

Chapter 3

Crown Agency Salary and Benefits Practices

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Crown Agency Salary and Benefits Practices

Report of the Auditor General – Volume II, Chapter 3 – 2021

Why Is This Important?

- Salary and benefits expenses for Crown agencies we examined comprised over \$2 billion in 2019
- Salary and benefits expenses can make up to 75% of total expenses for Crown agencies
- Providing information on salary and benefits practices increases comparability, transparency and accountability amongst Crown agencies

Overall Conclusions

- Salary and benefits practices for certain Crown agencies are not consistent with central government or amongst Crown agencies
- Memoranda of Understanding with some Crown agencies need to be updated to clearly define what government expects for salary and benefits practices for non-bargaining employees

What We Found

Crown Agencies had Notable Differences in Salary and Benefit Practices

- NB Power: *CEO earned \$560,000 in 2019* which was higher than deputy ministers, judges and the medical officers of the Department of Health
- NB Power: senior executives generally *earn \$101,000 more* than Deputy Ministers
- NB Power: Provides its senior executives with *extra pension benefits – no other Crown agencies offer this benefit.*
- ONB: *CEO earned \$291,000 in 2019* which is approximately \$100,000 higher than Deputy Ministers' salaries.
- RPC: *paid \$29,000 in bonuses to its CEO in 2019* based on performance objectives and RPC fiscal performance.
- NB Liquor: *paid \$20,000 in bonuses to its CEO in 2019* based on fiscal performance.

Some Crown Agencies' Salary and Benefits Practices Differed Compared to Government

- Bonuses
- Merit increases (raises)
- Health and wellness spending
- Vacation entitlements
- Employer share of health and dental benefits
- Sick leave benefits

Finance and Treasury Board (FTB)

- A government salary policy regarding merit increases is out of date
- It is important to government for Crown agencies' salary and benefits practices to remain consistent with similar staff in Crown agencies and government, where applicable

Key Findings and Observations Table

Crown Agency Salary and Benefits Practices

Paragraph	Key Findings and Observations
3.16	<i>Our survey showed certain Crown agency salary and benefits practices are generally not consistent with central government or with other Crown agencies. Crown agencies in Parts I and III (Hospitals) are generally consistent with Part I government</i>
3.17	<i>More work is needed if salary and benefits are expected to be consistent</i>
3.25	<i>Salary and benefits practices at NB Power, FCNB and RPC were notably different</i>
3.26	<i>Government should define what it expects from Part IV Crown agencies</i>
	Findings: NB Power
3.29	<i>Six salary and benefits practices stood out at NB Power: Three were not consistent with other Crown agencies and three were less costly for NB Power than Part I government</i>
3.31	<i>Differences in salary practices exist between NB Power and Part I government for senior level positions</i>
3.35	<i>Differences in salary practices at NB Power might be explained because of a complex industry</i>
3.36	<i>NB Power salaries are below other Canadian utilities</i>
3.38	<i>NB Power aligns its salaries with a mix of entities in Atlantic Canada</i>
3.39	<i>Government has not clearly defined its salary expectations for NB Power</i>
	Findings: FCNB
3.41	<i>Four salary and benefits practices stood out at FCNB and were not consistent with Part I government and were the highest among Crown agencies</i>
	Findings: RPC
3.42	<i>Four salary and benefits practices stood out at RPC: Three were not consistent with other Crown agencies and one was less costly to RPC than other Part IV Crown agencies and Part I government</i>
	Observations: Part III Hospitals
3.44	<i>Part III salary and benefits were relatively consistent with Part I government</i>
	Findings: Opportunities New Brunswick
3.47	<i>Two salary and benefits practices stood out at ONB and were not consistent with Part I</i>
	Findings and Recommendations: Finance and Treasury Board
3.48	<i>A key government salary and benefits policy is out of date</i>

Recommendations and Responses

Recommendation	Department's response	Target date for implementation
We recommend the Executive Council Office,		
3.27 in consultation with the Department of Finance and Treasury Board, update the Memoranda of Understanding with each Part IV Crown agency to clearly define what government expects for salary and benefits practices for non-bargaining employees.	<i>ECO will continue to collaborate with the Department of Finance and Treasury Board. MOUs will be updated to reflect this direction.</i>	2022
We recommend the Department of Finance and Treasury Board		
3.49 revise <i>Pay Administration policy AD-2404 Performance Pay and Re-earnable Increments</i> to reflect current government practices.	<i>The Department of Finance and Treasury Board will revise the <i>Pay Administration policy AD-2404 Performance Pay and Re-earnable Increments</i> to reflect current government practices.</i>	<i>By end of 2021-2022</i>

Comparing Salary and Benefits Among Crown Agencies

Why We Chose This Topic

Salary and benefits are significant expenses for Crown agencies

3.1 Salary and benefits are significant expenses for government Crown agencies. Exhibit 3.1 shows (for Crown agencies included in this Chapter) the salary and benefits expenses for 2019 were over \$2 billion for over 30,000 employees. The percentage of salary and benefits expenses compared to total expenses range up to 75% of total expenses. Even though salary and benefits are costly, they are needed for Crown agencies to fulfill their mandates and provide essential services to the people of New Brunswick.

3.2 Given the significance of the salary and benefits expenses, we wanted to investigate:

- what salary and benefits practices are in place for Crown agencies;
- if the salary and benefit practices are similar between Crown agencies and government; and
- if the government is involved in directing these practices to make them consistent.

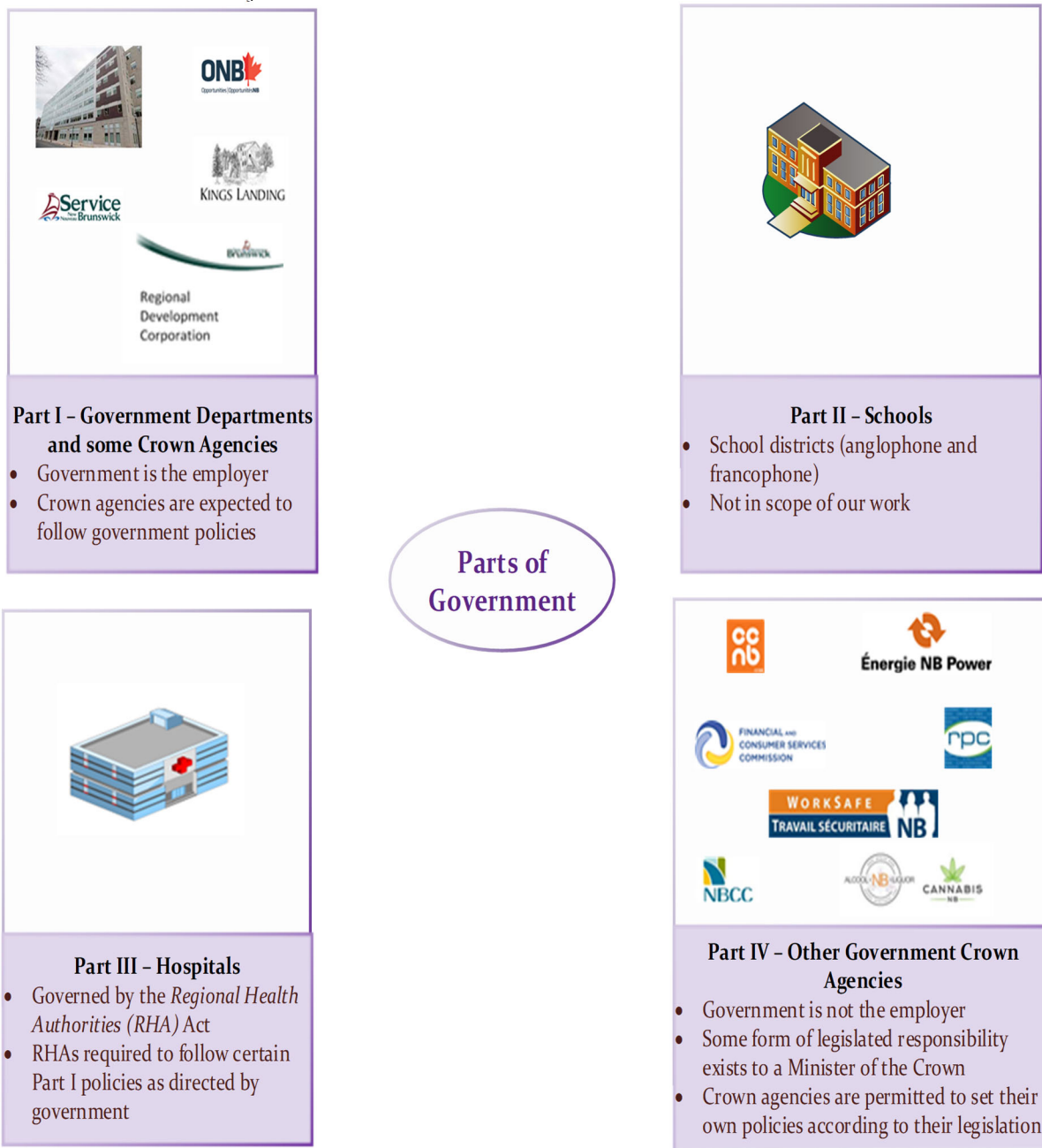
This Chapter allows for comparability, transparency, and accountability amongst Crown agencies

