

Alberta Labour

1998 **99**

Alberta Labour

Annual Report

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Alberta Labour works in partnership with Albertans to promote safe and healthy workplaces, a quality working life, and comprehensive safety systems. The Ministry is committed to providing effective services through innovation, leadership and accountability.

The department's mission also contributes to Alberta's economic growth through its support of a productive workforce. The department of Labour supports open and accountable government and the protection of privacy for Albertans through the *Freedom of Information and Protection of Privacy Act*.

The Public Accounts of Alberta are prepared in accordance with the Financial Administration Act and the Government Accountability Act. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 Ministries.

The annual report of the Government of Alberta released in June contains the Provincial Treasurer's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the Measuring Up report.

This annual report of the Ministry of Labour contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the department of Labour, regulated funds, provincial agencies and Crown-controlled corporations for which the Minister is responsible.**
- **other financial information as required by the Financial Administration Act and Government Accountability Act, either as separate reports or as part of financial statements, to the extent that the Ministry has anything to report.**
- **financial information relating to The Workers' Compensation Board, is also included in this annual report as supplementary information.**

Minister's Accountability Statement

The Honourable Ken Kowalski
Office of the Speaker
Legislative Assembly of Alberta

Sir:

The Ministry's Annual Report for the year ended March 31, 1999 was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All of the government's policy decisions as at May 20, 1999 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Respectfully submitted,



Clint Dunford
Minister

In 1998-99, Alberta's economy was strong and vibrant. The number of working Albertans increased by 53,100. Albertans' earnings remain consistently above the national average. Since at least 1990, Alberta has reported the highest labour productivity per employed person among all of the provinces. In 1998, Alberta's work-related injury and disease rate reached an all-time low of 3.3 lost time injuries for every 100 person years worked.

Alberta Labour supports the government's goals of economic development, productivity and prosperity by working in partnership with our customers and focusing our services where they have the most effect. Our commitment to achieving and maintaining high standards was reinforced by the development of new measures for our operational plans that support the department's performance measures.

We have also continued with our efforts to broaden public and stakeholder involvement in our activities to ensure our programs and services meet the needs of Alberta's workplaces. Together with our partners, some of our accomplishments in the past year included: increasing the province's minimum wage, improving the accountability of professional health services and reviewing legislation and regulations to enhance workplace health and safety and employment pensions.

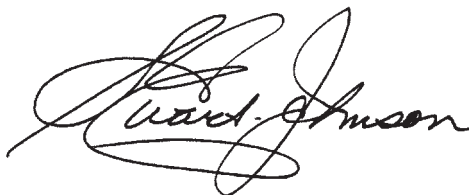
For the 1998-99 fiscal year, we would like to acknowledge the contributions of Richard Magnus, MLA, Calgary-North Hill, for chairing the Council on Professions and Occupations; Wayne Cao, MLA, Calgary-Fort, for his work on the Employment Standards Regulation Review and Gary Friedel, MLA, Peace River, for chairing the Select Special Committee of the Legislative Assembly for the *Freedom of Information and Protection of Privacy Act*.

As we enter the latter part of this fiscal year, the government announced a major reorganization to enhance the delivery of programs and services to Albertans. Alberta Labour's responsibilities for Building Codes and Information Management and Privacy became part of Alberta Municipal Affairs. The rest of Alberta Labour's responsibilities, along with some program areas from Advanced Education and Career Development and Family and Social Services, became part of the newly established Ministry of Human Resources and Employment.

As one of the main "People" departments of this government, we have a unique opportunity to provide Albertans with a "step up" in life by giving them the information, skills and training they need to succeed in an ever changing global economy.



Minister



Deputy Minister

The Ministry of Labour includes:

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, we ensure the Ministry complies with all relevant legislation, regulations and policies.


Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry for the year ended March 31, 1999, rests with the Minister of Labour. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control, which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Provincial Treasurer and the Minister any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the Government Accountability Act.

In fulfilling my responsibility for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.



Shelley Ewart-Johnson
Deputy Minister
Alberta Labour

September 9, 1999

The Department structure for March 1, 1998 to March 31, 1999 is outlined on Page 11.

Delegated Administrative Organizations

There are four delegated Administrative Organizations responsible for administering programs in their area.

Alberta Boilers Safety Association (ABSA)

Chair Phone: 780/437-9100, Fax: 780/437-7787

Alberta Elevating Devices and Amusement Rides Safety Association (AEDARSA)

Chair Phone: 780/448-0184, Fax: 780/448-0237

Alberta Propane Vehicle Administration Organization (APVAO)

Managing Director Phone: 403/543-6500, Fax: 403/543-6508

Petroleum Tank Management Association of Alberta (PTMAA)

Chair Phone: 780/425-8265, Fax: 780/425-4722

Occupational Health and Safety Council

Chair Phone: 780/427-8305, Fax: 780/422-9205

The Council is composed of public, employer, and worker representatives and advises the Minister on matters pertaining to the health and safety of Alberta workplaces.

Health Disciplines Board

Chair Phone: 780/352-2462, Fax: N/A

The Board oversees the regulation of those health disciplines under the *Health Disciplines Act* and investigates the applications of those disciplines for designation under the *Act*.

Council on Professions and Occupations

Chair Phone: 780/427-3018, Fax: 780/422-0351

The Council advises and assists the Minister with the policies governing, and the administration of legislation relating, to professions and occupations in Alberta.

Safety Codes Council

Chair Phone: 780/413-0099, Fax: 780/424-5134

The Council is established under the *Safety Codes Act* and administers the safety codes system through its Coordinating Committee and nine Technical Councils.

The Minister of Labour is also responsible for *The Workers' Compensation Act*, the *Labour Relations Code*, and the *Public Service Employee Relations Act*.

Workers' Compensation Board

Chair of Board of Directors Phone: 780/498-4902, Fax: 780/498-7878

The Workers' Compensation Board (WCB) is an employer-funded organization providing employers and workers with efficient and affordable disability and liability insurance. The WCB is an independent, board-governed organization operating under the *Workers' Compensation Act*.

Appeals Commission, Workers' Compensation Act

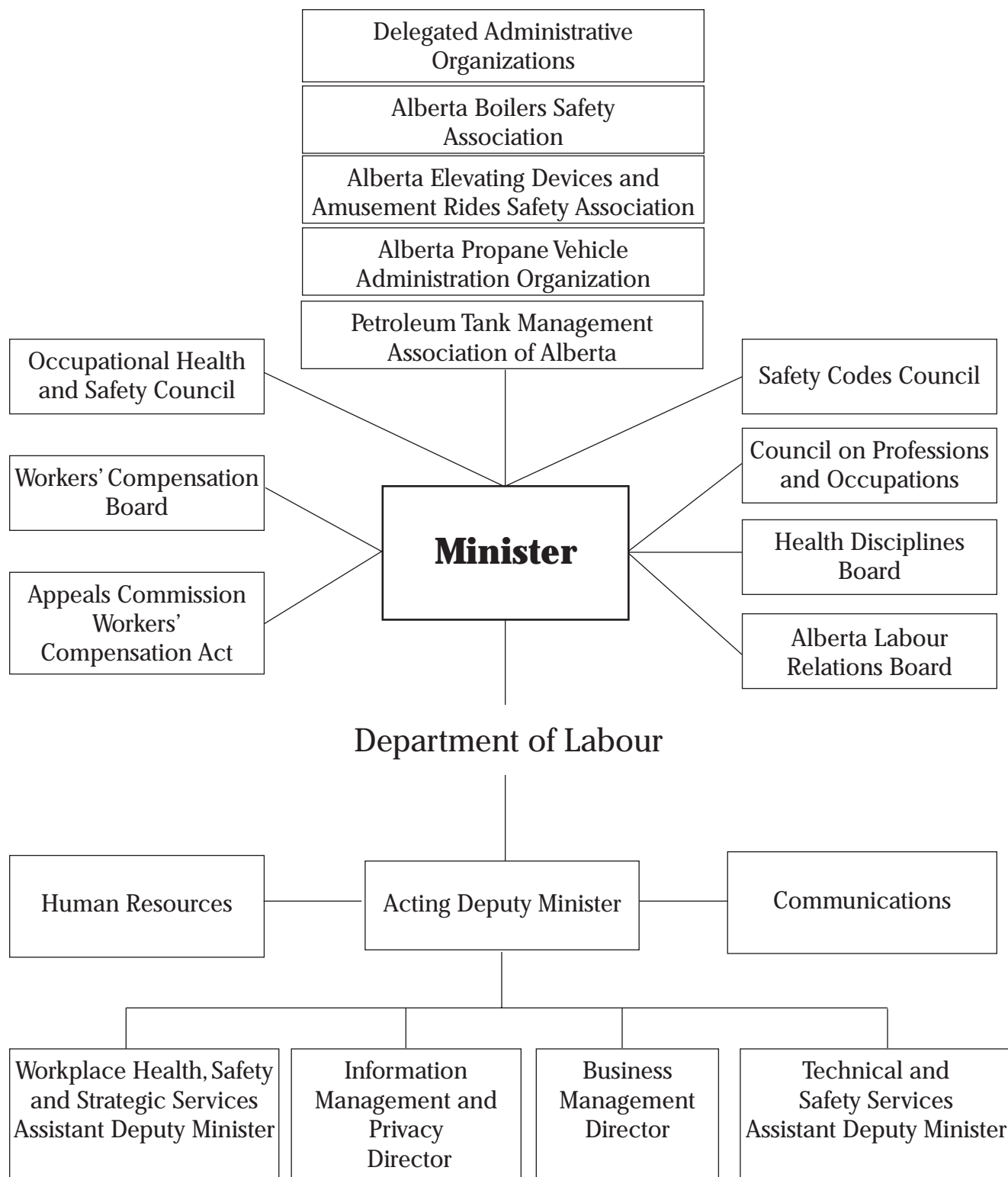
Chair and Chief Commissioner Phone: 780/412-8700, Fax: 780/412-8701

The Commission operates at arms length from the WCB and government. It provides an independent appeals process for workers and employers.

Alberta Labour Relations Board

Chair Phone: 780/422-5926, Fax: 780/422-0970

The Board is a quasi-judicial body responsible for providing fair, impartial and efficient resolution of matters under the authority of the *Labour Relations Code* and the *Public Service Employee Relations Act*.



Labour

Structure

The department has two divisions, **Workplace Health, Safety and Strategic Services** and **Technical and Safety Services**, supported by three resource areas, **Business Management**, **Communications**, and **Human Resources**. In addition, the **Information Management and Privacy** area oversees the Ministry's activities in administering the *Freedom of Information and Protection of Privacy Act*.

Core Businesses

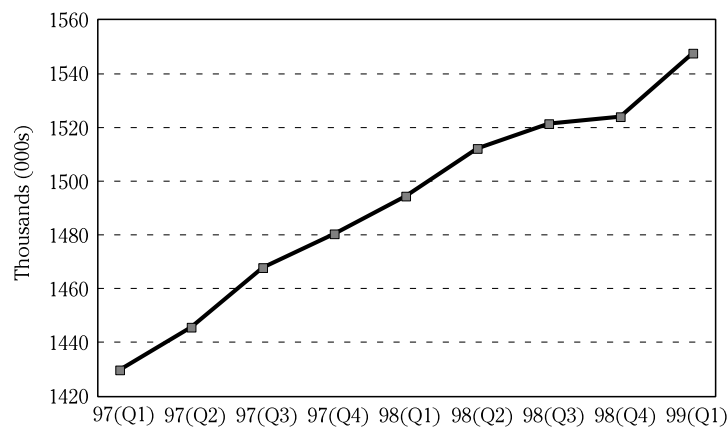
In 1996-97, the department formulated new core businesses and performance measures. The decision was made to use these core businesses and measures during the 1997-98 fiscal year.

The core businesses and performance measures were applied for the 1998-99 fiscal year.

Alberta Labour's core businesses are:

- Promote the development of effective work-site health and safety management systems and compliance programs;
- Support fair and effective resolution of labour disputes and workplace issues;
- Promote effective and accountable Safety Services throughout the province;
- Promote fair and effective employment standards protection for employers and employees;
- Safeguard private pension plans through legislative and administrative processes; and,
- Maintain a legislative framework that balances access to information with protection of privacy for Albertans.

Employment
in Alberta
1997 - 1999,
Quarterly



* seasonally adjusted

Source: Labour Force Survey (LFS), Statistics Canada

Operations and Services

Workplace Health, Safety and Strategic Services

The division is responsible for:

- providing workplace health and safety services;
- supporting the collective bargaining process through facilitation and mediation services;
- identifying and addressing emerging trends and issues in the workplace;
- improving workplace relationships to avoid costly third-party intervention; and
- addressing occupational needs and work-site health issues, through safety associations and partnerships.

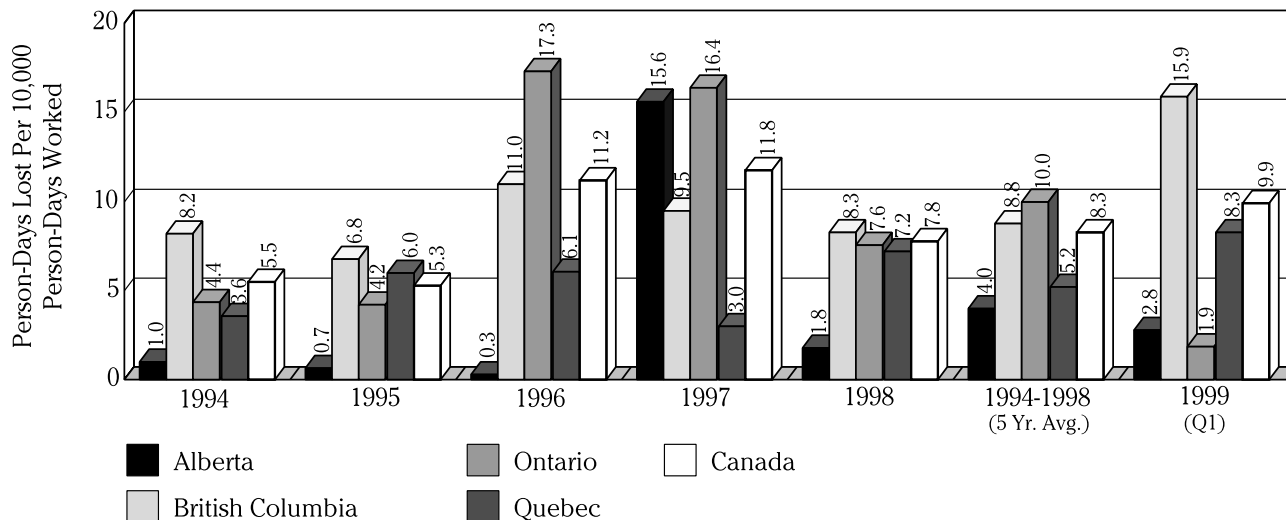
The services are delivered through three operational areas located in central, regional and district offices with information and analysis provided by Information Services.

Workplace Health and Safety includes three business units. The Legislation, Policy and Technical Support Services unit works closely with stakeholders across the province to develop and maintain legislation that safeguards Albertans from work-related injuries and illnesses. The Field Service unit includes regional Safety Officers who conduct inspections and site visits to ensure companies comply with legislation and provide advice on hazard controls. Partnerships in Health and Safety provide further support in the form of voluntary programs that promote the development and certification of effective work-site health and safety management systems.

