are the best among the Canadian provinces."
- Our triple-A credit rating saves taxpayers millions of dollars a year in the government's cost of borrowing.
- Independent economists forecast B.C. to be near the top among provinces in terms of economic growth in the next few years.
- Earlier this month, the Conference Board of Canada released a report forecasting that B.C. will lead the country in economic growth in 2015 – and be second in 2016.
- The next major fiscal update will be in July at Public Accounts... and as you all know, that's also the same time we release the executive compensation disclosures for 14/15.

- B.C. has the most transparent and comprehensive executive compensation disclosure of any jurisdiction in Canada.
- The measures we have taken to control pay, perks and benefits for senior public sector executives, as well as increased transparency, are working.
- That's something to take pride in as we move forward, together.

WHAT GOVERNMENT IS DOING:

- Public sector culture and expectations are always evolving.
- Our direction is towards greater transparency and enhanced accountability.
- Government and the public sector are responding and several important steps have been taken to ensure accountability and transparency, including:
 - Conducting Crown reviews... started in 2011... they are a useful tool to pinpoint what's working and what areas could use improvement.
 - Implementing a new executive compensation framework for Crown corporations in July 2012...and we will continue to make changes as required as a result of ad hoc and formal reviews.
 - Last year, we revised disclosure guidelines for 2013/14 to further clarify and enhance the transparency of the executive compensation paid to CEOs and the top four decision-makers working at public sector entities.

- Almost one year ago, the Premier introduced the new taxpayer accountability principles.
- And then in July we provided some specific direction to all of you on standards of conduct, including post-employment

TAXPAYER ACCOUNTABILITY PRINCIPLES:

- As board directors, you all play a key role in setting the tone within your organization.
- Your leadership can help drive a cost-conscious, principled culture within public sector organizations.
- I know you have all been working hard to build Taxpayer Accountability Principles into the ongoing business of your organizations... to ensure the decisions you make reflect the priorities and values of government and our shareholders — the public.
- The taxpayer accountability principles are:
 - **Cost-consciousness**
 - **Accountability**
 - **Appropriate compensation**
 - **Service**
 - **Respect**

- **Integrity**

- These principles strengthen accountability, promote cost control, and ensure all provincial public sector organizations operate in the best interest of taxpayers.
- They are also helping to streamline and simplify public sector organization service plans and reporting.
- As board members of public sector organizations, you are accountable for these new principles.
- By integrating the Taxpayer Accountability Principles into the everyday operations of your organizations, you are recognizing that the public sector has a higher accountability to the taxpayer—in addition to our traditional fiduciary duty to the organization.
- Various reviews have identified communication between government and public sector organizations as an area with room for improvement.
- We agree and are taking the necessary steps to improve our two-way communication methods, beginning with:
 - Establishing semi-annual Crown board chair meetings with me to discuss government priorities;
 - Holding quarterly meetings between ministers, board chairs, deputy ministers and CEOs; and
 - Hosting professional development opportunities such as this one.

- Increased communication with respect to government direction, accountabilities and alignment with strategic priorities will ensure:
 1. Better understanding of the government's mandate, including fiscal responsibility.
 2. Actions and decisions are consistent with government's mandate and priorities.
 3. A cultural shift in the broader public sector to drive a principled, cost-conscious approach to efficient public service delivery.
 4. As board members, you act independently from your organization's executive and have a responsibility to act in the best interests of taxpayers and shareholders.

STANDARDS OF CONDUCT

- As part of the Taxpayer Accountability Principles, we provided some specific direction on standards of conduct.
- Every single one of your organizations now has a comprehensive code of conduct – that's no small feat.
- Problems with disclosure have been rare but garner considerable attention, both mine and the public's.
- This is an issue I take very seriously; I ask that you do as well.
- One particularly important part of codes of conduct is the requirement that they must include clear post-employment

restrictions, which at a minimum must be equal to those in the B.C. public service.

- This includes a one-year restriction on employment with an outside entity with which employees have a business relationship, in addition to the requirement to immediately disclose the prospect of other employment.
- Standardizing codes of conduct across the public sector was an important action item in the implementation of the taxpayer accountability principles, ensuring public trust – and integrity – by making sure no one finds themselves in a conflict of interest situation.
- Post-employment restrictions are one of the ways in which we are able to mitigate potential conflict of interest situations.

COMPENSATION

- Overall, controlling the cost of compensation has been a very important component in government's overall effort to control costs and maintain fiscal discipline.
- With nearly 60% of the province's budget going to compensation, appropriate management of compensation continues to be an important part of achieving and maintaining a balanced budget.
- Your efforts to help achieve this goal need to be recognized.
- I know it was tough, and you and your executive teams have had to make some hard decisions.

- And it's been tough for employees whose compensation has been frozen.
- In the spirit of maintaining meaningful two-way communication, we listened to what you told us during our consultation stemming from the compensation review.
- We recognize the challenges you have been facing and the effect the wage freeze has had on managers and other affected employees.
- We recognize that specific compensation issues need to be addressed in the short term.
- Government has informed public sector employers that they may begin to address specific compensation issues that have arisen as a result of the wage freeze—specifically where there are issues of salary compression and inversion, or recruitment and retention issues.
- Employers in the broader public sector and core government public service will now be permitted to provide modest, targeted increases in compensation where there are specific issues to address.
- I want to stress that this must be done within the context of the Taxpayer Accountability Principles.
- Any increases must be managed responsibly within the employer's existing budget – there will be no additional funding to support the increases.
- This is not intended to be a long-term, broad-based solution. This is an interim solution to help alleviate specific pressures in some areas brought about by the compensation freeze.

- Increases will be considered case-by-case. This is not a general wage increase.
- The BC Public Sector Compensation Review led to recommendations that all public sector employers align their compensation philosophies.
- Over the coming months your organizations will be working to develop common compensation philosophies that align with the Taxpayer Accountability Principles of cost-consciousness and appropriate compensation.
- Once this work is complete, we will be in a position to consider next steps with regard to compensation, but we are expecting this common framework to help address some of the immediate challenges reflected in public sector compensation.

CONCLUSION

- I'd like to thank each and every one of you for taking the time to attend today's professional development session.
- And thank you for your hard work and dedication to the B.C. public service.
- And for your commitment to helping government achieve its goals.
- Despite fiscal constraints, you continue to deliver quality service and for that I am grateful and impressed.

- Our government's ability to deliver on the promise for consecutive balanced budgets is directly linked the work you are doing to control costs and increase accountability.
- There's still work to be done in ensuring British Columbians receive the best value for their dollars.
- The Taxpayer Accountability Principles are designed to help your organizations achieve that goal.
- And in many ways, we won't ever reach the end of that journey... because there will always be opportunities to increase efficiency, deliver higher quality services and ultimately respect the taxpayer's dollar.
- Thank you again for your service. And thank you to your staff who carries out this important work on behalf of government.
- I can tell you that government is committed to supporting its public sector organizations and keeping the lines of communication open.
- Your success is our success.
- Thank you.