3.3 We are presenting more detailed salary and benefits information as a way for Members of the Legislative Assembly and the people of New Brunswick to compare Crown agencies. In our view, presenting this information allows for comparability, transparency, and accountability. While some of this information is already publicly available, it is not presented in one place as reported in this Chapter.

Information Needed to Help Read this Chapter

3.4 Under the *Public Service Labour Relations Act*, the Government of New Brunswick consists of four parts. Exhibit 3.1 shows what makes up these parts of government.

Exhibit 3.1 - Parts of the New Brunswick Government



Source: Prepared by AGNB

Part II is not included in our work

3.5 All seven of the Province’s school districts make up Part II of government. Since these school districts are not Crown agencies, they were not included as part of this work.

3.6 Crown agencies in Parts I and III receive direction regarding salary and benefits from government through the

Government's Administration Manual or other government directives.

3.7 Crown agencies in Part IV are separate, or further removed, from the other parts of government. The *Public Service Labour Relations Act* indicates for Part IV Crown agencies, government is not the employer and Crown agencies are permitted to set their own policies according to legislation. Government does provide, however, some direction to these Crown agencies through a memorandum of understanding (MOU). The *Accountability and Continuous Improvement Act* requires government to issue MOUs to Crown agencies every three years. The MOUs establish what central government expects from each Crown agency including salary and benefits.

Other related Auditor General reports

3.8 During our work, we found items of interest that led us to focus on areas not specific to salary and benefits. This work is presented in other Reports of the Auditor General as follows:

- *Vestcor Significantly Limits Auditor General Access* reported in our 2020 Report of the Auditor General Volume II Chapter 5 and presented to the Public Accounts Committee in February 2021; and
- *Risks Exist in Government's Oversight of Crown Agencies* reported in our 2021 Report of the Auditor General Volume I Chapter 4 and presented to the Public Accounts Committee in October 2021.

Purpose and Scope of Our Work

Purpose

3.9 The purpose of our work was to determine, for 2019:

- if salary and benefits practices for a sample of Crown agencies from Parts I, III and IV are consistent across all parts of government and between Crown agencies in each Part; and
- if government directs salary and benefits practices of Crown agencies to be consistent.

Scope of work

3.10 To obtain the evidence to support our findings and recommendations, we:

- surveyed 14 Crown agencies (refer to Appendix I);
- conducted interviews with staff from the Executive Council Office (ECO), the Department of Finance and

Treasury Board (FTB) and the Crown agencies we included in our work;

- engaged an expert to compare salaries at NB Power to Part I government and other utilities in Canada; and
- reviewed and analyzed various policies and documents provided by Crown agencies and the Province.

How we chose our sample of Crown agencies

3.11 When choosing our sample of Crown agencies for our work, we considered:

- their importance to the public;
- the size of their operations;
- the nature of their operations; and
- if we believed they had their own salary and benefits policies.

Delays in our work

3.12 Our work on this Chapter began in 2019. We experienced delays in reporting this information for several reasons.

- As discussed in paragraph 3.8, we have previously prepared two separate chapters included in the Reports of the Auditor General based on this work - *Vestcor Significantly Limits Auditor General Access* and *Risks Exist in Government's Oversight of Crown Agencies*.
- Collecting and analyzing data from 14 Crown agencies is a time and resource intensive process.
- Other time sensitive work and reporting deadlines became a priority, such as the public accounts audit of the Province of New Brunswick.

While the information we present in this Chapter is from 2019, in our view, much of this information remains similar or unchanged. Also, in our view, the information is still valuable and relevant for Members of the Legislative Assembly and the people of New Brunswick.

Out of scope – 2021 wage negotiations

3.13 As our work was conducted for the fiscal 2019 year, the salary contract negotiations which occurred in Fall 2021 are not included as part of this work.

3.14 The information we present includes responses to our survey questions, interviews with staff at Crown agencies and review of supporting policies provided to us. We have not audited the salary and benefits information provided to us by Crown agencies.

3.15 The Chief Executive Officer along with the directors of human resources and finance of each Crown agency

(where applicable) confirmed the completeness and accuracy of all information provided to us.

Conclusions

Crown agency salary and benefits practices for Part IV are generally not consistent with Part I government or with other Part IV Crown agencies

Parts I and III are generally consistent with Part I government

More work is needed if salary and benefits are expected to be consistent

3.16 We conclude salary and benefits practices for Crown agencies we surveyed in:

- Part IV are **generally not consistent** with Part I government or with the other Part IV Crown agencies, however, legally government is not the employer and Part IV Crown agencies are free to set their own salary and benefit practices; and
- Parts I and III are **generally consistent** with Part I government.

3.17 We also conclude more work is needed by central government if government expects Crown agencies' salary and benefits practices to remain consistent where possible across Part I and Part IV.

3.18 In this Chapter, we have made one recommendation to Executive Council Office and one recommendation to the Department of Finance and Treasury Board to improve consistency of salary and benefits practices.

Observations and Recommendations: Inconsistent Salary and Benefits Practices

Many salary and benefits practices of Part IV Crown agencies are not consistent with Part I government or with other Part IV Crown agencies

3.19 Exhibit 3.2 summarizes salary and benefits practices of the Crown agencies we surveyed and if those practices were consistent with Part I government for 2019. As shown in Exhibit 3.2, many of these practices in Part IV Crown agencies are not consistent with Part I government or with other Part IV Crown agencies. Detailed information for these salary and benefits practices can be found starting in paragraph 3.50.