Within other areas of the division, the Issues Management team works with clients to promote collaborative labour-management relations, effective dispute prevention/problem solving and other innovations that enhance the productivity and competitiveness of workplaces. The group also monitors workplace trends, provides labour relations policy advice, and assists the department and clients to respond to emerging issues.

Mediation Services promotes effective and positive working relationships between management and labour. Mediators are appointed to provide third-party assistance to help resolve labour disputes in contract negotiations.

Person-days lost to work stoppages



Source: Statistics Canada and Human Resources Development Canada

Mediation Services also appoints arbitrators in cases relating to grievance arbitration where parties to the grievance cannot agree on a chairperson or fail to appoint their nominee.

Technical and Safety Services

The division is responsible for:

- services related to Safety Services (technical services for the safety disciplines including plumbing, building, gas, electrical, fire, boilers, elevators, amusement rides and passenger ropeways);
- Employment Standards services;
- Professions and Occupations services;
- the Provincial Fire Commissioner's Office; and
- Quality Management and Process Development.

Safety Services works in partnership with accredited and non-accredited municipalities, corporations, agencies and delegated administrative organizations to ensure standards and regulations are in place and to provide technical and policy advice.

Quality Management and Process Development works with Technical and Safety Services and external partners to develop programs that ensure standards and accountability requirements are met. This unit also works with Technical and Safety Services staff to develop management and information systems.

The Fire Commissioner's Office has a major role in establishing new partnerships with municipalities and fire departments to ensure Alberta continues to have exemplary fire prevention and suppression services.

Profession and Occupations develops policies for the regulation and administration of professional legislation and provides technical and administrative support to the Health Disciplines Board and Health Discipline Committees.

Employment Standards helps to ensure rights and obligations of employers and employees are being fulfilled. These include wages, hours of work, overtime, vacation pay, holidays, and termination of employment. Employment Standards takes a cooperative approach when dealing with associations and business groups by providing training and educating stakeholders on issues regarding the legislation.

Business Management

In addition to its support role in the department, this area continued to be responsible for employment pensions. Employment pensions safeguard employee entitlements under private sector pension plans by ensuring those plans are properly administered and funded under the provisions of the *Employment Pension Plans Act*.

Business Management also is responsible for managing Y2K issues affecting the department's systems.

Year 2000 Readiness

As described in Note 13 "Uncertainty Due to the Year 2000" of the Ministry's financial statements, the year 2000 issue is the result of some computer systems using two digits rather than four to define the applicable year.

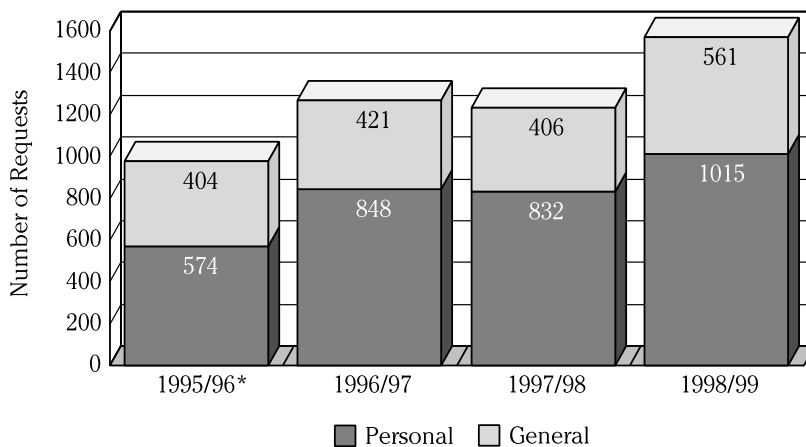
In July 1996, Public Works, Supply and Services in conjunction with the Office of the Chief Information Officer began working with all government Ministries to develop a strategy to address the technical issues for ensuring all government information systems are year 2000 ready. In addition, a Y2K Project Office was established in the Ministry of Public Works, Supply and Services to assist the cross-government Year 2000 Coordinators Committee. This committee, comprised of representatives for each Ministry, meets regularly to discuss and review issues related to ensuring Y2K readiness of government systems.

On April 19, 1999, based on information provided in Ministry reports, the Minister of Public Works, Supply and Services and the Chief Information Officer issued an interim status report indicating that 84 percent of the government's 'mission critical' systems are considered Y2K ready. 'Mission critical' systems are those deemed by each Ministry to be vital to government business operations. Testing and remediation of remaining government systems is expected to be completed before the end of the year.

The department has implemented a readiness plan to ensure all systems will be compliant as of September, 1999. An Information Technology Strategic Plan was developed to manage systems operations and developments, including the Y2K requirements. The department has committed the necessary resources to ensure its systems are fully compliant.

The department has worked with Delegated Administrative Organizations (DAOs) to ensure they are fully compliant. The department is monitoring their progress and it is expected that DAOs will meet their targets and be fully compliant.

FOIP Requests Received
by Government
Departments, Boards
and Agencies



* The FOIP Act was proclaimed October 1, 1995

Information Management and Privacy

Information Management and Privacy coordinates the province-wide administration of the *Freedom of Information and Protection of Privacy Act* (FOIP) by government departments, boards, agencies and local public bodies. Administration of the *Act* is reported in a separate annual report.

Alberta Labour Relations Board

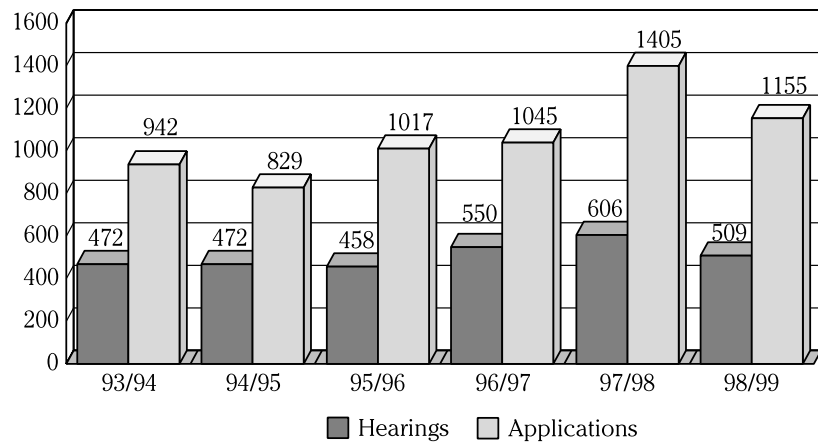
The Alberta Labour Relations Board is an independent and impartial tribunal. Rules of fair play govern trade unions, employers and employees in their labour relations activities. The Board is responsible for the day-to-day application and interpretation of these rules and also processes the various applications required by the statutes.

The Board's core activities arise from the responsibilities placed on it by the *Labour Relations Code*, *Public Service Employee Relations Act*, and the *Police Officers Collective Bargaining Act*.

The Board's core activities include:

- the investigation, processing, and the determination of applications to the Board by parties sharing or seeking to share collective bargaining relationships in Alberta;
- the formal adjudication of disputes arising out of the complaint process;
- the informal mediation of disputes in attempts to limit the need for formal adjudication and help build mutually beneficial relationships between parties;

Alberta Labour
Relations Board
Hearing/Concluded
Applications



Core activities continued:

- the education of Alberta's labour community in the interpretation of Alberta's labour relations legislation and the Board's rules, policies and procedures; and
- the development of formal and informal consultative processes with the province's labour relations community.

In 1998-99, Workplace Health and Safety initiated stakeholder reviews of the *Chemical Hazards Regulation, Noise Regulation, Explosive Safety Regulation, Ventilation Regulation and General Safety Regulation*. These reviews should be complete by the end of 2000.

Compliance programs continued to be successful in targeting high-risk industries, specific hazards and companies with poor safety records. In addition, the implementation of a new field tracking system will further enhance the department's ability to target and monitor field inspection activities.

In the Partnerships area, Workplace Health and Safety completed a consultation process with stakeholders to review quality assurance standards and processes. As a result, a new Partnerships Manual, a new Partnerships Audit Standard and new standards for a Memorandum of Understanding with Partners were developed.

Issues Management continued to help build successful labour relationships between unions and employers in the health care and municipal sectors (particularly the City of Edmonton). The group also supported and promoted best practices for the construction industry and developed a workplace innovation website that highlights human resources and labour relations best practices.

In Mediation Services, mediators were appointed to 124 collective agreement disputes to assist the parties in finding resolutions and 175 arbitration appointments where the parties were unable to reach consensus of finding someone on their own. Mediation Services continues to work with labour, management and arbitrators to enhance the criteria and qualifications of arbitrators.

Starting in mid 1998, the Alberta Labour Relations Board began using a more formal, open approach to selecting and appointing Board members. Using this new selection process, the Board appointed eight new members to bring the total to 33 appointments. In addition, the Board participated with other tribunals to create a training initiative for Alberta board members.

Information Management and Privacy provided technical support to the Select Special Committee of the Legislative Assembly for the three-year review of the *Freedom of Information and Protection of Privacy Act (FOIP)*. Following public consultations in 1998, the Committee released its Final Report in March, 1999. Bill 37, a draft bill to amend the *Act* was prepared and brought forth in the 1999 spring session of the Legislature to implement the Committee's recommendations.

Proclamation of the *FOIP Act* in school jurisdictions and the health sector occurred in September and October, 1998. Extension of the *Act* to post-secondary and local government body sectors will take place in September and October, 1999.

In addition, Information Management and Privacy continued to provide training and support to local public bodies for the phased extension of the *Act*. Nearly 100 training courses were provided for roughly 2300 participants from local public bodies and government ministries and over 400 participants attended the annual FOIP conference.

Labour

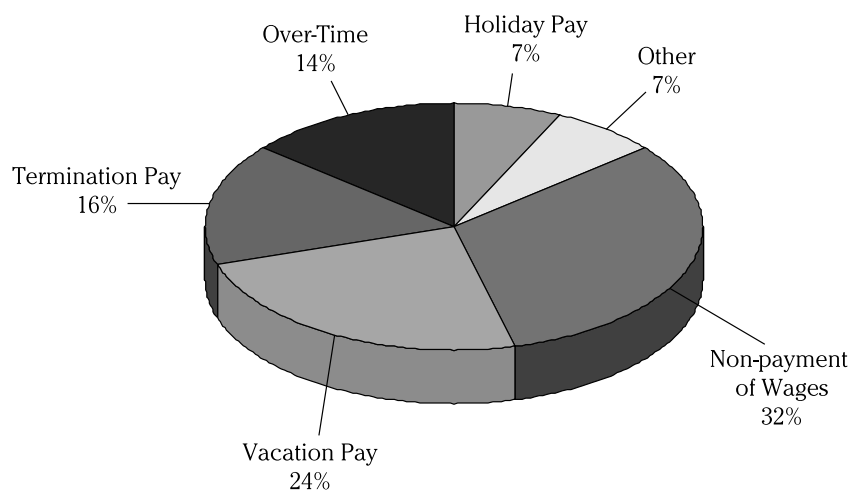
Albertans attending the Growth Summit sent a clear message the minimum wage needed to be reviewed. After considerable public consultation, the Minister announced Alberta's minimum wage would increase by 18 % and will be phased in three stages from October 1998 to October, 1999. The student minimum wage differential was eliminated resulting in one rate for all workers.

Professions and Occupations continued to work with Alberta's various health professions to draft the *Health Professions Act*. Consultations with health professions focused on developing standards to regulate professionals. The *Health Professions Act* and a *Regulated Forestry Professions Act* were tabled in the Legislature in 1999.

Employment Standards and the Labour Market Program of Human Resources Development Canada (HRDC) combined a portion of their services by amalgamating their telephone systems. The amalgamation allows Albertans to access information about employment standards at the provincial and federal levels by dialing a single telephone number.

Alberta Labour and the Safety Codes Council released a discussion paper and held six public meetings regarding the *Safety Codes Act* and accompanying Regulations. As a result, Technical and Safety Services updated their operational and implementation plans in 1998-99. These plans provide staff with a framework to use in their day-to-day activities to help them achieve the goals and strategies in the department's business plan.

Types of Employment Standards Claims 1998



Source: *Employment Standards, Alberta Labour*

Report of The Auditor General on The Results of Applying Specified Audit Procedures to Key Performance Measures

To the Members of the Legislative Assembly:

I have performed the following procedures in connection with the Ministry of Labour's key measures included in the 1998-99 Annual Report of the Ministry of Labour on pages 26 to 35:

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations which converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions.

However, these procedures do not constitute an audit of the set of key measures and therefore I express no opinion on the set of key measures included in the 1998-99 Annual Report of the Ministry of Labour.

Peter Valente FCA

Auditor General

Edmonton, Alberta
August 13, 1999

Labour

In 1996-97, Alberta Labour formulated a new set of core businesses and performance measures that became part of the 1998-2001 Business Plan. The department operated under these core business and performance measures for the 1998-1999 fiscal year. Many of the targets in these performance measures are ambitious and may not be achieved on a consistent basis year after year. Attaining these targets is a significant achievement and represents a commitment to excellence by the department and its workplace partners.

Goal:

Alberta's Employment Standards service will be fair, consistently delivered, and customer focussed.

Key Performance Measure	Target	Results
<p>The number of complaints registered with Employment Standards for investigation, as a percentage of Alberta's eligible workforce, indicates the success of efforts to maintain good working relations between paid workers and employers.</p>	<p>Reduce the number of complaints registered for investigation as a percentage of Alberta's eligible workforce.</p> <p>(In its 1999-2002 Business Plan, Alberta Labour has set what it believes to be a more reasonable target of maintaining the percentage of complaints at or below 0.60%.)</p>	<p>1998: 0.57% (p) 1997: 0.47% (r)* 1996: 0.46%* 1995: 0.48%* 1994: 0.44%* 1993: 0.45%* (p) preliminary (r) revised</p>

Source: Alberta Labour

*In 1998-99, eligible workforce was redefined to include the unionized workforce. While unionized workers generally use the dispute resolution mechanisms established in their collective bargaining agreements, they are eligible to file complaints under the Employment Standards Code. Prior year results have been restated to conform with this change.

Comments

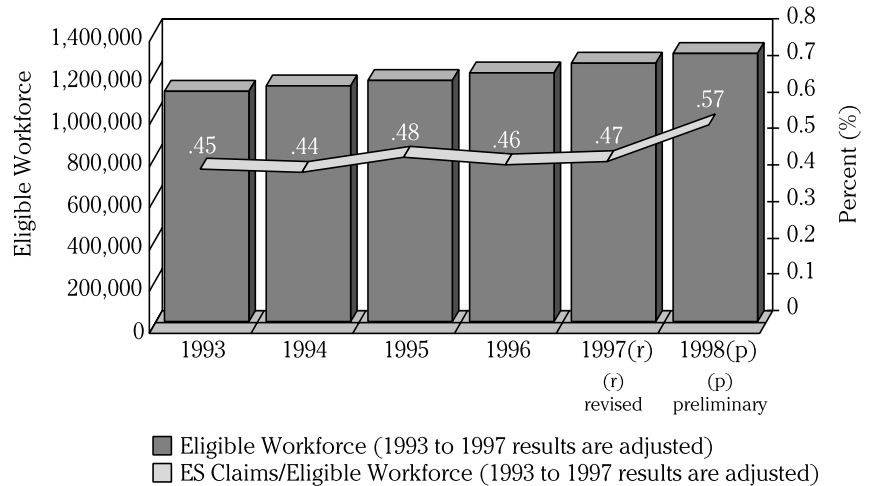
Through education initiatives, and by providing a fair, consistently delivered and customer focused service, Alberta Labour seeks to reduce the need for registered complaints received from the eligible workforce. While the rate of complaints (expressed as a percentage) increased from 1997 to 1998, less than one percent of Alberta's eligible workforce has made an Employment Standards complaint in each of the last six years. The increase in the past year is partly due to decreased unemployment and the significant increase in economic activity in 1997 and 1998. An upswing in the economy can result in an increase in complaints because new employers entering the marketplace may not be familiar with their obligations under the Employment Standards Code.