3.20 We have included some travel policy information in Exhibit 3.2. Although travel policies are not usually considered salary or benefits for employees, a travel policy may be perceived as an employee benefit if it provides allowances in excess of actual travel costs. We compared travel policies for our sample of Crown agencies to the Part I travel policy.

Exhibit 3.2 - Summary of Salary and Benefits Practices in 2019

	Part I				Part III		Part IV								Total
	ONB	KLC	RDC	SNB	Horizon	Vitalité	CCNB	NBCC	FCNB	RPC	NB Power	NB Liquor	CNB	WSNB	
Salary Information															
Number of Regular Employees	161	23	28	2,031	8,021	6,383	682	803	84	140	2,428	443	194	467	21,888
Number of Casual Employees	2	101	0	441	6,068	833	151	169	4	24	209	231	142	33	8,408
Total Salary & Benefit Expense (\$ millions rounded)	12	3	3	135	895	433	48	61	9	11	337	35	10	45	\$2,037
Total Expense (\$ millions rounded)	49	5	121	271	1,230	708	68	82	12	17	1,867	261	31	144	\$4,866
% of Salary & Benefits to Total Expenses (based on actual, unrounded, figures)	25%	67%	2%	50%	73%	61%	71%	75%	71%	65%	18%	13%	31%	31%	42%
Average Employee Salary (\$ thousands)	73	*	82	47	64	53	57	50	79	50	89	39	*	66	
Salary Practices															Paragraph
President/CEO Salary	▼	▲	●	▲	▼	▼	●	●	●	●	▼	▼	▲	▼	3.55
Provides Annual Stipend – Chairs of Board	Y	N	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	3.60
Bonuses	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	▼	▼	▼	▼	⊗	3.66
Merit Increases	▼	▼	●	●	●	●	●	▼		▼	▼	▼	▼	▼	3.72
Re-earnable Increments	⊗	▼	⊗	⊗	⊗	⊗	⊗	⊗	**	▼	⊗	⊗	⊗	⊗	3.77
Inflation Adjustments (pay scales)	●	●	●	●	●	●	●	●		▼	▲	▲	*	▲	3.79
Non-Bargaining Employees Accumulate Retirement Allowance	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	▼	⊗	⊗	⊗	⊗	3.81
Retirement Benefit Supplement – Senior Executives	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	▼	⊗	⊗	⊗	3.85

Exhibit 3.2 - Summary of Salary and Benefits Practices in 2019 (continued)

	Part I				Part III		Part IV								Paragraph
	ONB	KLC	RDC	SNB	Horizon	Vitalité	CCNB	NBCC	FCNB	RPC	NB Power	NB Liquor	CNB	WSNB	
Benefit Practices															
Vacation Entitlements	●	●	●	●	▼	▼	●	●	▼	●	▼	▼	▼	▼	3.89
Sick Leave Benefits	●	●	●	●	●	●	●	●	●	●	▲	▼	▼	●	3.91
Sick Leave Payout	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	▼	⊗	⊗	⊗	⊗	⊗	3.94
Health/Wellness Spending	⊗	⊗	⊗	⊗	⊗	⊗	▼	▼	▼	▼	⊗	▼	▼	⊗	3.95
Follows GNB Health & Dental Benefits Policy	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	3.98
Health & Dental Benefits Policy – Total Cost	●	●	●	●	●	●	●	●	●	▼	▲	▼	▼	▼	3.103
Health & Dental Benefits % paid by employer	●	●	●	●	●	●	●	●	▼	▲	▲	▼	▼	▼	3.105
Travel Policies															
Follows GNB Policy	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N	N	Y	3.106
Daily meal rate	●	●	●	●	●	●	●	●	▼	▼	▲	●	●	●	3.106
Mileage rate	●	●	●	●	●	●	●	●	▼	●	▲	●	●	●	3.106

Source: Prepared by AGNB from Crown agency survey responses (unaudited)

- Entity salary and benefits practices are consistent with Part I salary and benefits practices (if the salary and benefit practice is offered by both Part I and the Crown agency)
- ▲ Entity salary or benefit practice is less favourable to the employee than the comparable Part I salary or benefit practice and, as a result, is less costly for the Crown agency. Refer to relevant paragraph number for further details
- ▼ Entity salary or benefit practice is more favourable to the employee than the comparable Part I salary or benefit practice and, as a result, is more costly for the Crown agency. Refer to relevant paragraph number for further details.
- ⊗ Salary and benefits practice is not offered by the entity
- * KLC and CNB are excluded for this attribute as KLC operates on a seasonal basis and CNB began operating in fiscal 2019.
- ** Once per year, eligible FCNB employees receive a pay adjustment. This pay adjustment is all encompassing to include re-earnable increments, merit increases and inflation. This practice differs from other Crown agencies we surveyed and Part I, but in aggregate results in less favourable employee annual increases when compared with Part I.

**Findings and Recommendations:
Notable Differences in Salary and Benefits Practices in Part IV*****Differences in Part IV
Crown agency salary
and benefit practices
may be explained due to
the nature of the Crown
agencies***

3.21 As shown in Exhibit 3.3, many of the salary and benefits practices in Part IV Crown agencies had notable differences from Part I. Some of these differences include bonuses, vacation, merit increases and health and wellness spending accounts.

3.22 These differences may be explained due to the nature of Part IV Crown agencies. As mentioned in paragraph 3.7, government is not the employer of Part IV Crown agencies and they can set their own salary and benefits practices. Generally, Part IV Crown agencies operate in unique industries and their employees have unique skillsets different from Part I government, such as nuclear expertise, financial security expertise, scientific research skills, and marketing and sales skills.

3.23 We were informed, in the past, all Part IV agencies operated without government funding. For example, NB Power, FCNB, RPC and WSNB operate without specific funding from government. This is no longer the case, however, as the two Part IV community colleges both receive significant funding from the government. We note that the salary and benefit practices of the community colleges more closely align to Part I, than the other Part IV Crown Agencies.

3.24 Given the uniqueness of the Part IV Crown agencies, we separated the most common differences we found between Part IV and Part I government. Exhibit 3.3 shows these differences.

Exhibit 3.3 - Part IV Salary and Benefits Practices that Differ from Part I

Bonuses	Four of the eight Part IV Crown agencies provide bonuses to employees (CNB, NB Liquor, NB Power and RPC). Bonuses are not offered to Part I employees. Refer to paragraph 3.66 for further details regarding these bonuses.
Vacation	Five of the eight Part IV Crown agencies offer employees up to a maximum of 30 days of vacation. The exceptions being NBCC, CCNB and RPC. These three entities offer employees a maximum of 25 days of vacation which is the same as Part I employees. Refer to paragraph 3.89 for further details.
Merit Increases	Six of the eight Part IV Crown agencies provide their employees with merit increases (raises) above 2% for exceptional performance as of 2019. Since 2013, Part I government has frozen merit increases to a maximum of 2% for exceptional performance. Refer to paragraph 3.72 for further details.
Health and Wellness Spending Benefits	Six of the eight Part IV Crown Agencies provide some form of Health and Wellness spending for employees. The exceptions are NB Power and WSNB. CCNB provides \$1,000 to its CEO for health and wellness spending but not to any other employees. Part I government does not provide health and wellness spending to employees. Refer to paragraph 3.95 for further details.

Source: Prepared by AGNB using information provided by Crown agencies (unaudited)

Salary and benefits practices at NB Power, FCNB and RPC were notably different

3.25 We compared the salary and benefit practices between the Part IV Crown agencies. We found the salary and benefits practices of three Part IV Crown agencies stood out when compared to the other Part IV Crown agencies: NB Power, FCNB and RPC. As a result, we reviewed the MOU provided to these Crown agencies to determine if government directed specific salary and benefit practices to these Crown agencies.

Government should define what it expects from Part IV Crown agencies

3.26 We found memoranda of understanding (MOU) generally require salary and benefits practices be consistent with Part I. For example, one MOU states salary and benefits practices “...remain consistent with similar staff in Part I and Part IV...” for non-bargaining employees. We found, however, the word “consistent” is

not clearly defined in the MOU. As a result, this could lead each Part IV Crown agency to interpret this directive differently. A lack of clear expectations from government increases the risk of government intentions not being carried out. In our view, government should clearly define what it expects of Part IV Crown agencies with regards to non-bargaining salary and benefits practices.

Recommendation

3.27 We recommend the Executive Council Office, in consultation with the Department of Finance and Treasury Board, update the Memoranda of Understanding with each Part IV Crown agency to clearly define what government expects for salary and benefits practices for non-bargaining employees.

3.28 In the paragraphs that follow, we describe some of the notable differences we observed when comparing salary and benefits practices of NB Power, FCNB and RPC to the other Part IV Crown agencies and Part I government.

NB Power

Six salary and benefits practices stood out at NB Power: Three were not consistent with other Crown agencies and three were less costly for NB Power than Part I government

3.29 We found three salary and benefits practices offered by NB Power exceeded the salary and benefits practices provided to most Part IV Crown agencies and Part I government, with all three of them being the highest offered by Crown agencies. We also found three salary and benefit practices were less costly for NB Power than Part I government. Exhibit 3.4 shows the salary and benefits practices which stood out at NB Power.

Exhibit 3.4 - Salary and Benefits Practices at NB Power which Stood Out

Employee Salary*	NB Power <i>pays the highest average salary per employee among Crown agencies surveyed</i> , approximately \$89,000 per year. Given the technical nature of the industry and that approximately 90% of NB Power's 2,600 employees are unionized, many salary and benefit practices at NB Power are driven by collective bargaining agreements which are approved by the Lieutenant-Governor In Council.
President/CEO Salary*	NB Power <i>pays the highest President/CEO salary among Crown agencies</i> . In 2019, NB Power paid its CEO approximately \$560,000.
Executive Retirement Supplement*	NB Power is the only Crown agency we surveyed to <i>offer an executive retirement supplement to its senior executives</i> . While a retirement supplement is offered to only Deputy Ministers of each department in Part I, the NB Power supplement is offered to Vice-Presidents and above. We provide additional comments in paragraph 3.95.
Health and Dental Insurance**	NB Power <i>pays 60% of the cost of premiums for all health and dental insurance benefits</i> , while Part I pays between 50% and 75% depending on the health and dental insurance benefit. Refer to Exhibit 3.23 for further details.
Inflation**	NB Power has cumulatively <i>increased its pay scales (for non-bargaining employees) for inflation (cost of living) 0.5% less</i> than Part I has since 2015.
Travel**	Two of NB Power's travel allowances (daily meals and mileage) are marginally less generous than Part I government.

* Salary and benefits are among the highest offered by Crown agencies

** Salary or benefit practice is less favourable to the employee than the comparable Part I salary or benefit practice and, as a result, is less costly for NB Power

Source: Prepared by AGNB using information provided by NB Power

We engaged an expert as part of our work

3.30 As a result of the average salary and President/CEO salary differences we noted in Exhibit 3.4, we engaged an expert to review NB Power's salary practices and to compare them to Part I and other utilities in Canada. We were able to compare these entities because they use the same methodology to evaluate and assign salaries to jobs. Under this methodology, a numerical value is assigned to each job based on items such as the amount of effort, technical knowledge and level of responsibility required. Salaries are then determined based on the numerical value of the job and what the market will pay for that job. This

methodology is recognized internationally as an industry standard as part of managing pay practices.

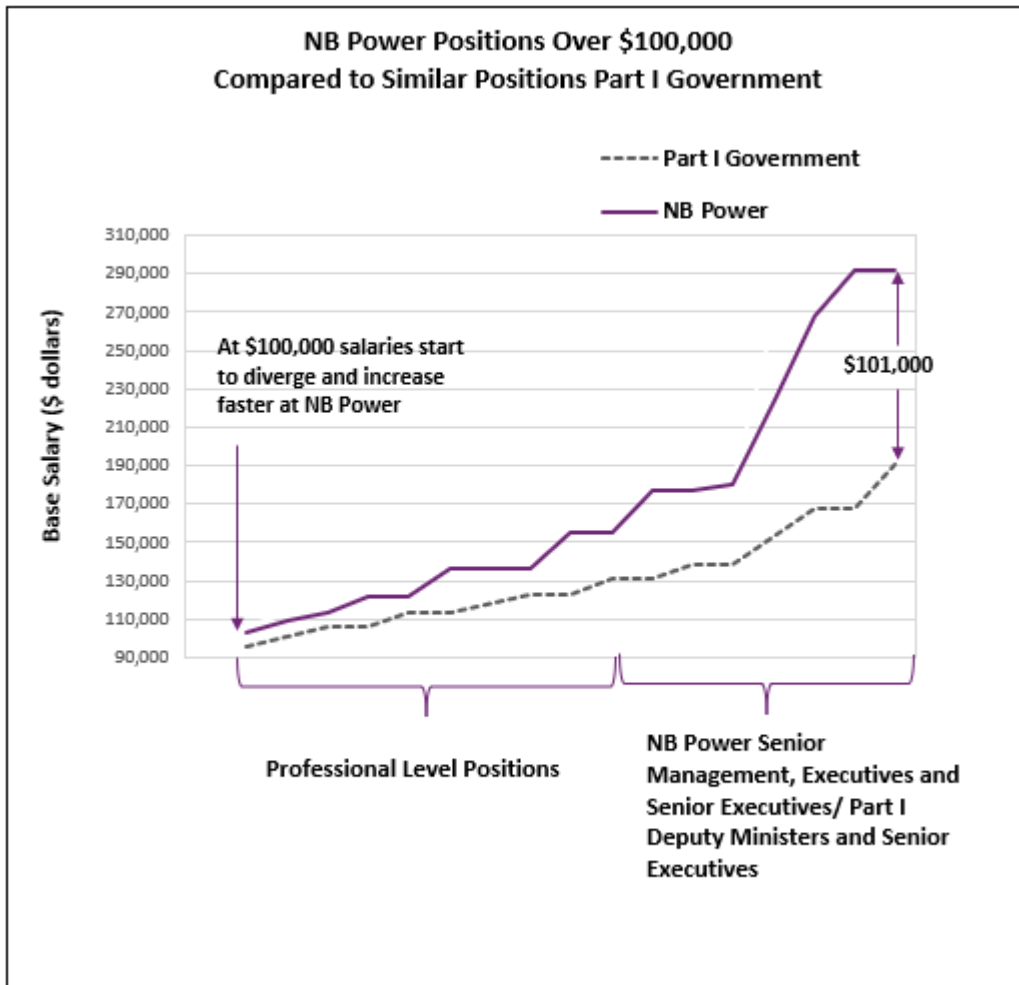
Differences in salary practices exist between NB Power and Part I government for senior level positions

3.31 We found differences in salary practices between NB Power and Part I government. These differences mainly occur for non-bargaining employees at senior level positions. Exhibit 3.5 shows that starting at an annual salary of approximately \$100,000, NB Power salaries increase at a faster rate than Part I government.