Methodology

The measure is calculated as the number of Employment Standards complaints registered for investigation in a calendar year, as a percentage of the eligible workforce. Registered complaints are maintained in the Employment Standards Information System (ESIS) at Alberta Labour.

Rate of Alberta
Employment Standards
Claims to Eligible
Workforce

The eligible workforce is defined as the total number of agricultural and non-agricultural paid workers in Alberta, less employees under federal jurisdiction who have their own employee grievance procedures. Eligible workforce data are derived from the Statistics Canada Labour Force Survey.



Goal:

Employees and employers will share a fair and impartial framework for the resolution of disputes and the management of workplace issues.

Key Performance Measure	Target	Results
The percentage of collective bargaining negotiations, which avoid a work stoppage (strike or lockout), provides an indication of labour stability in unionized workplaces.	100% of collective bargaining negotiations will avoid work stoppages. (Note: In its 1999-2002 Business Plan, Alberta Labour has set what it believes to be a more reasonable target of 99%).	1998: 98.3% (p) 1997: 98.3% (r) 1996: 99.2% 1995: 99.0% 1994: 99.6% 1993: 99.9%

Source: Alberta Labour

(p) preliminary
(r) revised

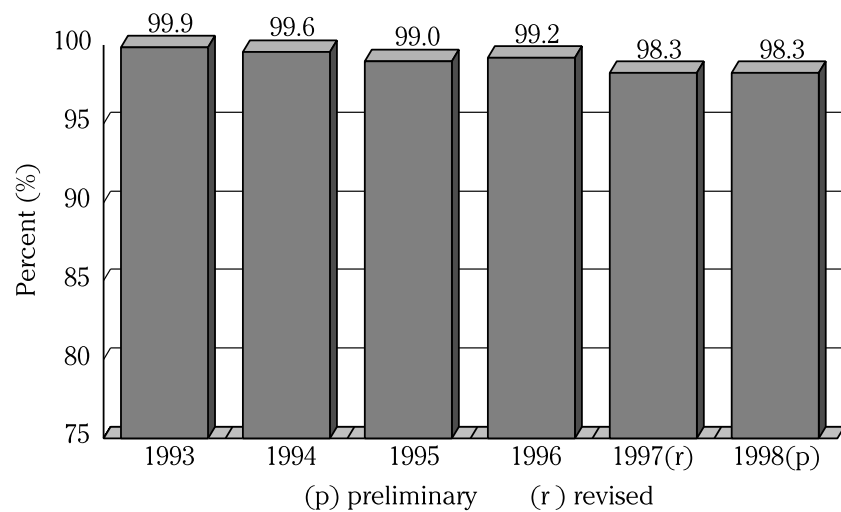
Comments

The percentage of collective bargaining negotiations that avoided work stoppages has remained very high over the past five years, but has begun to decrease. A decreasing unemployment rate, wage freezes and rollbacks by major employers in the mid-nineties, and a competitive economic environment may be affecting the most recent results.

Methodology

The measure is calculated using the number of Collective Bargaining Agreements (CBAs) filed with Alberta Labour that have expired, and the number of legal strikes and lockouts initiated, in the calendar year. The measure is a ratio of the number of expired CBAs, less legal strikes and lockouts, to the number of expired CBAs. The figure is then expressed as a percentage. For the purposes of the measure, expired CBAs that do not result in a strike or lockout are considered to have been successfully negotiated.

Percent of Collective Bargaining Agreements Which Avoid a Work Stoppage



Goal:

Ensuring the equity and security of pension benefits earned by Albertans.

Key Performance* Measures	Target	Results**
The percentage of private sector defined benefit pension plans having solvency ratios equalling or exceeding 0.9 indicates the success in safeguarding the pension entitlements of plan members.	85% of private sector defined benefit pension plans registered in Alberta will have a solvency ratio that equals or exceeds 0.9 (rounded to 1 decimal place).	1998-99: 92.2% (p)
The percentage of defined benefit pension plan membership covered by plans having solvency ratios equalling or exceeding 0.9 ensures that employees in Alberta in private sector pension plans receive a high level of protection from pension plan insolvency.	95% of defined benefit pension plan membership will be covered by plans having a solvency ratio that equals or exceeds 0.9 (rounded to 1 decimal place).	1998-99: 96.1% (p) (p) preliminary

Source: Alberta Labour, Pension Benefits Information System (PBIS)

(p) does not include plans with unapproved cost certificates (see Methodology)

- * During the preparation of the 1997-98 performance information it was determined that the measure as stated in the Business Plan did not adequately measure the goal. It was therefore replaced with the above two related measures, which are included for the first time in the 1999-2002 Business Plan.
- ** During the year the department implemented a number of changes with regard to case selection methodology, data collection and reporting. Changes to the measures included 1) removing *Specified Person Plans* 2) counting new plans having zero assets and zero liabilities as solvent and 3) implementing additional quality control mechanisms. The changes were significant and resulted in data from previous years not being comparable to 1998-99 data. Therefore, the 1998-99 results provide the starting point for a new time series.

Comments

The results represent the solvency status of active defined benefit private pension plans. Alberta Labour achieved its target for percentage of plans, and percentage of membership in plans, with the required solvency ratio.

Goal:

Ensuring the equity and security of pension benefits earned by Albertans.

Alberta Labour completed a major legislative and regulatory review that identified changes required to meet the current and anticipated needs of pension stakeholders. Most changes will be effective upon Proclamation, targeted for the fall of 1999. The department has begun the development of risk assessment and on-site examination systems to help target plans that may be at risk.

Factors that may affect the results of this measure include: prolonged periods of either high or low investment returns on plan assets; interest rates, which affect the cost of purchasing annuities for plan members; and economic activity in a specific industry, including reduced hours by union sponsored plan members. Measure results in a given year may also be affected if a larger than average proportion of plans undergo an actuarial review or if a plan with a large membership falls below 0.9 solvency.

Methodology

Private sector pension plans are sponsored by an employer or union in the private sector and are registered under the *Employment Pension Plans Act*. Under the *Act*, plans undergo solvency tests, including the calculation of a solvency ratio, which is obtained by dividing the market value of the assets of the plan by its liabilities calculated on a termination basis (i.e., the assumption is made that the plan is terminating). The data is collected by Employment Pensions using the required cost certificate form, which is provided by the plan actuary, at least once every three years. The percentage of plans and percentage of membership in plans, having a solvency ratio of 0.9 or more is calculated at March 31 of the fiscal year.

There were 37 plans representing 120,000 members with cost certificates that were not yet approved because Employment Pensions disputes the information. As the disputes are resolved, measure results will be revised for the 1999-2000 annual report. If the 37 plans were included in the measure results, 91% of plans, and 47% of membership in plans, would be within the target of 0.9 solvency.

For any plan with a solvency ratio less than 1.0, people who terminate membership receive the funded portion of their benefit immediately and the balance within five years.

Labour

Goal:

Alberta workplaces will have quality health and safety management systems.

Key Performance Measures	Target	Results
Lost Time Claim Rate represents the risk of disabling injury or disease to a worker.	An annual reduction in the Lost Time Claim Rate	1998: 3.3% (p)* 1997: 3.4% 1996: 3.4% 1995: 3.4% 1994: 3.5% 1993: 3.5% * lowest rate recorded in Alberta
National Time Loss Injury Frequency, per 100 Workers compares Alberta's risks with those in other provinces.	Alberta will have the lowest time loss injury frequency per 100 workers compared to other provinces.	1998: Data not yet available 1997: Data not yet available 1996: 4th lowest (p) 1995: 2nd lowest 1994: 2nd lowest 1993: 2nd lowest 1992: lowest 1991: lowest

(p) preliminary

Sources: **Lost Time Claim Rate:** Derived from Workers' Compensation Board (WCB)-Alberta data; **National Time Loss Frequency:** Human Resources Development Canada (HRDC), "Occupational Injuries and Their Cost by Province or Territory."

Lost Time Claim Rate (Provincial)

Comments

The Lost Time Claim Rate is the number of lost-time claims per 100 person years worked. A lost-time claim is one that disables a worker beyond the day of injury and for which compensation was paid by Workers' Compensation Board (WCB)-Alberta. The rate of 3.3 claims per 100 person years worked is the lowest level ever recorded in the province.

Several initiatives of Alberta Labour would have contributed to the low rate. Included among them was the Worksafe 2000 program that targeted specific employers with poor occupational health and safety performance. In addition, industry-based programs targeted a number of industries which had unacceptably high lost-time claim rates. Alberta Labour also worked with key Partners, including industry associations and educational institutions, to foster the establishment of effective health and safety management systems by Alberta employers.

Annual Lost-Time Claim
Rate Alberta,
1993 - 1998



* lowest rate recorded in Alberta (p) - preliminary data

Methodology

The Lost Time Claim Rate is calculated as the ratio of WCB compensated lost time claims to person years worked. Claims are included in a calendar year if they were made within that year and compensated for by March 31 of the following year. Person years are an estimate of those worked by employees with WCB coverage.

National Time Loss Rate (Interprovincial)

Comments

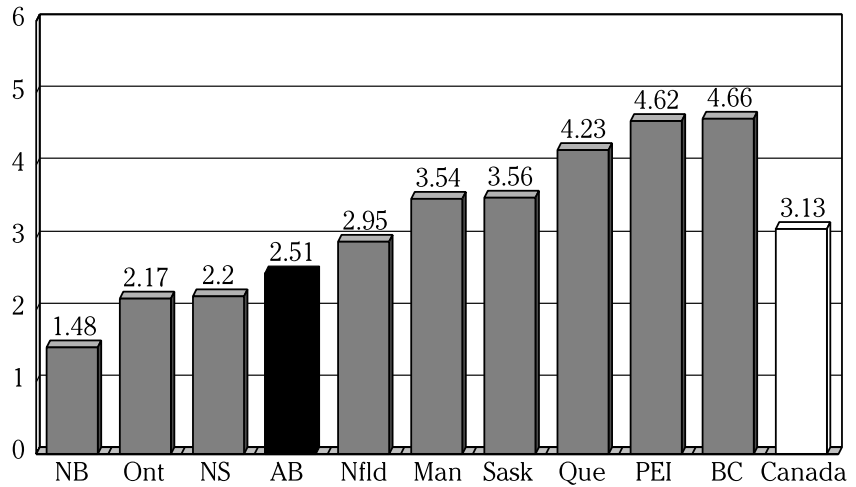
National Time Loss Injury Frequency per 100 workers is a related measure that allows for interprovincial comparison. The preliminary data for 1996 shows Alberta's National Time Loss Injury Frequency as 2.51 per 100 workers. This places Alberta fourth lowest. Alberta has placed lowest or second lowest among Canadian provinces for five of the last six years of reported data.

Economic growth and number of inexperienced workers are major factors that influence both measures. The variation in economic activity across the provinces may have influenced Alberta's relative position.

Methodology

The National Time Loss Injury Frequency per 100 workers is calculated as the ratio of WCB claims (by province) that were compensated within the calendar year, to the annual monthly average of employed persons as reported in the Labour Force Survey.

Time Loss Injury
Frequency Per 100
Workers by Province &
Canada, 1996
(preliminary)



Goal:

Alberta Safety Services system will be effective, accessible, and accountable

Key Performance Measure	Target	Results*
The percentage of organizations administering the <i>Safety Codes Act</i> that achieve a satisfactory performance rating, as defined by the monitoring program.	100% of organizations administering the <i>Safety Codes Act</i> will achieve a satisfactory performance rating. (For the 1999-2002 Business Plan, Alberta Labour has set what it believes to be a more reasonable target of 95%)	1998-99: 77% of organizations monitored in the fiscal year achieved a satisfactory rating.

Source: Monitoring Program Information System, Alberta Labour

* Data are collected from the last monitoring review date and are reported for the fiscal year in which the monitoring was conducted. The 1997-98 figure was revised based on a change in methodology. Originally an accredited organization was not awarded a satisfactory rating if it failed to achieve the accepted level in any one of the technical areas for which it was responsible. Weights were also assigned to criteria. Since the performance measure focuses on entities or organizations as opposed to technical disciplines, a satisfactory rating is now achieved if the average rating across all technical disciplines meets the accepted level. No weights are assigned to the criteria as a review of the measure found the weights to be inappropriate for assessments that are based on documentary evidence.

Comments

Contracted agencies, municipalities and corporations are accredited by the Safety Codes Council to administer the *Safety Codes Act* in Alberta. Alberta Labour monitors the degree to which these accredited organizations or entities are meeting basic standards. Standards and criteria for achieving a satisfactory rating are set jointly by Alberta Labour and the Safety Codes Council. There are currently 466 organizations accredited to administer the Safety Codes Act in Alberta.

In 1997-98, only 26 accredited agencies on contract with Alberta Labour were included in the monitoring process. In 1998-99, the monitoring program was expanded to include the approximately 320 municipalities that have been accredited in Alberta. By the end of the fiscal year, 126 accredited municipalities, and all 18 remaining contracted agencies, had been monitored. Seventy-seven percent of the combined 144 accredited entities, monitored in the fiscal year, achieved a satisfactory performance rating.

The number of monitored entities is now large enough to produce a stable trend line. For the 1999-2002 Business Plan, the target is for 95% of monitored accredited entities to attain a satisfactory rating. It is expected that the target will be reached by fiscal year 2001-02.

The monitoring program for Safety Codes is developing. Each year it expands to include more accredited entities. In 1999/2000, the monitoring program will also include the monitoring of accredited corporations and will begin to include on-site re-inspections to support the documentary evidence currently collected by the file review process. In this way the monitoring program will gather data that better reflects the "effectiveness" component of the goal. The 1998-99 results have identified specific entities and issues Alberta Labour will focus on to ensure performance meets or exceeds the minimum established standards.

A risk assessment methodology is currently being developed to ensure that 100% of high-risk entities are monitored each year. The goal and target will be reviewed each year to ensure they are related to the developing methodology.

Goal:

Alberta will have a fair and safe work environment.

Methodology

The province-wide results from the monitoring program provide the data for the performance measure. The current level of acceptable performance is for entities to meet 70% of the established standards across the various technical areas. The monitoring process involves random sampling of issued permits (and related project files) from accredited entities administering the *Safety Codes Act*. During the process, checklists containing evidence-based criteria are used to determine whether or not required documentation exist to support the standards.

Workplace Performance Measures

In addition to the Ministry Performance Measures, Alberta Labour's Business Plan outlined a Workplace Climate core performance measure for the government's annual report. The following performance measure was published earlier this year in the government's 1998-99 annual report.

Workplace climate

Target

Minimize the amount of time lost due to workplace disputes and injuries.

Results

In 1998, Alberta lost 1.8 person-days per 10,000 person-days worked to work stoppages. The rate of person-days lost to workplace injury and disease increased to 32.5 person-days.