3.32 Exhibit 3.5 also shows senior executives, in 2019, at NB Power are paid, on average, approximately \$101,000 (56%) more than Part I government employees who are part of the Deputy Minister pay plan. NB Power senior executives (excluding the CEO) can earn a maximum annual salary of up to approximately \$292,000, whereas Deputy Ministers in Part I government can earn a maximum annual salary of up to approximately \$191,000. In our view, comparing Deputy Ministers to NB Power senior executives is reasonable as they are the senior officials at each entity and have similar organizational accountability and responsibility. See paragraph 3.55 for information on the salary of NB Power's CEO. As mentioned in paragraph 3.56, six senior executives are earning more than the maximum limit for their positions as approved by the Board of Directors.

3.33 Exhibit 3.5 also shows executive and senior management level-type jobs (e.g. Executive Directors) at NB Power are paid, on average, more than Part I government employees with similar levels of responsibility.

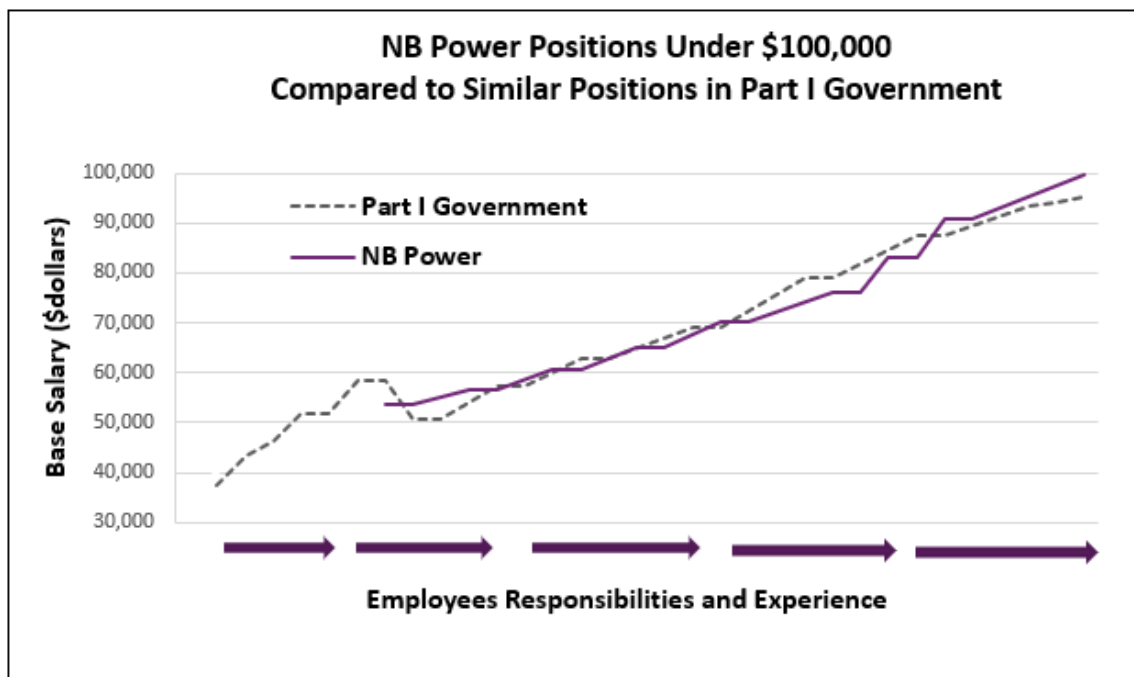
Exhibit 3.5 - NB Power Positions Over \$100,000 Compared to Similar Positions in Part I Government



Source: Prepared by AGNB with information from NB Power and Central Government

3.34 Exhibit 3.6 shows professional and management level-type jobs (i.e. below an Executive Director level) at NB Power and Part I government earn similar salaries for similarly valued jobs. These salaries are in the range of \$55,000 to \$100,000 and increase at approximately the same rate as responsibilities and experience increase. In some instances, Part I employees are paid more than NB Power and vice-versa.

Exhibit 3.6 - NB Power Positions Under \$100,000 Compared to Similar Positions in Part I Government



Source: Prepared by AGNB with information from NB Power and Central Government

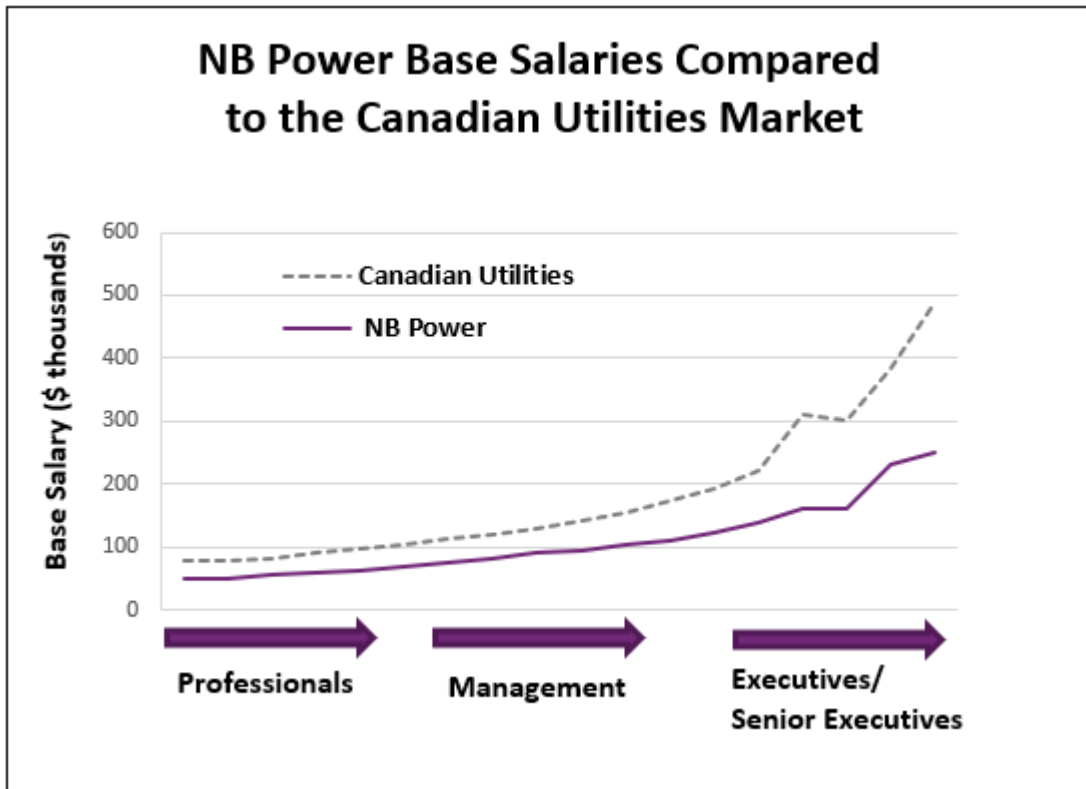
Differences in salary practices at NB Power might be explained because of a complex industry

3.35 The differences that exist between NB Power and Part I government for annual salaries over \$100,000 may be explained because NB Power operates in the unique and complex Canadian utilities industry which often requires highly specialized roles or rare talent. As a result, attracting and retaining qualified employees may be very difficult if using Part I salaries and benefits as guidance.

NB Power salaries are below other Canadian utilities

3.36 We also found annual salaries for NB Power employees fall below salaries offered by other Canadian utilities. Exhibit 3.7 shows the difference between NB Power salaries and other Canadian utilities for professional, management, executive and senior executive positions. In our view, it is not unexpected that NB Power’s salaries are lower compared to other utilities in provinces such as Ontario, Quebec and British Columbia.

Exhibit 3.7 - NB Power Base Salaries Compared to the Canadian Utilities Market



Source: Prepared by AGNB with information from NB Power and our expert's market database

3.37 Given NB Power does not align its salaries with neither Part I nor other Canadian utilities, we wanted to determine how NB Power determines its salaries and if it aligns to some other comparator such as other utilities or public entities.

NB Power aligns its salaries with a mix of entities in Atlantic Canada

3.38 We compared NB Power's salaries to those in five different "market cuts" consisting of utilities and Crown agencies across New Brunswick, Atlantic Canada and Canada. We found, NB Power currently aligns its salaries with a market cut made up of a mix of public sector entities and private sector companies in Atlantic Canada. We also found NB Power assigns salaries at the midpoint (50th percentile) of possible salary ranges in this market cut.

Government has not clearly defined its salary expectations for NB Power

3.39 From our work, we found a different Atlantic Canadian market cut exists which government may believe is more suitable for NB Power to align its salaries. This market cut is more heavily weighted toward the broader public sector and would result in more conservative salary figures for NB Power. Given government has not clearly defined its salary expectations, we are unable to determine which market cut NB Power should use in order to meet government's expectations.

3.40 In our view, implementing the recommendation we make in paragraph 3.27 will address any uncertainties regarding what government expects for NB Power's salaries. Government should define what "consistent" means in NB Power's MOU to ensure NB Power aligns its salaries with the most appropriate market cut.

FCNB

Four salary and benefits practices stood out at FCNB and were not consistent with Part I government and were the highest among Crown agencies

3.41 We found four salary and benefits practices offered by FCNB exceeded the salary and benefits practices provided to Part I government, with all four of them being among the highest offered by Crown agencies. Exhibit 3.8 shows the salary and benefits practices which stood out at FCNB.

Exhibit 3.8 - Salary and Benefits Practices at FCNB which Stood Out

Stipend for Chair of Board of Directors*	FCNB <i>offers the Chair of the Board of Directors the highest annual stipend at \$137,000</i> . We were informed this was necessary to attract an appropriate candidate for the position. We were also informed this position has more duties than a typical Board Chair and is a hybrid of an executive position and a Board Chair.
Sick Leave Payout* (Retirement Benefit)	FCNB <i>pays employees up to 20% of their sick days</i> on retirement, up to a maximum of 48 days (retirement benefit). No other Crown agencies offer this benefit.
Health and Dental Insurance*	FCNB <i>pays 100% of health and dental insurance benefits</i> . Unlike most other Crown agencies where costs are shared between employer and employees, employees of FCNB do not pay to receive this benefit.
Travel*	Two of FCNB's travel allowances (daily meals and mileage) are marginally more generous than Part I government and other Crown agencies.

* Salary and benefits are among the highest offered by Crown agencies

Source: Prepared by AGNB using information provided by FCNB

RPC

Four salary and benefits practices stood out at RPC: Three were not consistent with other Crown agencies and one was less costly to RPC than other Part IV Crown agencies and Part I government

3.42 We found three salary and benefits practices offered by RPC exceeded the salary and benefits practices provided to most Part IV Crown agencies and Part I government, with three of them being among the highest offered by Crown agencies. We also found one salary and benefit practice was less costly to RPC than other Part IV Crown agencies and Part I government. Exhibit 3.9 shows the salary and benefits practices which stood out at RPC.

Exhibit 3.9 - Salary and Benefits Practices at RPC which Stood Out

Re-earnable Increments*	RPC allows employees to earn re-earnable increments. This practice which allows employees who have reached the top of their pay scale to earn temporary pay step increases, was discontinued in Part I in 2011. RPC indicates it uses this approach to recognize exceptional performance while avoiding promoting employees to the next job classification/pay band.
Retirement Allowance Credits*	RPC allows some non-bargaining employees to earn retirement allowance credits. A retirement allowance provides employees with a lump sum payment when they retire. The Province discontinued the practice of non-bargaining employees earning retirement allowance credits eight years ago in 2013. RPC, however, still allows employees hired before 2011 to accumulate retirement allowance credits. RPC did not offer a pay out to eligible employees of their accumulated retirement allowance, to avoid 100% payout scenarios.
Inflation Increases*	RPC increased its non-bargaining pay scales for inflation (cost of living) 1.8% more than Part I has in total since 2015. RPC stated, “RPC references published COLA [cost of living allowance] rates for New Brunswick.”
Health and Dental Insurance**	RPC pays 50% of the cost of premiums for all health and dental insurance benefits , while Part I government pays between 50% and 75% of these insurance benefits.

* Salary and benefits are among the highest offered by Crown agencies

** Salary or benefit practice is less favourable to the employee than the comparable Part I salary or benefit practice and, as a result, is less costly for RPC

Source: Prepared by AGNB using information provided by RPC

RPC operates without government funding

3.43 RPC informed us it operates “...without operational funding nor regulatory protection...these factors influence many of our organization’s policies and practices...”. We were also informed RPC became a Part IV Crown agency effective in 2017 and, at the time of our work, RPC was still in the process of transitioning some of their salary and benefit policies. Prior to 2017, RPC was not part of government or a Crown agency.

**Observations:
Salary and Benefits Practices in Health Care (Part III: Hospitals)**

Part III salary and benefits were relatively consistent with Part I government

- 3.44 As shown in Exhibit 3.2, many of the salary and benefits practices for the two Regional Health Authorities (RHAs) in Part III were relatively consistent with Part I.
- 3.45 Central government does not provide the two RHAs with a memorandum of understanding. Similar to Part I, government directs and approves the salary and benefit practices for the two RHAs. Even though approved by government, some practices, such as vacation, differ from Part I.

**Findings and Recommendations:
Salary and Benefits Practices in Central Government (Part I)**

- 3.46 As shown in Exhibit 3.2, many of the salary and benefits practices for Crown agencies in Part I were relatively consistent with government policy. We found, however, one Part I Crown agency stood out and we also found one area where government could improve salary and benefits practices.

ONB

Two salary and benefits practices stood out at ONB and were not consistent with Part I

- 3.47 We found two salary and benefits practices offered by ONB exceeded the salary and benefits practices provided by most Part I Crown agencies and Part I government. Exhibit 3.10 shows the salary and benefits practices which stood out at ONB.

Exhibit 3.10 - Salary and Benefits Practices at ONB which Stood Out

President/CEO Salary	ONB <i>paid the highest President/CEO salary among Part I Crown agencies.</i> In 2019, ONB paid its CEO approximately \$291,000 which is approximately \$100,000 higher than Deputy Ministers’ salaries. We were informed ONB now has a new CEO with a lower salary which aligns with salaries for Deputy Ministers.
Merit Increases	ONB <i>awarded merit increases (raises)</i> to employees with exceptional performance of up to 4% which exceeds the Part I government limit of 2%. We were informed this practice was discontinued in fiscal 2021.

Source: Prepared by AGNB using information provided by ONB

Finance and Treasury Board (Central Government)

A key government salary and benefits policy is out of date

3.48 As part of our work, we found two instances where a key government policy was not updated to reflect changes to the policy. *Policy AD-2404 Performance Pay and Re-earnable Increments* was not updated to reflect the changes in the following memos to employees.