Investment in the province is to some extent determined by cooperative labour relations, fairness, and health and safety in the workplace. These measures not only reflect protective actions, but also proactive steps such as increasing levels of partnership among business, labour and government.

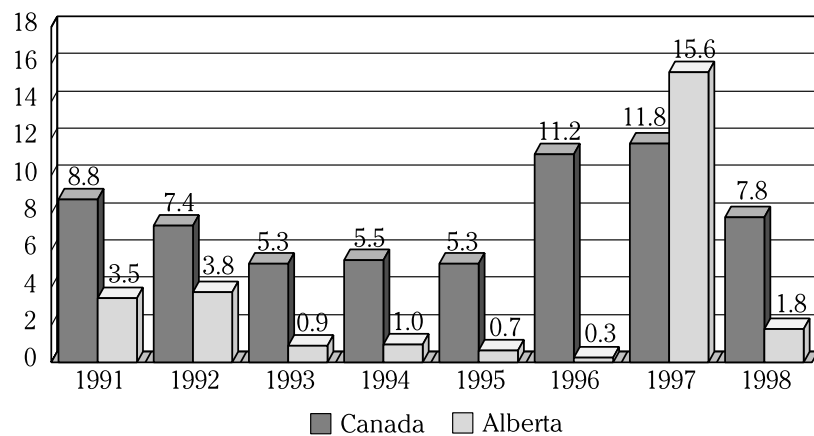
Providing a safe and harmonious work environment is important in attracting the skilled labour required to facilitate economic growth. Competition for skilled labour may increasingly depend upon the quality of working environment offered by employers.

Person-days Lost Due to Work Stoppages per 10,000 Person-days Worked

Source: Human Resources Development Canada; The Labour Force Survey, Statistics Canada; Public Sector Employment, Wages and Salaries, Statistics Canada (CANSIM Matrix 2860)

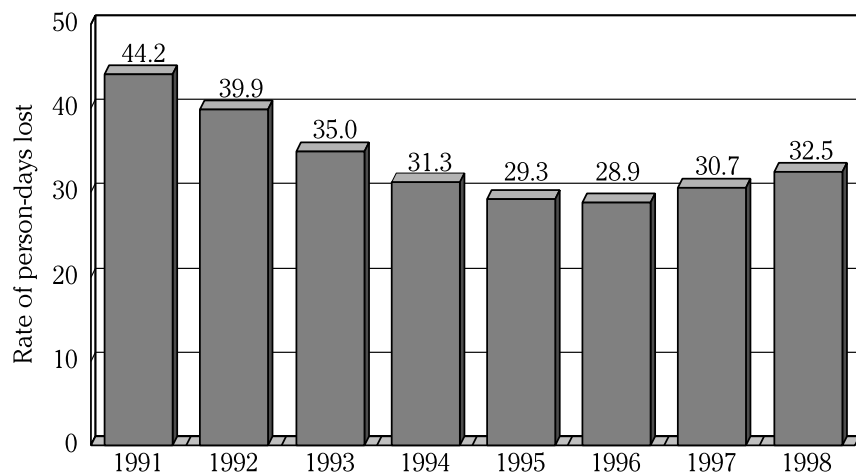
The rate of person-days lost to work stoppages declined significantly in 1998, as the Canada Safeway dispute exaggerated the 1997 rate. Excluding the Safeway dispute, Alberta's rate was 1.6 in 1997.

The rate of person-days lost to workplace injury and disease increased by 5.9% in 1998. Workplace injuries typically rise with an increase in economic activity as additional less-experienced workers enter the workforce.



Person-days Lost Due to Injury and Disease per 10,000 Person-days Worked

Source: Alberta Labour; Workers' Compensation Board; The Labour Force Survey, Statistics Canada; Public Sector Employment, Wages and Salaries, Statistics Canada (CANSIM Matrix 2860)

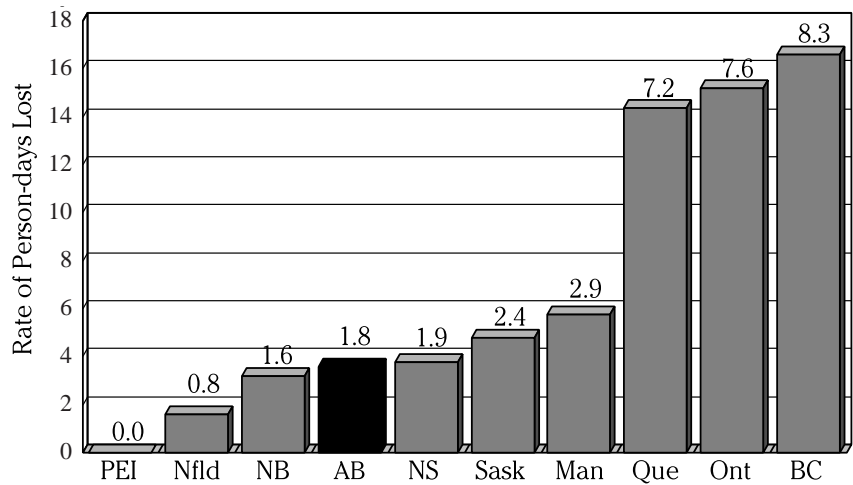


Work Stoppages-1998

Source: Human Resources Development Canada; The Labour Force Survey, Statistics Canada; Public Sector Employment, Wages and Salaries, Statistics Canada (CANSIM Matrix 2860)

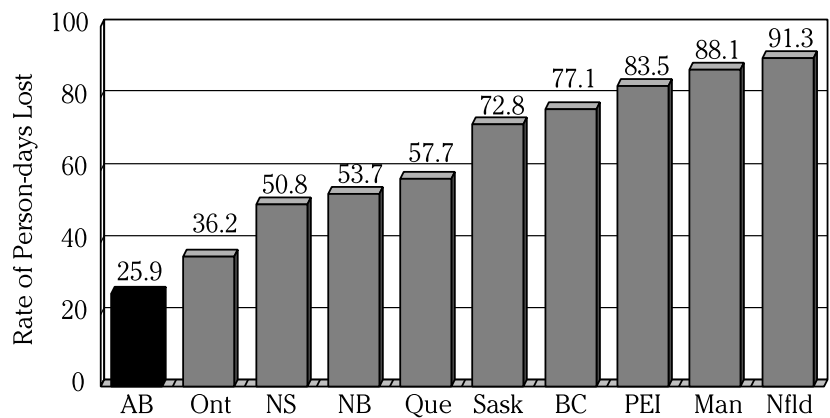
Workplace Climate - Supplemental Information

Provincial Ranking of Person-days lost per 10,000 person-days worked



Injury and Disease-1997 (preliminary data)

Source: Human Resources Development Canada; The Labour Force Survey, Statistics Canada; Public Sector Employment, Wages and Salaries, Statistics Canada (CANSIM Matrix 2860)



Note: The 1997 Alberta interprovincial rate for injury and disease is lower than the Alberta rate on the previous page as Human Resources Development Canada uses a different methodology to make interprovincial comparisons possible.

Methodology

Human Resources Development Canada (HRDC) provides the number of person-days lost due to work stoppages for each of the 10 provinces in Canada. Strikes and lockouts involving federal government workers are excluded for interprovincial comparison, but are included for the national rate. HRDC data include both legal and illegal strikes and lockouts.

For interprovincial comparison of workplace injury and disease, HRDC provides an estimate of the person-days lost for all provinces based on data it collects from Workers' Compensation Boards. For the Alberta-specific time series of person-days lost to injury and disease, data are provided directly from the Alberta Workers' Compensation Board, based on claims submitted by its clients. (The WCB data include claims compensated in the reference year and up to three months after the reference year while the HRDC data do not include claims compensated after the reference year). Injury and disease data are based on employees who are covered by WCB. Therefore, injury and disease data for some groups, including agricultural workers, are not collected.

Statistics Canada provides the information used to calculate person-days worked. The number of paid workers (less federal government and agricultural workers) is converted into person-days worked using the standard of 20.89 working days per month. The number of person-days lost is divided by person-days worked and multiplied by 10,000 to obtain the rates.

The following analysis and discussion relates to the financial performance of the Ministry for the period April 1, 1998 through March 31, 1999. Details that support the discussion and analysis can be found in the Ministry financial statements that are included on the following pages of this annual report.

Note:

Regarding the “Budget” column of the “Statement of Operations” in the Ministry financial statements. The government approved a Supplementary Estimate of \$23.9 million for an Achievement Award to be provided to all government employees based on achieving certain performance criteria. The Ministry of Labour’s share of this Award was \$.442 million (1997-98, \$.440 million). This was not included in the amount listed as “Budget” in the Statement of Operations, however, all amounts included in the “Actual” columns include payments made for the Achievement Awards. The following analysis included the \$.442 million in the “Budget” column. A detailed listing of authorized expenses is included as Schedule 6 of the financial statements in this report.

Highlights

Revenue of \$8.3 million was \$1.1 million more than budget and \$.1 million less than 1997-98. Actual expenses of \$28.5 million were \$.255 million less than authorized and \$.302 million more than 1997-98.

Accounts receivable were \$.144 million at March 31, 1999 (\$.310 million in 1997-98).

Accounts payable and accrued liabilities were \$4.0 million at March 31, 1999 (\$5.2 million in 1997-98).

	1999		1998
	Budget	Actual	Actual
Revenues			
Fees, permits and licenses	\$ 1,165	\$ 1,926	\$ 2,089
Transfer from Workers' Compensation Board	6,000	6,000	6,000
Other revenue	30	339	268
	<u>\$ 7,195</u>	<u>\$ 8,265</u>	<u>\$ 8,357</u>

Total 1998-99 revenue of \$8.3 million consisted of: Fees, permits and licenses, (\$1.9 million); transfer from The Workers' Compensation Board (\$6 million) and "other" sources (primarily refunds of expenditure, \$0.3 million). In total, revenue was \$1 million more than the \$7.2 million budgeted and \$.092 million less than the \$8.4 million earned in 1997-98.

Revenue from Fees, permits and licenses amounted to \$1.9 million. This was \$.163 million less than in 1997-98 but \$1 million more than budgeted. It was anticipated that more activity would move to the private sector through the Delegated Administrative Organizations.

In accordance with an agreement to have The Workers' Compensation Board disassociate itself from the department of Labour and report directly to the Minister, it was agreed the WCB would pay the Department \$6 million per year to offset the cost of workplace, health and safety programs in the province.

Revenue from "other" sources amounted to \$.339 million which was \$.309 million more than budgeted and \$.071 million more than the \$.268 million earned in 1997-98. The majority of this revenue relates to refunds of prior years expenditure and over accruals in the prior year. These amounts are unpredictable and subject to change from year to year.

Labour

Statement of Operations
Expenses
(in thousands)

Expenses detailed by program	1999		1998	
	Authorized Budget	Actual	Under (Over) Expended	Actual
Ministry Support Services	\$ 5,175	\$ 5,686	\$ (511)	\$ 6,327
Workplace, Health, Safety and Strategic Services	9,310	8,759	551	8,393
Technical and Safety Services	11,140	10,658	482	10,336
Labour Relations and Adjudication and Regulation	1,740	2,072	(332)	1,835
Freedom of Information and Privacy Protection	935	870	65	854
Voted Supplementary, Achievement Awards (Schedule 6)	442	442	-	440
	<u>\$ 28,742</u>	<u>\$ 28,487</u>	<u>\$ 255</u>	<u>\$ 28,185</u>

The increase in salary, wages and employee benefits from 1997-98 resulted from salary increases for all employees that took effect April 1, 1999, as disclosed in Schedule 3. Supplies and services expenses make up essentially the rest of the budgeted expenses.

Overall the Ministry spent \$.255 million less than budgeted. The under-expenditure resulted as described below.

Ministry Support Services (\$.511 million over-expended)

This over-expenditure resulted primarily from implementation of the Information Technology strategic plan that called for upgrading Information Technology, both software and hardware, to a common platform across the department. It also required significant upgrades to several department-wide systems.

The department's Achievement Award for 1998-99 was \$.442 million and in 1997-98 \$.440 million.

Workplace, Health, Safety and Strategic Services (\$.551 million unexpended)

Technical and Safety Services (\$.482 million unexpended)

Reorganizational changes in regional services in 1997-98 were anticipated to require more manpower costs throughout 1998-99. Savings resulted because these costs did not occur until later in 1998-99 than expected.

Labour Relations Adjudication and Regulation (\$.332 million over-expended)

Higher than expected mediation activity occurred in 1998-99 resulting in higher than anticipated costs.

Freedom of Information and Privacy Protection (\$.065 million unexpended)

Administrative efficiencies resulted in unanticipated savings.

Labour

Financial Analysis and Discussion

Financial Statements
For the Year Ended March 31, 1999
(in thousands)

The Ministry had \$.164 million cash on hand at the end of the year. This consisted of cash collected but not yet transferred to the department of Treasury and amounts used for petty cash accounts within the Ministry. Accounts receivable of \$.144 million were \$.166 million less than 1997-98 as a result of collecting outstanding refunds from suppliers. The Ministry uses advances from Treasury to fund travel advances to employees and petty cash accounts. These amounts will be repaid when they are no longer required. Accounts payable and accrued liabilities represent typical vendor payables at year end. Unearned revenues represent receipts for labels sold to Delegated Administrative Organizations and accredited agencies that will be issued to the end user in the next fiscal year.

The Ministry finances its operations through its annual appropriation from general revenues. Cash received is deposited to Treasury account and Treasury makes payments from Labour's appropriation for the Ministry's expenses. The net transfer from General Revenues represents the net cash flows as well as the difference between the value of assets recorded by the Ministry and its liabilities.

Labour

Alberta Labour faces many significant challenges during the 1999-2000 fiscal year. The most exciting challenge is the reorganization of government departments announced by Premier Klein in May, 1999. As part of this reorganization, many of Alberta Labour's programs and services are being amalgamated with some programs areas from Advanced Education and Career Development and Family and Social Services to form the new department of Human Resources and Employment.

For the remainder of the 1999 fiscal year, the new department will be charting a new direction to help Albertans reach their full potential and promote healthy and productive workplaces. The department's transition teams will work together to ensure programs and services meet the new Ministry's goals and objectives.

During this transition period, Alberta Labour's program areas will continue to work on the following key goals for the upcoming year:

- Review current business plan strategies based on results and targets achieved in 1998-1999 performance measures.
- Continue our commitment to effective, client focussed regulatory review with significant initiatives in the Employment Standards and Workplace Health and Safety areas.
- Develop and implement a regulation for the new *Employment Pension Plans Act*.
- Improve client service in areas such as employment standards compliance policy and claims resolution processes.
- Promote improved labour/management relations in the health care sector and other key sectors.
- The Labour Relations Board will be reviewing the recommendations it received from the client satisfaction survey for implementation.

Ministry of Labour Financial Statements

Financial Statements
for the year ended March 31, 1999

Auditor's Report

Statement of Operations

Statement of Changes in Financial Position

Statement of Financial Position

Notes to the Financial Statements

Schedule of Revenues

Schedule of Budget

Schedule of Expenses Detailed by Object

Schedule of Purchase of Capital Assets

Schedule of Salaries and Benefits - Department of Labour

Schedule of Salaries and Benefits - Labour Relations Board

Schedule of Comparison of Expenses by Element to Authorized Budget

To the Members of the Legislative Assembly

I have audited the statement of financial position of the Ministry of Labour as at March 31, 1999 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 3. These accounting policies have been established by Alberta Treasury and are consistent across ministries. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

The following accounting policies are exceptions from generally accepted accounting principles:

Reporting entity

Generally accepted accounting principles require the consolidation of organizations that together constitute a single economic unit. In the public sector, consolidated financial statements should aggregate the financial statements of organizations comprising a reporting entity. A reporting entity is defined as comprising the organizations that are accountable for the administration of their financial affairs and resources to a minister, and are owned or controlled by the government.