- In a 2011 memo to employees in Parts I, II and III of the public service, central government no longer permitted re-earnable increments to be awarded to employees who are at the top of their pay band.
- In a memo to “Management and non-union employees in Parts I, II and III” in January 2013 central government limited annual merit increases (raises) up to 2%¹, even for exceptional employee performance.

Not updating this policy has resulted in inconsistent salary practices among Crown agencies. For example, one Part I Crown agency (KLC) awarded a re-earnable increment to one employee and another Part I Crown agency (ONB) awarded merit increases of more than 2% for employees with exceptional performance.

Recommendation

3.49 We recommend the Department of Finance and Treasury Board revise *Pay Administration policy AD-2404 Performance Pay and Re-earnable Increments* to reflect current government practices.

Supplementary Information: Details of Salary and Benefits Practices for Parts I, III and IV

3.50 In the following paragraphs, we present detailed supplementary information to support the summary presented in Exhibit 3.2. In this section, we present the results of our surveys for information purposes. Any findings and recommendations have been previously presented in this Chapter.

¹ Memo dated January 15, 2013 from the Department of Human Resources to Management and non-union employees in Parts I, II and III.

Average Salary Expense per Employee

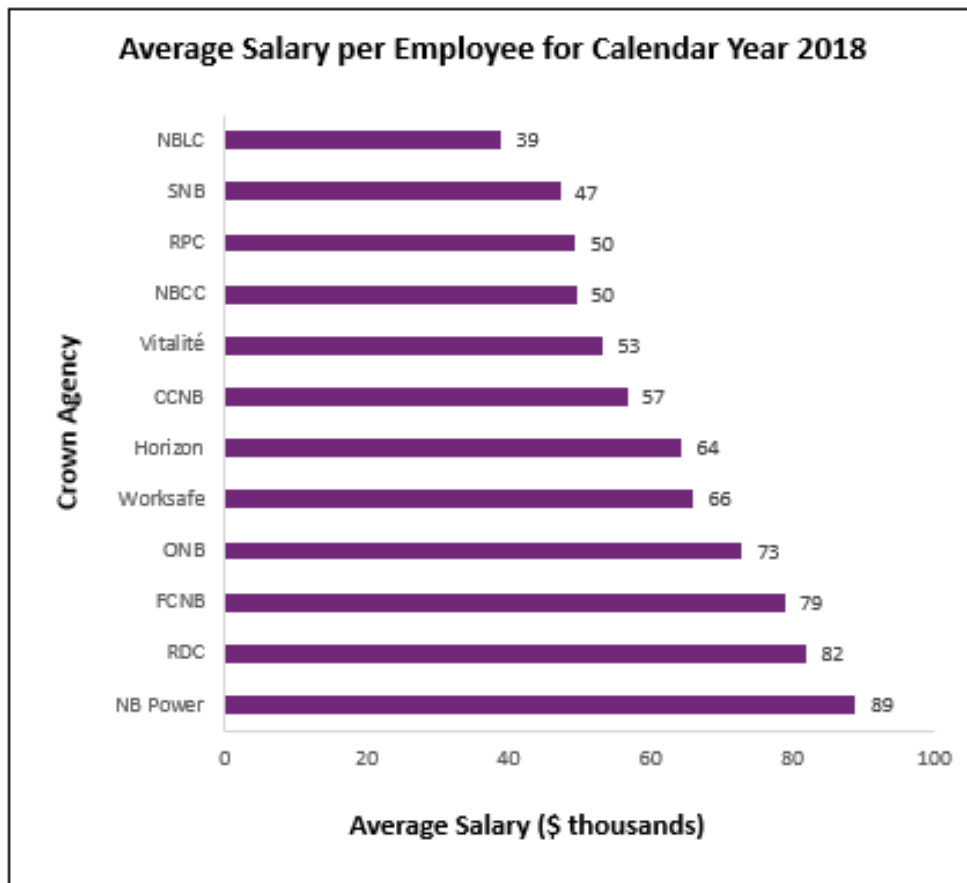
Survey results

3.51 For each Crown agency surveyed, we observed the following regarding the average salary per employee for the 2018 calendar year. This data includes both full time and casual employees.

- NB Power's average salary of \$89,000 was the highest of the Crown agencies we surveyed.
- RDC's and FCNB's average salaries were the next highest at approximately \$82,000 and \$79,000 respectively per employee.

3.52 Exhibit 3.11 shows the average salary per employee for the 2018 calendar year for the Crown agencies we surveyed.

Exhibit 3.11 - Average Salary per Employee for the Calendar Year 2018



Source: Prepared by AGNB from entity surveys (unaudited)

Crown agencies provided us with total salary expenses

3.53 To prepare the information in Exhibit 3.11, we asked Crown agencies to provide their total salary expense for calendar 2018. This does not include items such as overtime or other employee benefits. We also asked Crown agencies to provide their total number of employees.

Cannabis NB and Kings Landing are excluded from Exhibit 3.11

3.54 We have excluded Cannabis NB and Kings Landing from Exhibit 3.11 because Cannabis NB began operating in fiscal 2019 and Kings Landing operates on a seasonal basis.

President/CEO Salaries

Survey results

3.55 For each Crown agency surveyed, we observed the following regarding the salary of the President/CEO for fiscal 2019.