These financial statements contain only the results of operations and net assets of the Department of Labour. In my view, the Ministry's delegated administrative organizations (DAOs) and the Safety Codes Council should be included in these financial

statements. These organizations require the Minister's approval of revenue-raising, expenditure and resource allocation policies related to their functions.

Safety services administration is the responsibility of the government. Therefore, consolidation of the DAOs and the Safety Codes Council with the Department of Labour would provide a complete overview of the full nature and extent of the financial affairs and resources for which the Minister is accountable.

The effect on the financial statements of not consolidating DAOs and the Safety Codes Council is material.

Pension obligations

Obligations to pension plans for current and former employees of the Department of Labour have not been recognized as a liability in the accompanying statement of financial position and, consequently, the annual change in the liability has not been recognized in the statement of operations. In my view, on a basis of allocation similar to that used for Provincial agencies, an amount of approximately \$1,008,000 due to pension plans at March 31, 1999 in the Department's capacity as employer, and which is reflected in the financial statements of the Department of Treasury, should be recognized as a liability in these financial statements. The effect of not recognizing the annual change in the liability is to overstate the Ministry's expenses for the year ended March 31, 1999 by \$418,000.

Capital assets

Capital assets purchased with a cost of under \$15,000 are expensed in the year acquired rather than being capitalized and amortized over their useful lives. Consequently, a significant amount of resources available to the Ministry have been recorded as if they have been consumed. In my view, capital assets purchased in the current year

of approximately \$248,000 (1998 - \$1,300,000) should be recognized as assets in the accompanying statement of financial position. The effect of this understatement of assets is to overstate expenses for the year ended March 31, 1999 by \$248,000 (1998 - \$1,300,000). The cumulative effect of the application of this policy on the accompanying financial statements, with respect to the Ministry's total capital assets and accumulated amortization, cannot be reasonably determined but is believed to be significant.

Excluded direct costs

Accommodation and certain other administration costs incurred in the operation of the Ministry have not been included in expenses. These costs, estimated at \$2,760,000 for accommodation services only, are reported by the ministries that paid the expenses on behalf of the Ministry.

In my opinion, because of the effects of the matters discussed in the preceding paragraphs, these financial statements do not present fairly the financial position of the Ministry as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valente FCA

Auditor General

Edmonton, Alberta
May 20, 1999

Labour

Ministry of Labour
Financial Statements

Statement of Operations
For the Year Ended March 31, 1999
(in thousands)

	1999		1998
	Budget (Schedule 2)	Actual	Actual (Note 14)
Revenues (Schedule 1)			
Fees, permits and licences	\$ 1,165	\$ 1,926	\$ 2,089
Transfer from The Workers' Compensation Board	6,000	6,000	6,000
Other revenue	30	339	268
	<u>7,195</u>	<u>8,265</u>	<u>8,357</u>
Expenses (Schedule 3)			
Ministry Support Services	5,175	6,128	6,767
Workplace Health, Safety and Strategic Services	9,310	8,759	8,393
Technical and Safety Services	11,140	10,658	10,336
Labour Relations	1,740	2,072	1,835
Freedom of Information and Protection of Privacy	935	870	854
	<u>28,300</u>	<u>28,487</u>	<u>28,185</u>
Valuation Adjustments			
Provision for doubtful accounts	10	33	91
Provision for vacation pay	—	133	301
	<u>10</u>	<u>166</u>	<u>392</u>
Loss on disposal of capital assets (Note 16)	—	970	150
	<u>28,310</u>	<u>29,623</u>	<u>28,727</u>
Net operating results from continuing operations	(21,115)	(21,358)	(20,370)
Net operating results from discontinued operations	—	—	(897)
Net operating results	<u>\$ (21,115)</u>	<u>\$ (21,358)</u>	<u>\$ (21,267)</u>

The accompanying notes and schedules are part of these financial statements.

Labour

Ministry of Labour
Financial Statements

Statement of Changes in Financial Position
For the Year Ended March 31, 1999
(in thousands)

	1999	1998
	Actual	Actual (Note 14)
Operating transactions		
Net operating results from continuing operations	\$ (21,358)	\$ (20,370)
Non cash items included in net operating results		
Amortization	139	282
Valuation adjustments	166	392
Loss on disposal of assets	970	150
	<u>(20,083)</u>	<u>(19,546)</u>
Decrease (increase) in accounts receivable	133	(117)
Decrease in advances	3	10
(Decrease) in accounts payable and accrued liabilities	(1,339)	(33)
(Decrease) in unearned revenues	—	(11)
Net cash used by continuing operations	<u>(21,286)</u>	<u>(19,697)</u>
Net cash used by discontinued operations	—	(897)
Cash used by operating transactions	<u>(21,286)</u>	<u>(20,594)</u>
Investing transactions		
Purchase of capital assets (Schedule 4)	(299)	(221)
Proceeds from disposal of capital assets	21	—
Transfer of capital assets to the Ministry of Advanced Education and Career Development	121	—
Cash used for investing transactions	<u>(157)</u>	<u>(221)</u>
Financing transactions		
Net transfer from General Revenues	<u>21,255</u>	<u>21,161</u>
Net cash (used) provided	(188)	346
Cash, beginning of year	352	6
Cash, end of year	<u>\$ 164</u>	<u>\$ 352</u>

The accompanying notes and schedules are part of these financial statements.

Labour

Ministry of Labour
Financial Statements

Statement of Financial Position
As at March 31, 1999
(in thousands)

	1999	1998
ASSETS		(Note 14)
Cash	\$ 164	\$ 352
Accounts receivable (Note 4)	144	310
Advances (Note 5)	35	38
Capital Assets (Note 6)	1,034	1,986
	<u>\$ 1,377</u>	<u>\$ 2,686</u>
LIABILITIES		
Accounts payable and accrual liabilities (Note 7)	\$ 4,027	\$ 5,233
Unearned revenues	11	11
	<u>4,038</u>	<u>5,244</u>
NET LIABILITIES		
Net liabilities at beginning of year	(2,558)	(2,452)
Net operating results	(21,358)	(21,267)
Net transfer from General Revenues	21,255	21,161
Net liabilities at end of year	<u>(2,661)</u>	<u>(2,558)</u>
	<u>\$ 1,377</u>	<u>\$ 2,686</u>

The accompanying notes and schedules are part of these financial statements.

1. Authority

The Ministry of Labour operates under the authority of the *Government Organization Act*, Statutes of Alberta. The Minister of Labour is responsible for *The Workers' Compensation Act*.

2. Purpose

The Ministry of Labour works in partnership with Albertans to promote safe and healthy workplaces, a quality working life and comprehensive safety systems. Our six core businesses are:

1. Promote the development of effective work-site health and safety management systems and compliance programs;
2. Support fair and effective resolution of labours disputes and workplace issues;
3. Promote quality Safety Services throughout the province;
4. Promote fair and effective employment standards protection for employers and employees;
5. Safeguard private pension plans through legislative and administrative processes; and,
6. Maintain a legislative framework that balances access to information with protection of privacy for Albertans.

3. Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Ministry of Labour consisting of the department of Labour, which is the only entity in the Ministry of Labour. The financial statements of The Workers' Compensation Board are not included in these statements.

Reporting Entity - cont'd

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All cash receipts of departments are deposited into the Fund and all disbursements made by the departments are paid from the Fund. Net transfer to/from General Revenues is the difference between all cash receipts and all cash disbursements.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Expenses represent the costs of resources consumed during the year on the Ministry's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service relating to prior years.

Certain expenses, primarily for office space, legal advice and banking services, incurred on behalf of the Ministry by other Ministries are not reflected in the Statement of Operations.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable amount or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities, and deficits of provincial agencies within the Ministry.

Assets

Financial assets of the Ministry are limited to financial claims such as advances to and receivables from other organizations, employees, and other individuals.

Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$100 and the threshold for all other capital assets is \$15. Assets acquired by right are not included.

Liabilities

Liabilities include all financial claims payable by the Ministry at fiscal year end except certain pension benefits, which are reflected in the financial statements of the Treasury department for all departments.

Net Assets/Net Liabilities

Net assets/net liabilities represents the difference between the value of assets held by the Ministry and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arms length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, advances, accounts payable and accrued liabilities, and unearned revenues are estimated to approximate their book values.

4. Accounts Receivable

	1999			1998
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	\$ 276	\$ (141)	\$ 135	\$ 277
Interest receivable	2	—	2	8
Refunds from suppliers	7	—	7	25
	<u>\$ 285</u>	<u>\$ (141)</u>	<u>\$ 144</u>	<u>\$ 310</u>

Accounts receivable are unsecured and interest bearing.

5. Advances

Advances include amounts provided to employees for travel.

	1999			1998
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accountable advances	\$ 35	\$ —	\$ 35	\$ 38
	<u>\$ 35</u>	<u>\$ —</u>	<u>\$ 35</u>	<u>\$ 38</u>

6. Capital Assets

	Estimated Useful Life	1999			1998
		Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	10 years	\$ 110	\$ 42	\$ 68	\$ 86
Computer hardware	5 years	258	64	194	176
Computer software	10-15 years	1,508	736	772	1,724
		<u>\$ 1,876</u>	<u>\$ 842</u>	<u>\$ 1,034</u>	<u>\$ 1,986</u>

7. Accounts Payable and Accrued Liabilities

	1999	1998
General	\$ 331	\$ 476
Accrued liabilities	1,295	2,489
Accrued vacation pay	2,400	2,267
Undistributed revenue	1	1
	<u>\$ 4,027</u>	<u>\$ 5,233</u>

8. Commitments

At March 31, 1999, the Ministry had obligations under contract totalling \$6,038 (1998 \$407) which are payable as follows:

1999/00	\$ 2,426
2000/01	1,296
2001/02	937
2002/03	969
2003/04	<u>410</u>
	<u>\$ 6,038</u>

9. Contingencies

At March 31, 1999, the Ministry was named as the defendant in various legal actions. The total claimed in specific legal actions amounts to approximately \$23,074 (1998 \$20,150). Included in this total are two claims amounting to \$3,000 in which the Ministry has been jointly named with other entities. Four claims amounting to \$11,150 are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Subsequent to May 21, 1999, the Ministry was named as the defendant in a legal action in the amount of \$300,000. The amount of the loss, if any, resulting from this action cannot be determined at this time.

10. Related Party Transactions

The Ministry paid \$649 (1998 \$324) to various other Government of Alberta departments, agencies or funds for supplies and services during the fiscal year. Payment Systems Corporation (PSC) was a joint venture partially owned by the Province of Alberta until March 31, 1999. The Ministry paid PSC \$145 (1998 \$63) for computer processing. Accommodations, legal, telecommunications, personnel, and certain financial costs were provided to the Ministry by other government organizations at no cost. Accommodation costs had an estimated value of \$2,760 (1998 \$3,022). There were no receivables and no payables to related parties outstanding at year-end.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

The Ministry provided finance and administration services to the Personnel Administration Office under a shared services agreement at no cost to the Personnel Administration Office.

The Ministry received services under a shared services agreement from the Ministry of Education for printing, and from the Ministry of Treasury for human resources and pay and benefits. The cost of these services has been included in these financial statements.

The Ministry provided services under a shared services agreement to the Ministry of Environmental Protection for pay and benefits. The cost of these services has been recovered from the Ministry of Environmental Protection.

The Ministry transferred capital assets with an unamortized balance of \$121 to the Ministry of Advanced Education and Career Development for nil proceeds.

11. Trust Funds Under Administration

The Ministry administers trust funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts they are not included in the financial statements of the Ministry. At March 31, 1999, the funds under administration were \$250 (1998 \$131).

12. Reorganizations

On April 1, 1998, the International Qualifications Assessment Service program was transferred to the Ministry of Advanced Education pursuant to Section 17 of the *Government Organization Act*. Total revenues were \$117 and expenses were \$240 for the period ended March 31, 1998.

13. Uncertainty Due to the Year 2000

The year 2000 issue is the result of some computer systems being written using two digits rather than four to define the applicable year. Government computer programs that have date sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or systems failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the effect on operations and financial reporting may range from minor errors to significant systems failures that could affect the ability to conduct some government operations.

Despite the government's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the Ministry, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

14. Comparative Figures

Certain 1998 figures have been reclassified to conform to the 1999 presentation.

"Due to/from General Revenues" reported in 1998 has been reclassified to "Net Assets/Net Liabilities" in 1999. The change in "Net Assets/Net Liabilities" reported on the Statement of Financial Position includes "Net Transfer to/from General Revenues". As a result, the "Net Contribution to/from General Revenues" as previously reported is no longer required.

15. Subsequent Events

On May 25, 1999, the government announced a major re-organization. As a result, effective April 1, 1999, the Ministry of Labour was reorganized. The Ministry's responsibilities for Building Codes and Information Management and Privacy became part of the Ministry of Municipal Affairs. The rest of the Ministry's responsibilities became part of the newly established Ministry of Human Resources and Employment.

16. Loss on Disposal of Capital Assets

During the year the Ministry transferred capital assets to the Safety Codes Council and certain Delegated Administrative Organizations for a nominal amount, resulting in a \$785 loss on disposal.

17. Approval of Financial Statements

These financial statements were approved by the Deputy Minister and the Senior Financial Officer.

Labour

Ministry of Labour
Financial Statements

Schedule to the Financial Statements
Revenues
For the Year Ended March 31, 1999
(in thousands)

Schedule 1

	1999		1998
	Budget (Schedule 2)	Actual	Actual (Note 14)
Revenues			
Fees, permits and licences			
Workplace Health, Safety and Strategic Services	\$ 103	\$ 89	\$ 169
Safety Services	317	789	796
Employment Standards	75	185	199
Professions and Occupations	20	106	231
Pensions	650	757	694
	<u>1,165</u>	<u>1,926</u>	<u>2,089</u>
Other revenues			
Transfer from The Workers' Compensation Board	6,000	6,000	6,000
Refunds of expenditure	—	226	40
Other	30	113	228
	<u>6,030</u>	<u>6,339</u>	<u>6,268</u>
Total Revenue	<u>\$ 7,195</u>	<u>\$ 8,265</u>	<u>\$ 8,357</u>

Labour

Ministry of Labour
Financial Statements

Schedule to the Financial Statements
Budget
For the Year Ended March 31, 1999
(in thousands)

Schedule 2

	1998-99 Estimates(a)	Discontinued Operations	Transfer of Responsibility	1998-99 Budget	Voted Supplementary(a)	Authorized Budget
Revenue:						
Fees, permits and licences \$	1,165	\$ —	\$ —	\$ 1,165	\$ —	\$ 1,165
Transfer from The Workers' Compensation Board	6,000	—	—	6,000	—	6,000
Other revenue	30	—	—	30	—	30
	<u>7,195</u>	<u>—</u>	<u>—</u>	<u>7,195</u>	<u>—</u>	<u>7,195</u>
Voted Expenses:						
Ministry Support Services	5,175	—	—	5,175	442	5,617
Workplace Health, Safety and Strategic Services	9,310	—	—	9,310	—	9,310
Technical and Safety Services	11,140	—	—	11,140	—	11,140
Labour Relations	1,740	—	—	1,740	—	1,740
Freedom of Information and Privacy Protection	935	—	—	935	—	935
	<u>28,300</u>	<u>—</u>	<u>—</u>	<u>28,300</u>	<u>442</u>	<u>28,742</u>
Valuation adjustments	10	—	—	10	—	10
	<u>\$ 28,310</u>	<u>—</u>	<u>—</u>	<u>\$ 28,310</u>	<u>\$ 442</u>	<u>\$ 28,752</u>

(a) Government estimates were approved on March 26, 1998 and supplementary estimates were approved on December 9, 1998 and March 8, 1999.

Labour

Ministry of Labour
Financial Statements

Schedule to the Financial Statements
Expenses Detailed by Object
For the Year Ended March 31, 1999
(in thousands)

Schedule 3

	1999		1998
	Budget (Schedule 2)	Actual	Actual
Salaries, wages and employee benefits	\$ 19,087	\$ 19,901	\$ 19,609
Supplies and services	8,837	8,381	10,412
Grants	16	4	47
Financial transactions and other	60	62	60
Amortization of capital assets	300	139	282
Less: Expenses for discontinued operations	-	-	(2,225)
Total voted expenses for continuing operations	<u>\$ 28,300</u>	<u>\$ 28,487</u>	<u>\$ 28,185</u>

Labour

Ministry of Labour
Financial Statements

Schedule to the Financial Statements
Purchase of Capital Assets
For the Year Ended March 31, 1999
(in thousands)

Schedule 4

	1998-99 Estimates	Transfer of Responsibility	1998-99 Budget	Voted Supplementary	1998-99 Authorized Budget	1998-99 Actual	1997-98 Actual
Ministry Support Services	\$ 300	\$ -	\$ 300	\$ -	\$ 300	\$ 299	\$ 221
	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 299</u>	<u>\$ 221</u>

Labour

Ministry of Labour
Financial Statements

Schedule of Salaries and Benefits
Department of Labour
For the Year Ended March 31, 1999⁽¹⁾

Schedule 5(a)

	1999			1998
	Salary ⁽²⁾	Benefits and Allowances ⁽³⁾	Total	Total
Senior Official				
Deputy Minister ⁽⁴⁾	\$ 110,167	\$ 23,729	\$ 133,896	\$ 121,400
Executive				
Assistant Deputy Minister of Workplace, Health, Safety and Strategic Services	111,004	14,836	125,840	113,796
Assistant Deputy Minister of Technical and Safety Services	103,000	14,631	117,631	80,178
Assistant Deputy Minister of Professional and Technical Services ⁽⁵⁾	—	—	—	16,152
Executive Director of Professions and Occupations ⁽⁶⁾	—	—	—	26,726
Director of Information Management and Privacy	76,612	13,012	89,624	75,621
Director of Business Management ⁽⁷⁾	81,544	12,671	94,215	100,525
Director of Human Resources ⁽⁸⁾	40,783	6,628	47,411	77,438

(1) This schedule includes salaries and benefits for the department of Labour and excludes salaries and benefits of the Labour Relations Board.

(2) Salary includes regular base pay, achievement awards and lump sum payments.

(3) These include the Ministry's share of all benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships, tuition and vacation payouts.

(4) The Deputy Minister is provided with an automobile. The value of this benefit is not included in benefits and allowances. The benefits figure includes vacation payouts of \$11,494 (1998-\$NIL).

(5) This position was eliminated in May 1997 as a result of a departmental reorganization.

(6) This position was eliminated in May 1997 as a result of a departmental reorganization.

(7) The benefits figure includes vacation payouts of \$NIL (1998-\$8,043).

(8) The salary and benefits for this position reflect an arrangement with Alberta Treasury to share Human Resources services effective March 1, 1998.

Labour

Ministry of Labour
Financial Statements

Schedule of Salaries and Benefits
Labour Relations Board
For the Year Ended March 31, 1999

Schedule 5(b)

	1999			1998
	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Total
Senior Official				
Chair ⁽³⁾	\$ 124,014	\$ 15,239	\$ 139,253	\$ 116,760
Executive				
Vice Chair	97,440	16,039	113,479	103,296
Vice Chair	105,257	6,097	111,354	96,983
Director Settlement ⁽⁴⁾	77,821	13,715	91,536	90,333
Director Administration ⁽⁵⁾	48,661	10,954	59,615	56,783
Board members	147,503	—	147,503	151,883

(1) Salary includes regular base pay, lump sum payments and achievement awards.

(2) Benefits and allowances includes the Ministry's share of all benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships, tuition and vacation payouts.

(3) The Chair is provided with an automobile. The value of this benefit is not included in benefits and allowances. The benefits figure includes vacation payouts of \$9,216 (1998 - \$NIL).

(4) This benefits figure includes vacation payouts of \$NIL (1998 - \$1,375).

(5) This benefits figure includes vacation payouts of \$1,794 (1998 - \$1,612).

Schedule to the Financial Statements
Comparison of Expenses by Element to Authorized Budget
For the Year Ended March 31, 1999
(in thousands)

Schedule 6

	1998-99 Budget	Voted Supplementary	1998-99 Authorized Budget	1998-99 Actual Expense	Unexpended (Over Expended)
Voted Expenses:					
Ministry Support Services					
Minister's office	\$ 236	\$ —	\$ 236	\$ 232	\$ 4
Deputy Minister's office	300	—	300	273	27
Human Resources	600	—	600	383	217
Communications	335	—	335	324	11
Business Management	1,870	—	1,870	2,300	(430)
Systems	1,834	—	1,834	2,174	(340)
Achievement Awards	—	442	442	442	—
	<u>5,175</u>	<u>442</u>	<u>5,617</u>	<u>6,128</u>	<u>(511)</u>
Workplace Health, Safety and Strategic Services					
Assistant Deputy Minister	230	—	230	225	5
Information Services	1,100	—	1,100	1,176	(76)
Mediation	520	—	520	434	86
Issues Management	620	—	620	579	41
Workplace Health and Safety Program Management	300	—	300	213	87
Legislation Policy and Technical	440	—	440	1,074	(634)
Partnerships	600	—	600	638	(38)
Northern Regional Services	2,800	—	2,800	2,245	555
Southern Regional Services	2,700	—	2,700	2,175	525
	<u>9,310</u>	<u>—</u>	<u>9,310</u>	<u>8,759</u>	<u>551</u>
Technical and Safety Services					
Assistant Deputy Minister's office	250	—	250	372	(122)
Quality and Contract Management	200	—	200	181	19
Program Management	150	—	150	142	8
Mechanical Technical Services	640	—	640	930	(290)
Civil Technical Services	640	—	640	636	4
Northern Regional Services	1,800	—	1,800	1,458	342
Southern Regional Services	1,800	—	1,800	1,462	338
Fire Commissioner's Office	340	—	340	362	(22)
Employment Standards Program Management	150	—	150	164	(14)
Registrar	250	—	250	179	71
Corporate Services	590	—	590	949	(359)
Employment Standards Northern Region	1,700	—	1,700	1,311	389
Employment Standards Southern Region	1,700	—	1,700	1,372	328
Professions and Occupations	500	—	500	662	(162)
Pensions	430	—	430	478	(48)
	<u>11,140</u>	<u>—</u>	<u>11,140</u>	<u>10,658</u>	<u>482</u>
Labour Relations and Adjudication and Regulation	1,740	—	1,740	2,072	(332)
Freedom of Information and Privacy Protection	935	—	935	870	65
Total Voted Expenses	<u>\$ 28,300</u>	<u>\$ 442</u>	<u>\$ 28,742</u>	<u>\$ 28,487</u>	<u>\$ 255</u>

Financial Statements - The Workers' Compensation Board

WCB - Management Commentary on 1998 Financial Statements

Responsibility for Financial Reporting

Acturaries' Report - Watson Wyatt Worldwide

Auditors' Report - KPMG

Balance Sheet

Statement of Operations

Statement of Reserves and Fund Balance

Statement of Cash Flows

Notes to the Financial Statements

Schedule A - Salaries and Benefits

Schedule A-1 - Salaries and Benefits

Results of Operations

The overall result is an operating surplus of \$140.1 million⁽¹⁾ brought about primarily through the corporation's sound investment strategy and the strength of the provincial economy resulting in higher than anticipated premium revenue.

The Rate and Benefit Stabilization Reserve and Occupational Disease Reserve were increased by \$8.8 million and \$5.0 million respectively. The Fund balance at December 31, 1998 is \$448.1 million.

The average actual premium rate collected was considerably below the average premium rate required to meet the cost of current year injuries⁽²⁾ as a result of the investment gains.

Investment Activities

Investments held to meet future benefit obligations for past injuries reached \$3,659.5 million, an increase of 10.3%. The capital market in 1998 was quite strong early in the year and recovered somewhat in the latter part of the year but the summer and early fall months were poor resulting in a market return of 11.0% for 1998 compared to 13.0% for the previous year.

Claim Benefit Liabilities

Estimated claim benefit liabilities of the corporation increased to \$2,652.0 million, an increase of 5.2%. Note 9 to the financial statements provides a reconciliation of the changes to the claim benefit liabilities. There were no material changes in 1998 to the actuarial assumptions or methodology other than as identified in the Actuarial Certificate.

⁽¹⁾The operating surplus of \$140.1 million can be attributed to the following:

Net investment revenue gain over liability requirements and investment revenue on the fund balance and reserves	\$ 173.2 million
Shortfall in premium revenue as a result of actual premium rate (\$1.34) being lower than the required premium rate (\$1.49) on \$29.95 billion in insurable earnings	(44.9 million)
Actuarial adjustments	6.4 million
Other items including favourable variances in administration costs and injury reduction	5.4 million
Total	\$ 140.1 million

⁽²⁾ Average Actual Compared to Average Required Premium Rates
Per \$100 Insurable Earnings

Year	Average Actual Premium Rate	Average Rate for Full Funding	Required Difference
1998	1.34	1.49	(0.15)
1997	1.48	1.51	(0.03)
1996	1.50	1.51	(0.01)
1995	1.89	1.56	0.33
1994	2.29	1.74	0.55
Average	1.70	1.56	0.14

Responsibility for Financial Reporting

The financial statements of the Workers' Compensation Board (WCB) were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.


The WCB's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the financial statements of the WCB.

The Board of Directors are responsible for overseeing management in the performance of financial reporting responsibilities and has approved the financial statements included in the annual report.

The Board of Directors are assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements; and meets periodically with management, external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

Watson Wyatt has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with generally accepted actuarial principles.

KPMG, the independent auditor of the WCB, has performed an audit of the financial statements of the WCB in accordance with generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.



Rick Lelacheur
Chairman, Board
Directors



Mary J. Cameron
President and
Chief Executive Officer



David Renwick
Vice President and
Chief Financial Officer



TO THE BOARD OF DIRECTORS OF THE WORKERS' COMPENSATION BOARD - ALBERTA

We have made an independent review of the actuarial valuation of the liabilities for future benefits payable under the Workers' Compensation Act - Alberta as at December 31, 1998 in respect of accidents which have occurred up to that date.

The actuarial valuation has been performed by the Board's actuarial staff and a comprehensive actuarial report has been prepared and provided to the Board. The Board's auditors have made an independent review of the financial data used in the actuarial valuation. We have reviewed the data used for the valuation and have made tests of reasonableness and of consistency with the data used in prior years. In our opinion the data is sufficient and reliable for the purposes of this valuation.

The actuarial valuation of these liabilities in the amount of \$2,652,000,000 represents the actuarial present value at December 31, 1998 of all future short term disability benefits, long term disability benefits, survivor benefits, health care payments and rehabilitation payments and expenses of administration which are expected to be made in future years and which relate to claims occurring on or before December 31, 1998. The actuarial valuation does not include benefits or payments that are on a self-insured basis. The actuarial liabilities do not include any allowance for contingent liabilities in respect of any change to the re-marriage provisions, which are not determinable at the valuation date.

The valuation was based on the Workers' Compensation Act in effect as of December 31, 1998 as administered by the Board, and on the current practices and administration procedures of the Workers' Compensation Board and historical claims experience. The disability benefits in respect of accidents in 1995 and subsequent years are different from those applicable to accidents incurred up to December 31, 1994. For valuation purposes the actuarial valuation in respect of accidents after December 31, 1994 has been made on the same actuarial assumptions, methods and benefit levels as are used for accidents incurred up to December 31, 1994.

The actuarial assumptions and methods used are based on the Board's best estimates and take into account current benefits, expenditures and practices. There were two material changes in the actuarial assumptions and methods since the last valuation. These changes were made to update the experience data used to value future permanent disability awards. These changes decreased liabilities by \$61.1 million.

A summary of the net discount rates used in the actuarial valuation are referred to in the notes to the financial statements.

In our opinion, for the purpose of the valuation, the actuarial assumptions are appropriate and the methods employed are consistent with sound actuarial principles. The valuation report has been prepared, and our opinions have been given in accordance with accepted actuarial practice.

WATSON WYATT & COMPANY

A handwritten signature in cursive script that reads 'L. N. Taylor'.

Leslie N. Taylor, F.I.A., F.C.I.A.
Fellow, Canadian Institute of Actuaries

A handwritten signature in cursive script that reads 'Nancy A. Yake'.

Nancy A. Yake, F.S.A., F.C.I.A.
Fellow, Canadian Institute of Actuaries



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AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF THE WORKERS' COMPENSATION BOARD - ALBERTA AND THE AUDITOR GENERAL OF THE PROVINCE OF ALBERTA

We have audited the balance sheet of Workers' Compensation Board - Alberta (the Board) as at December 31, 1998 and the statements of operations, statement of reserves and fund balance and statement of cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accept auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1998 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants


Edmonton, Canada

March 19, 1999

	1998	1997
ASSETS		
Cash	\$ 101,464	\$ 159,057
Receivables (Note 3)	10,681	36,925
Investments (Note 4)	3,659,514	3,316,446
Capital assets (Note 6)	33,280	27,517
	<u>\$ 3,804,939</u>	<u>\$ 3,539,945</u>
LIABILITIES		
Payables and accruals (Note 7)	\$ 25,172	\$ 85,925
Deferred revenue (Note 8)	344,039	288,660
Claim benefit liabilities (Note 9)	2,652,000	2,521,200
Provincial pension plans (Note 10)	2,959	3,446
	<u>3,024,170</u>	<u>2,899,231</u>
RESERVES AND FUND BALANCE		
Rate and benefit stabilization reserve	211,700	202,900
Occupational disease reserve	121,000	116,000
Fund balance	448,069	321,814
	<u>\$ 3,804,939</u>	<u>\$ 3,539,945</u>
Commitments (Note 17)		

The accompanying notes and schedules are an integral part of the financial statements.

On behalf of the Board of Directors:



Rick Lelacheur
Chairman, Board of
Directors



Mary J. Cameron
President and
Chief Executive Officer

Statement of Operations
For the Year Ended December 31, 1998
(thousands of dollars)

	1998		1997
	Budget	Actual	Actual
REVENUE			
Premiums (Note 11)	\$ 363,400	\$ 412,203	\$ 417,107
Investment (Note 12)	200,000	344,113	218,852
Other	2,500	2,304	2,540
	<u>565,900</u>	<u>758,620</u>	<u>638,499</u>
EXPENDITURE			
Claim costs (Note 9)	465,000	555,148	470,878
Administration (Note 13)	50,900	46,861	38,763
Injury reduction (Note 15)	21,000	12,624	14,004
Appeals Commission (Note 16)	4,000	3,932	3,480
	<u>540,900</u>	<u>618,565</u>	<u>527,125</u>
OPERATING SURPLUS	<u>\$ 25,000</u>	<u>\$ 140,055</u>	<u>\$ 111,374</u>

Statement of Reserves and Fund Balance
For the Year Ended December 31, 1998
(thousands of dollars)

	1998	1997
	Actual	Actual
RATE AND BENEFIT STABILIZATION RESERVE		
Balance at beginning of year	\$ 202,900	\$ 182,000
Transfer from Fund Balance	8,800	20,900
BALANCE AT END OF YEAR	<u>\$ 211,700</u>	<u>\$ 202,900</u>
OCCUPATIONAL DISEASE RESERVE		
Balance at beginning of year	\$ 116,000	\$ 52,000
Transfer from Fund Balance	5,000	64,000
BALANCE AT END OF YEAR	<u>\$ 121,000</u>	<u>\$ 116,000</u>
FUND BALANCE		
Balance at beginning of year	\$ 321,814	\$ 295,340
Operating Surplus	140,055	111,374
Transfers to Reserves	(13,800)	(84,900)
BALANCE AT END OF YEAR	<u>\$ 448,069</u>	<u>\$ 321,814</u>

The accompanying notes and schedules are an integral part of the financial statements.

Statement of Cash Flows
For the Year Ended December 31, 1998
(thousands of dollars)

	1998		1997
	Budget	Actual	Actual
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from:			
Employers	\$ 365,400	\$ 380,901	\$ 462,431
Dividends and interest	5,000	90,779	44,582
Other income	2,500	2,304	2,540
	<u>372,900</u>	<u>473,984</u>	<u>509,553</u>
Cash paid to:			
Claimants, or third parties on their behalf	302,200	368,013	335,388
Employees and suppliers, for administrative and other goods and services	96,200	103,452	82,655
Injury reduction	19,200	14,937	20,185
	<u>417,600</u>	<u>486,402</u>	<u>438,228</u>
Net cash provided from (used for) operating activities	<u>(44,700)</u>	<u>(12,418)</u>	<u>71,325</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Cash received from:			
Sale and maturity of investments	<u>73,000</u>	<u>642,934</u>	<u>192,104</u>
Cash paid for:			
Purchase of investments	73,300	677,289	202,964
Purchase of capital assets, net	15,000	10,820	7,130
	<u>88,300</u>	<u>688,109</u>	<u>210,094</u>
Net cash used for investing activities	<u>(15,300)</u>	<u>(45,175)</u>	<u>(17,990)</u>
NET INCREASE (DECREASE) IN CASH	(60,000)	(57,593)	53,335
Cash at beginning of year	<u>90,000</u>	<u>159,057</u>	<u>105,722</u>
CASH AT END OF YEAR	<u>\$ 30,000</u>	<u>\$ 101,464</u>	<u>\$ 159,057</u>

The accompanying notes and schedules are an integral part of the financial statements.

1. General

Legislative Authority

The Workers' Compensation Board (WCB) operates under the authority of the Workers' Compensation Act, Statutes of Alberta 1981, Chapter W-16, as amended.

Vision and Mission

The Vision of the WCB is "Albertans working - a safe, healthy and strong Alberta".

The Mission of the WCB is "The WCB - Alberta, working together with our partners, will significantly and measurably reduce the impact of workplace illness and injury on Albertans".

Funding Policy

Consistent with Section 85 of the Workers' Compensation Act, the Board of Directors established a funding policy to ensure for the benefit of its stakeholders the WCB remains financially stable and secure into the future. To this end the Rate and Benefit Stabilization Reserve was created. Its purpose is to provide for the costs that may arise from extraordinary events which may otherwise unfairly burden employers in the short term, jeopardize benefits to injured workers, or prevent full funding. An Occupational Disease Reserve was created to provide for the costs that may arise from latent occupational diseases where a causal link to the workplace has not yet been established but may be established in the future. The funding policy also stipulates the maintaining of the Fund Balance to recognize the degree of uncertainty in the business of workers' compensation.

Claim Benefit Liabilities

Claim benefit liabilities are independently reviewed by an external actuary as at December 31, 1998 and represent the actuarial present value of all future benefit payments expected to be made for claims which have occurred in respect of current and prior years' injuries.

These benefits are expressed in constant dollars discounted at 4.0% per annum, being the difference between expected investment earnings and expected increases in benefit payments, except for rehabilitation and claim administration costs which are discounted at 3.5% and the health care costs which are discounted at 0.5% to reflect expected higher increases in health care costs and utilization.

2. Significant Accounting Policies

The claim benefit liabilities include provision for all benefits provided by current legislation, policies and administrative practices. No provision has been made for claims related to known latent occupational diseases where the claim has not yet been reported and the year of disablement would be in a subsequent period.

The actuarial liabilities of the WCB are of a long-term nature and therefore the actuarial assumptions and methods used to calculate the reported actuarial liabilities at December 31, 1998 are based on considerations of future expenditures over the long term. It is reasonably possible that changes in future conditions within one year of the financial statement date could require a change in the recognized amounts.

General

These financial statements have been prepared in accordance with generally accepted accounting principles.

Cash

Cash and short term investments held in the investment portfolio for trading purposes are excluded from the cash balance reported on the balance sheet.

Investments

Fixed term investments are stated at amortized cost. Gains and losses realized on disposal of fixed term investments are deferred and amortized on the straight-line basis over a period which approximates the average remaining term to maturity of the fixed term investments sold. Equity and real estate investments are stated at moving average market value. Gains and losses realized on disposal of equity and real estate investments together with unrealized gains and losses occurring during the year, are deferred and amortized on the straight-line basis over five years.

Derivative Financial Instruments

Derivative financial instruments are financial contracts whose price is dependent on the price of one or more underlying securities, reference rates or indices. Derivative products include interest rate swaps, equity and bond index swaps, and forward foreign exchange contracts. These products are traded by the WCB for income enhancement and can be used to hedge interest rate and foreign currency exposures. Interest rate swap and forward foreign exchange contract notional amounts are not recognized in the financial statements. Index swaps are recorded at moving average market value or amortized cost based on the nature of the index used.

Interest rate swaps are transactions in which two parties exchange interest rates on a specified notional amount for a predetermined period. Interest income is recognized in the year.

Equity and bond index swaps are agreements to exchange cash flows based on the return of a specified equity or bond index. Income is recognized in the year.

Forward foreign exchange contracts represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract. Foreign exchange gains and losses are recognized in the year as income.

Fair Value

The carrying value of cash, receivables and payables, and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value. The market value of publicly traded investments is based on quoted market prices. The market value of privately held debt, equity or real estate investments is based on discounted future cash flows or independent appraisals. The market or replacement value of swaps and options is determined by the net unrealized gains or losses, accrued interest receivable or payable and premiums paid or received.

Foreign Currency Translation

Assets and liabilities, with the exception of investments, denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains and losses for investments are recorded in the same manner as other investment gains and losses.

Capital Assets

Capital assets are reported at cost and are amortized over their estimated useful lives. Amortization is provided using the following methods and annual rates:

Buildings	2 1/2% straight-line
Equipment	
computer	35% diminishing balance
furniture and other	15% diminishing balance
vehicles	20% straight-line
Computer software	20% straight-line

3. Receivables

	1998	1997
Premiums	\$ (2,365)	\$ 4,891
Accrued Premiums	9,938	28,904
Other	3,108	3,130
	<u>\$ 10,681</u>	<u>\$ 36,925</u>

4. Investments

	1998		1997	
	Book Value	Market Value	Book Value	Market Value
Cash and short term investment	\$ 67,594	\$ 68,799	\$ 38,353	\$ 38,626
Fixed term investments:				
Bonds	1,447,481	1,553,011	1,305,485	1,401,022
Mortgages	-	-	56,326	59,401
	<u>1,447,481</u>	<u>1,553,011</u>	<u>1,361,811</u>	<u>1,460,423</u>
Real estate	68,966	80,847	66,681	75,552
Equities:				
Domestic	836,674	801,755	723,803	804,200
Foreign	1,238,799	1,479,426	1,125,798	1,258,354
	<u>2,075,473</u>	<u>2,281,181</u>	<u>1,849,601</u>	<u>2,062,554</u>
	<u>\$ 3,659,514</u>	<u>\$ 3,983,838</u>	<u>\$ 3,316,446</u>	<u>\$ 3,637,155</u>

5. Financial Instruments and Risk Management Activities

Derivative Financial Instruments

	1998		1997	
	Notional Amount	Replacement Value	Notional Amount	Replacement Value
Interest rate swaps	\$ 320,119	\$ 15,098	\$ 214,733	\$ 6,064
Forward foreign exchange contracts	158,787	(146)	94,630	251
Equity index swaps	248,464	4,176	250,555	1,463
Bond index swaps	248,302	1,419	161,088	(313)
	<u>\$ 975,672</u>	<u>\$ 20,547</u>	<u>\$ 721,006</u>	<u>\$ 7,465</u>

Notional Principal	Remaining Term to Maturity					Total 1998	Total 1997
	Within 1 Year	Over 1 Year to 3 Years	Over 3 to 5 Years	Over 5 Years			
Interest rate swap	\$ 29,161	\$ 56,205	\$ 136,220	\$ 98,533		\$ 320,119	\$ 214,733
Forward foreign exchange contracts	158,787	-	-	-		158,787	94,630
Equity index swaps	248,464	-	-	-		248,464	250,555
Bond index swaps	78,957	159,620	9,725	-		248,302	161,088
	<u>\$ 515,369</u>	<u>\$ 215,825</u>	<u>\$ 145,945</u>	<u>\$ 98,533</u>		<u>\$ 975,672</u>	<u>\$ 721,006</u>

Notional principal amounts are the basis upon which payments are made and are not indicative of the credit exposure with derivative products. On the other hand, as described in Note 2, the replacement value is determined by the net unrealized gains or losses, accrued interest receivable or payable and premiums paid or received. If the counterparty to the derivative fails to discharge their obligation, then the replacement value is the credit exposure of the WCB.

Credit Risk Management

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument fails to perform. Counterparties for derivative contracts will have at least an AA credit rating. The issuer for fixed term investments will have at least a BBB credit rating. Specific rules have been established to ensure the credit rating of a counterparty does not fall below an amount deemed acceptable by the WCB. The WCB does not anticipate that any counterparties will fail to meet their obligations.

The WCB invests in publicly and privately traded shares and bonds available on domestic and foreign exchanges. These shares and bonds are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the affects of these market changes and fluctuations.

The WCB may lend any of its investments to third parties provided the loans are secured by cash or readily marketable securities having a market value of 105% of the loan. As of December 31, 1998 secured loans amounted to \$113,300 (\$58,000 in 1997).

Foreign Exchange Risk Management

The WCB has certain obligations and investments denominated in foreign currencies. The WCB does not undertake long term hedging strategies for the currency risk of foreign investments. The WCB undertakes long term investment strategies; however, currency fluctuations may affect short term returns. These fluctuations are not expected to affect the long term position of the investment portfolio. The WCB may enter into defensive hedging arrangements if it is believed that assets or cash flows are exposed to significant negative economic or political events. As of December 31, 1998 forward foreign exchange contracts amounted to \$158,800 (\$94,600 in 1997).

Interest Risk Management

Fluctuations in interest rates are managed by actively managing the duration of the fixed income portfolio. The WCB also enters into various types of interest rate contracts in managing interest rate risk. The table below represents the remaining term to maturity of the WCB's outstanding fixed term investments.

	Remaining Term to Maturity				Total 1997
	Within 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total 1998	
Bonds	\$ 54,515	\$ 460,604	\$ 1,037,892	\$ 1,553,011	\$ 1,401,022
Mortgages	—	—	—	—	59,401
	<u>\$ 54,515</u>	<u>\$ 460,604</u>	<u>\$ 1,037,892</u>	<u>\$ 1,553,011</u>	<u>\$ 1,460,423</u>

The fixed term investments include bonds, debentures, mortgages, and other interest bearing instruments. The average effective yield of these fixed term investments, excluding the investment in real return bonds, is 5.44% (1997: 5.64%) per annum based on market value.

6. Capital Assets

	1998			1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,119	\$ —	\$ 1,119	\$ 1,119
Buildings	24,686	(12,882)	11,804	12,459
Equipment	16,722	(10,040)	6,682	4,896
Computer Software	41,591	(27,916)	13,675	9,043
	<u>\$ 84,118</u>	<u>\$ 50,838</u>	<u>\$ 33,280</u>	<u>\$ 27,517</u>

7. Payables and Accruals

	1998	1997
Premium rebate	\$ -	\$ 57,524
Accrued staff benefits	9,288	8,932
Voluntary incentive plan	2,734	5,047
Other	13,150	14,422
	<u>\$ 25,172</u>	<u>\$ 85,925</u>

8. Deferred Revenue

Deferred Realized Gains (Losses)

	1998			1997
	Fixed Term	Equities	Total	Total
1999	\$ 12,762	\$ 99,497	\$ 112,259	\$ 156,300
2000	13,092	83,399	96,491	60,407
2001	12,649	53,007	65,656	40,311
2002	11,971	21,876	33,847	9,285
2003-2006	35,786	—	35,786	22,357
	<u>\$ 86,260</u>	<u>\$ 257,779</u>	<u>\$ 344,039</u>	<u>\$ 288,660</u>

9. Claim Benefit Liabilities

	1998							1997
	Short Term Disability	Long Term Disability	Survivor Benefits	Health Care	Rehabilitation	Claim Administration	Total	Total
Balance								
Beginning of Year	\$ 358,100	\$ 1,231,000	\$ 356,200	\$ 368,100	\$ 52,700	\$ 155,100	\$ 2,521,200	\$ 2,437,500
Add:								
Claim Costs Incurred:								
Current Year Injuries	131,191	67,862	17,519	101,780	15,006	51,691	385,049	363,792
Prior Years' Injuries	63,045	(57,226)	15,417	110,365	1,753	36,745	170,099	107,086
	<u>194,236</u>	<u>10,636</u>	<u>32,936</u>	<u>212,145</u>	<u>16,759</u>	<u>88,436</u>	<u>555,148</u>	<u>470,878</u>
	552,336	1,241,636	389,136	580,245	69,459	243,536	3,076,348	2,908,378
Deduct:								
Claim Payments Made:								
Current Year Injuries	58,791	214	894	38,780	1,306	18,591	118,576	103,484
Prior Years' Injuries	82,945	83,222	30,642	56,365	14,853	37,745	305,772	283,694
	<u>141,736</u>	<u>83,436</u>	<u>31,536</u>	<u>95,145</u>	<u>16,159</u>	<u>56,336</u>	<u>424,348</u>	<u>387,178</u>
Balance End of Year	<u>\$ 410,600</u>	<u>\$ 1,158,200</u>	<u>\$ 357,600</u>	<u>\$ 485,100</u>	<u>\$ 53,300</u>	<u>\$ 187,200</u>	<u>\$ 2,652,000</u>	<u>\$ 2,521,200</u>

Claim payment for health care include reimbursement of \$5,224 (\$5,916 in 1997) to Alberta Health for basic health services for injured workers.

The following is a reconciliation of the claim benefit liabilities:

	1998	1997
Balance at beginning of year	\$ 2,521,200	\$ 2,437,500
Add:		
Provision for current year injuries	266,473	260,309
Interest allocated	170,900	163,100
Revision to compensation policies:		
Special needs and independence allowances	52,700	-
Claim cost experience higher (lower) than expected	7,735	(29,030)
	<u>\$ 3,019,008</u>	<u>\$ 2,831,879</u>
Deduct:		
Payments, for prior years' injuries, Excluding self-insured employers	300,208	278,879
Difference between actual and expected long term cost of living adjustments	66,800	31,800
Balance at end of year	<u>\$ 2,652,000</u>	<u>\$ 2,521,200</u>

10. Provincial Pension Plans

The WCB participates with other employers in two defined benefit pension plans. The Public Service Pension Plan and the Management Employees' Pension Plan provide pensions for the WCB employees based on length of service and earnings.

The WCB's portion of the unfunded pension liability for each plan as at December 31, 1998, as determined by the Provincial Treasurer, is as follows:

	1998	1997
Public Service Pension Plan	\$ 1,996	\$ 2,097
Management Employees Pension Plan	963	1,349
	<u>\$ 2,959</u>	<u>\$ 3,446</u>

11. Premiums

	1998	1997
Premiums before rebate	\$ 412,203	\$ 474,631
Less: Premium rebate	-	57,524
	<u>\$ 412,203</u>	<u>\$ 417,107</u>

12. Investment Revenue

	1998	1997
Dividends and interest		
Fixed term	\$ 106,545	\$ 100,852
Equity	46,714	40,520
Real estate	3,978	3,293
	<u>157,237</u>	<u>144,665</u>
Add:		
Amortized realized and unrealized gains	187,405	74,535
	<u>344,642</u>	<u>219,200</u>
Deduct:		
Investment related administration expenditures	529	348
	<u>\$ 344,113</u>	<u>\$ 218,852</u>

13. Administration Expenditures

	1998	1997
Salaries and employee benefits (Schedule A)	\$ 78,349	\$ 64,919
Office and communications	14,441	13,274
Consulting fees	10,832	6,554
Amortization of capital assets	5,011	9,160
Building operations	4,292	3,488
Travel and vehicle operation	1,334	1,089
Other	87	75
	<u>114,346</u>	<u>98,559</u>
Deduct:		
Claim administration costs	56,336	51,790
Charged to health care claim cost	10,694	7,658
Charged to investment revenue	455	348
	<u>\$ 46,861</u>	<u>\$ 38,763</u>

14. Self-Insured Employers

These financial statements include the effects of transactions carried out for self-insured employers who directly bear the cost of their workers' claims and an appropriate share of administration expenditures. Currently, the Federal Government is the only self-insurer. This is a contractual relationship in accordance with the Government Employees Compensation Act. Certain government related entities and railways are responsible for the cost of injuries to their workers which occurred when they were self-insured in prior years. Aggregate amounts of such premiums and offsetting expenditures are contained in the Statement of Operations as follows:

	1998	1997
Premium revenue	\$ 6,169	\$ 5,474
Claim costs incurred:		
Short term disability	\$ 1,324	\$ 956
Long term disability	1,612	1,404
Survivor benefits	780	798
Health care	1,362	1,122
Rehabilitation	200	136
	5,278	4,416
Administration expenditures	891	1,058
	<u>\$ 6,169</u>	<u>\$ 5,474</u>

15. Injury Reduction

	1998	1997
Occupational Health & Safety	\$ 6,000	\$ 6,000
Safety Associations	3,908	3,210
Voluntary Incentive Plan	2,716	4,794
	<u>\$ 12,624</u>	<u>\$ 14,004</u>

The WCB has the statutory obligation to reimburse the Provincial Treasurer a portion of the costs associated with occupational health and safety.

Funding is provided to industry sponsored safety associations for the purpose of improving the workplace.

The Voluntary Incentive Plan is based on the premise that injuries, and in turn claim costs, can be reduced through health and safety management. Financial incentives are provided to employers who reduce claim costs.

16. Appeals Commission

The Appeals Commission is a separate legal entity whose operating costs are paid by the WCB from the Accident Fund in accordance with Section 6 of the Workers' Compensation Act. The Appeals Commission is managed separately from the WCB.

17. Commitments

A number of operating leases exist for computer equipment and office space. The following is a schedule of future lease payments to be charged to administration expenditures:

1999	\$	5,482
2000		4,145
2001		2,184
2002		596
Beyond		633
	\$	<u>13,040</u>

18. Year 2000 Compliance

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. The WCB is currently working to resolve the potential impact of the year 2000 on the processing of date sensitive information in its computerized systems. Despite the WCB's efforts to address this matter, it is not possible to be certain that all aspects of the year 2000 issue affecting the WCB, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19. Benefits to Surviving Spouses Upon Remarriage

Prior to 1982, the Workers' Compensation Act stipulated the payment of a lump sum settlement and the termination of the monthly pension in cases where a surviving spouse remarries. Pressure has been brought to bear on the WCB and the Province of Alberta by a lobby group questioning the constitutional validity and fairness of that section of the Workers' Compensation Act. The legal position presented by this lobby group is questionable and although a legal challenge in the courts has been suggested as a possibility, no such action is presently pending. Irrespective of the legal challenge, uncertainty also exists whether the Province of Alberta is willing to change the legislation to require the WCB to pay further benefits to this group of surviving spouses. These financial statements do not contain any allowance for contingent liabilities in respect of any change or challenge to the remarriage provisions, the amounts for which are not presently determinable.

20. Budget

The Board of Directors approved the original budget in April, 1997, and an approved variance in November, 1997. The budget is presented for comparison with the 1998 actual figures.

	1998					1997	
	Number of Individuals	Salary (1)	Benefits (2) (3)	Other	Total	Number of Individuals	Total
Chairman, Board of Directors ⁽⁴⁾	1	\$ 77,222	\$ 1,069	\$ -	\$ 78,291	1	\$ 110,211
Board Members ⁽⁴⁾	9	143,146	4,772	-	147,918	9	150,876
	10	220,368	5,841	-	226,209	10	261,087
President and Chief Executive Officer	1	211,614	45,049 ⁽⁵⁾	-	256,663	1	366,287
Vice President, Claimant and Health Care Services	1	162,534	25,480	-	188,014	1	176,186
Vice President, Employer Services	1	161,949	24,850	-	186,799	1	169,123
Vice President and Chief Financial Officer	1	177,842	25,347	-	203,189	1	197,570
Vice President, Organizational Performance and Corporate Communications	1	92,766	21,768	-	114,534	1	136,367
Secretary and General Counsel	1	135,411	29,925	-	165,336	1	186,659
	6	942,116	172,419	-	1,114,535	6	1,232,192
Other Managers: (1998 - \$102,062, 1997 - \$95,607)	36	3,234,278	439,958	-	3,674,236	38	3,633,077
Other Full-Time Staff: (1998 - \$48,727, 1997 - \$45,066)	1,437	61,517,752	8,504,267	-	70,022,019	1,314	59,217,320
Termination Benefits	-	-	-	1,166,372 ⁽⁶⁾	1,166,372	-	925,566
Long-Term Disability	-	-	-	712,395 ⁽⁷⁾	712,395	-	1,378,123
Provincial Pension Plans	-	-	-	(486,992) ⁽⁸⁾	(486,992)	-	(2,736,550)
Other Staff Related Expenses	-	-	-	1,919,966 ⁽⁹⁾	1,919,966	-	1,008,347
Administration - Salaries & Benefits ⁽¹⁰⁾		\$ 65,914,514	\$ 9,122,485	\$ 3,311,741	\$ 78,348,740		\$ 64,919,162

- (1) Salary includes regular base pay, special incentive pay, overtime, performance awards, vacation pay, honoraria and contractor's fees.
- (2) Employer's share of employee benefits and contributions or payments made to or on behalf of employees. It is comprised of Canada Pension Plan, Employment Insurance, medical benefits, group life insurance, disability plans, employee and family assistance plan, professional memberships and tuition, long service, suggestion and retirement awards.
- (3) No amount included in benefits and allowances for; car allowances, car insurance, or the value of parking and interest-free loans.
- (4) The Chairman of the Board of Directors and Board Members are part time positions.
- (5) The President and Chief Executive Officer does not participate in the Public Service Benefit Plan. The Board of Directors has provided her with an amount in lieu of pension paid directly.
- (6) Termination benefits include retiring allowances, accrued sick leave and other settlement costs due to loss of employment. The number of staff receiving termination benefits were 11. Included in the termination benefits are \$364,058 paid to the Secretary and General Counsel and \$171,759 paid to the Vice President, Organizational Performance and Corporate Communications in accordance with contractual obligations.
- (7) The adjustment to the liability for long-term disability claims reflects changes to the actuarial present value of all future payments expected to be made for claims which have occurred in current and prior years.
- (8) Represents adjustments to Provincial Pension Plan Liabilities.
- (9) Other staff related expenses include recruitment costs, seminars, conventions and conferences, staff and association luncheons and meetings, in-house training programs, retiree's benefits and relocation costs.
- (10) Excluded from this total is the Appeals Commission as it is a separate legal entity. See Schedule A-1 for details.

Appeals Commission Salaries and Benefits
December 31, 1998
Schedule A-1

	1998					1997	
	Number of Individuals	Salary (1)	Benefits (2) (3)	Other	Total	Number of Individuals	Total
Chief Appeals Commissioner	1	\$ 113,400	\$ 11,263	\$ -	\$ 124,663	1	\$ 110,974
Full Time Commissioners	7	484,059	68,351	-	552,410	7	450,104
Temporary Appeals Commissioners	22	541,022	9,995	-	551,017	22	506,132
	<u>30</u>	<u>1,138,481</u>	<u>89,609</u>	<u>-</u>	<u>1,228,090</u>	<u>30</u>	<u>1,067,210</u>
Other Full Time Staff (1998 - \$40,242, 1997 - \$51,681)	45	1,601,542	209,369	-	1,810,911	45	1,757,148
Termination Benefits	-	-	-	-	-	-	15,000
Long -Term Disability	-	-	-	-	-	-	41,698
Other Staff Related Expenses	-	-	-	38,603	38,603 ⁽⁴⁾	-	16,999
Total		<u>\$ 2,740,023</u>	<u>\$ 298,978</u>	<u>\$ 38,603</u>	<u>\$ 3,077,604</u>	-	<u>\$ 2,898,055</u>

The Appeals Commission is a separate legal entity funded by the accident fund but administered separately from The Workers' Compensation Board.

- (1) Salary includes regular base pay, special incentive pay, overtime, performance awards, vacation pay, honoraria and contractor's fees.
- (2) Employer's share of employee benefits and contributions or payments made to or on behalf of employees. It is comprised of Canada Pension Plan, Employment Insurance, medical benefits, group life insurance, disability plans, employee and family assistance plan, professional memberships and tuition, long service, suggestion and retirement awards.
- (3) No amount included in benefits and allowances for; car allowances, car insurance, or the value of parking and interest-free loans.
- (4) Other staff related expenses include recruitment costs, seminars, conventions and conferences, staff and association luncheons and meetings, in-house training programs, retiree's benefits and relocation costs.

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Agricultural Research Institute	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Community Development
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Economic Development
Alberta Government Telephones Commission, The	Treasury
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Historical Resources Foundation, The	Community Development
Alberta Insurance Council	Treasury
Alberta Motion Picture Development Corporation	Economic Development
Alberta Municipal Financing Corporation	Treasury
Alberta Oil Sands Technology and Research Authority	Science, Research and Information Technology
Alberta Opportunity Company	Economic Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council	Science, Research and Information Technology
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Education
Alberta Science and Research Authority	Science, Research and Information Technology
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Municipal Affairs
Alberta Special Waste Management Corporation	Environmental Protection
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury
Calgary Rocky View Child and Family Services Authority	Family and Social Services
Chembiomed Ltd.	Treasury
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development

Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Community Development	Community Development
Department of Economic Development	Economic Development
Department of Education	Education
Department of Energy	Energy
Department of Environmental Protection	Environmental Protection
Department of Family and Social Services	Family and Social Services
Department of Justice	Justice
Department of Municipal Affairs	Municipal Affairs
Department of Public Works, Supply and Services	Public Works, Supply and Services
Department of Treasury	Treasury
Edmonton Community Board for Persons with Developmental Disabilities	Family and Social Services
Education Revolving Fund	Education
Environmental Protection and Enhancement Fund	Environmental Protection
Gainers Inc.	Treasury
Gas Alberta Operating Fund	Energy
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Lottery Fund	Economic Development
Michener Centre Facility Board, The	Family and Social Services
Ministry of Advanced Education and Career Development ¹	Advanced Education and Career Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Community Development	Community Development
Ministry of Economic Development	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environmental Protection	Environmental Protection
Ministry of Executive Council ¹	Executive Council
Ministry of Family and Social Services	Family and Social Services
Ministry of Health ¹	Health
Ministry of Intergovernmental and Aboriginal Affairs ¹	Intergovernmental and Aboriginal Affairs
Ministry of Justice	Justice
Ministry of Labour ¹	Labour
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Public Works, Supply and Services	Public Works, Supply and Services
Ministry of Science, Research and Information Technology	Science, Research and Information Technology

Ministry of Transportation and Utilities ¹	Transportation and Utilities
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environmental Protection
Persons with Developmental Disabilities Calgary Region Community Board	Family and Social Services
Persons with Developmental Disabilities Central Alberta Community Board	Family and Social Services
Persons with Developmental Disabilities Foundation	Family and Social Services
Persons with Development Disabilities Northeast Alberta Community Board	Family and Social Services
Persons with Developmental Disabilities Northwest Alberta Community Board	Family and Social Services
Persons with Developmental Disabilities Provincial Board	Family and Social Services
Persons with Developmental Disabilities South Alberta Community Board	Family and Social Services
Public Works, Supply and Services Revolving Fund	Public Works, Supply and Services
S C Financial Ltd.	Treasury
Science and Research Fund	Science, Research and Information Technology
Utility Companies Income Tax Rebates Fund	Treasury
Victims of Crime Fund	Justice
Wild Rose Foundation	Community Development

¹ Ministry includes only the department so separate department financial statements are not necessary.

Fund or Agency

Alberta Cancer Board
 Alberta Heritage Foundation for Medical Research
 Alberta Mental Health Board
 Alberta Teachers' Retirement Fund Board
 Improvement Districts Trust Account
 Local Authorities Pension Plan
 Long-Term Disability Income Continuance Plan
 Bargaining Unit
 Long-Term Disability Income Continuance Plan
 Management, Opted Out and Excluded
 Management Employees Pension Plan
 Provincial Judges and Masters in Chambers Pension Plan
 Public Post Secondary Institutions
 Public Service Management (Closed Membership)
 Pension Plan
 Public Service Pension Plan
 Regional Health Authorities
 School Boards
 771045 Alberta Ltd. operating as Travel Alberta
 Special Areas Trust Account
 Special Forces Pension Plan
 Universities Academic Pension Plan
 Workers' Compensation Board

Ministry Annual Report

Health
 Science, Research and Information Technology
 Health
 Education
 Municipal Affairs
 Treasury
 Advanced Education and Career Development

 Advanced Education and Career Development

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 Advanced Education and Career Development
 Treasury

 Treasury
 Health
 Education
 Economic Development
 Municipal Affairs
 Treasury
 Treasury
 Labour

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