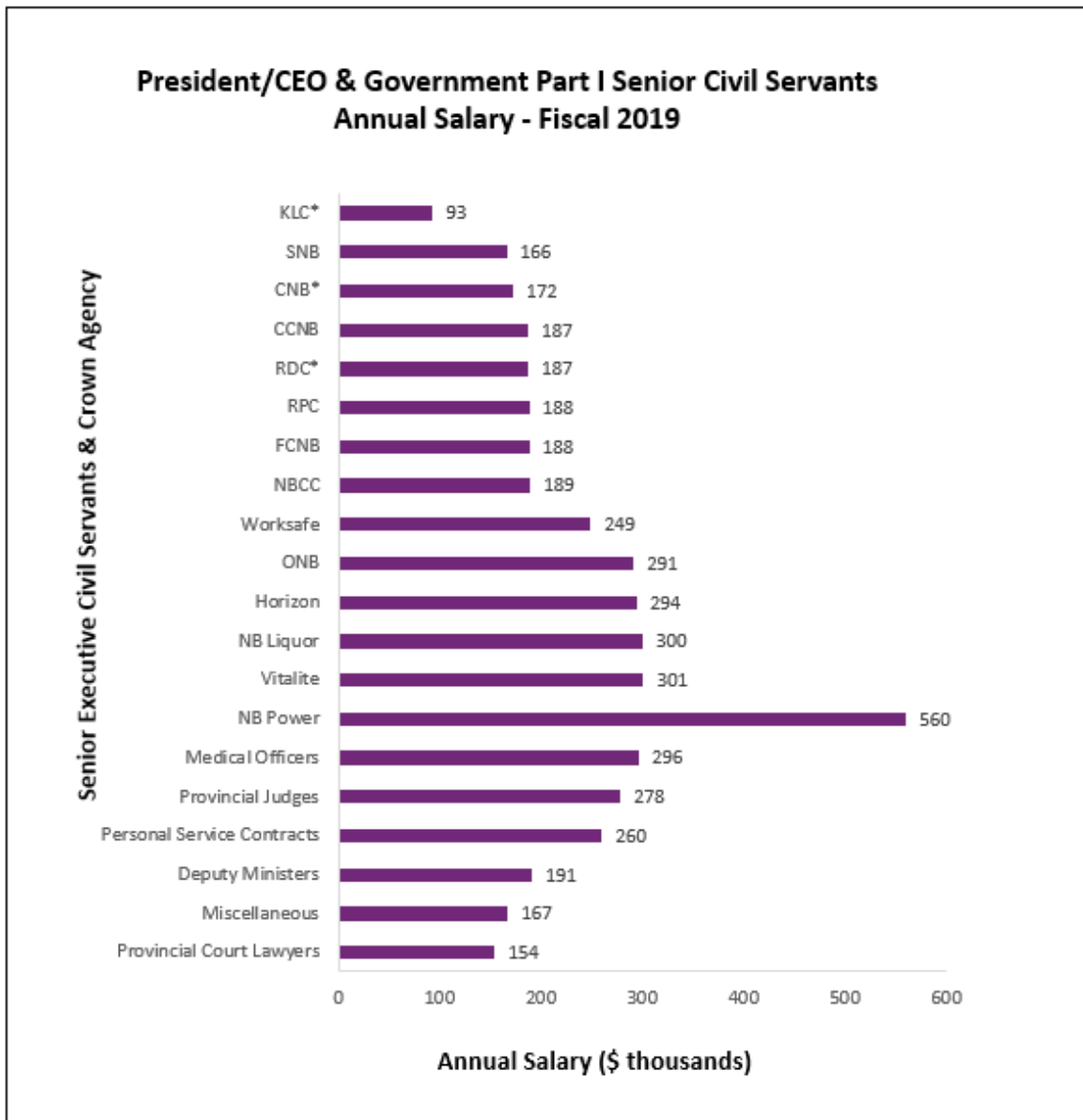
- The CEO of NB Power earned \$560,000. This was higher than senior civil servants such as deputy ministers, judges and the medical officers of the Department of Health.
- ONB paid its CEO approximately \$291,000 which is approximately \$100,000 higher than Deputy Ministers' salaries. We were informed ONB now has a new CEO with a lower salary which aligns with salaries for Deputy Ministers.
- The President/CEO of five Crown agencies each earned approximately \$190,000 per year.
- The President/CEO of five Crown agencies each earned between approximately \$250,000 and \$300,000 per year which is generally more than the Part I Deputy Minister salary of \$191,000.

13 other NB Power senior executives earned more than \$150,000

3.56 We noted from NB Power's survey response, in addition to the President/CEO, it has 13 other senior executives earning salaries in the ranges of \$148,000 to \$309,000 per year. Six of these senior executives are earning more than the maximum salary limit for their position. For example, the Chief Financial Officer earns \$17,000 more than the \$292,000 maximum limit. We were informed these instances are all approved by the Board of Directors.

3.57 Exhibit 3.12 shows the annual salary for the President/CEO in fiscal 2019 for the Crown agencies we surveyed, as well as the annual salary for senior civil servants in Part I government.

Exhibit 3.12 - President/CEO & Government Part I Senior Civil Servant Actual Highest Annual Salary for Fiscal 2019



* Upper range of CEO salary. Partial salary was provided for CEO so upper range is used for comparative purposes

Source: Prepared by AGNB from entity surveys (unaudited)

Observation – The President/CEO of NB Power is the highest paid

3.58 Exhibit 3.12 shows, for 2019, the President/CEO of NB Power is the highest paid among the Presidents/CEOs of the other Crown agencies and senior civil servants in Part I government.

Senior executives may require high salaries given the nature of their work

3.59 To obtain competent and qualified individuals, high salaries may be required. Senior executives include, for example, the President and CEO, vice presidents, other chief executive officers and Deputy Ministers.

Annual Stipends for Chairs of Boards of Directors

Annual stipend defined

3.60 An annual stipend is an amount of money paid annually in return for the Chair's service to the Board.

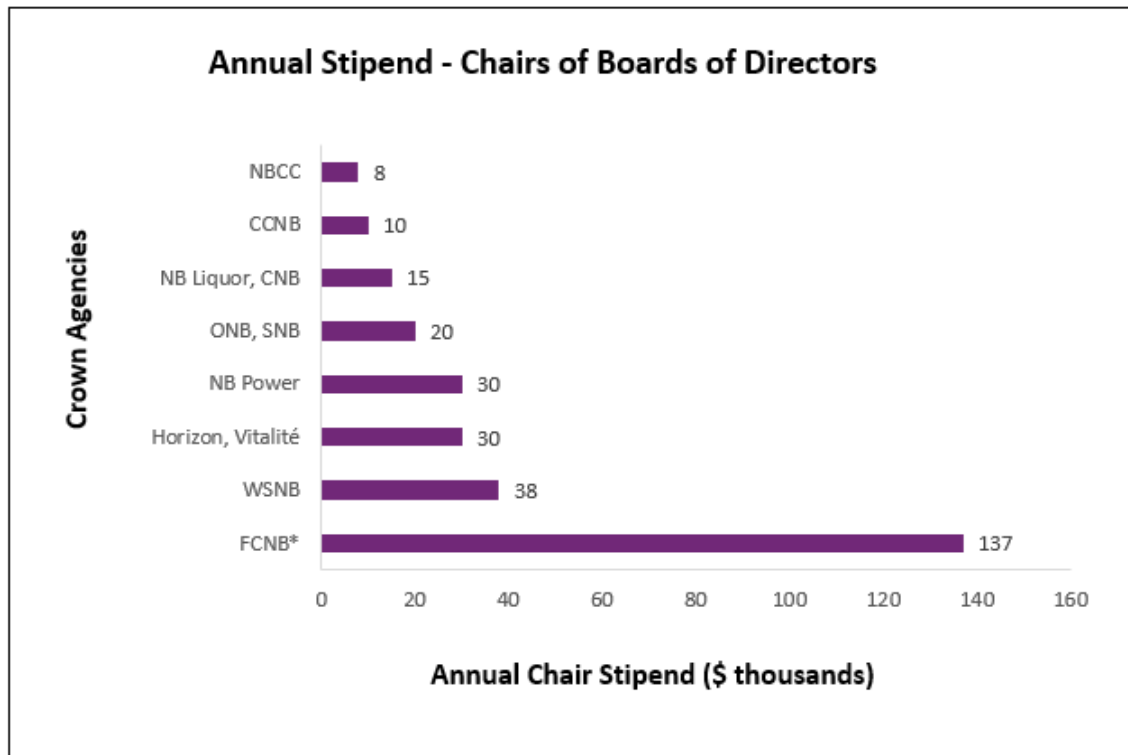
Survey results

3.61 For each Crown agency surveyed, we observed the following regarding the annual stipend paid to Chairs of Boards of Directors in fiscal 2019.

- The annual stipend for the Chair of FCNB was \$137,000 which was well above the amounts paid to the other Chairs of Boards of Directors.
- We found no consistency among the remaining Crown agencies surveyed as annual stipends ranged from \$8,000 to \$38,000.
- Three Crown agencies do not offer an annual stipend to the Chairs – KLC, RDC and RPC.
- The Chairs for both Regional Health Authorities received \$30,000.
- The Chair of NBCC received \$8,000, while the Chair for CCNB received \$10,000 which are the lowest annual stipends for the Crown agencies surveyed.
- Two Part I Crown agency Chairs (SNB and ONB) received \$20,000.
- The Chairs for NB Liquor and Cannabis NB were the lowest paid of Part IV Chairs, each receiving \$15,000.

3.62 Exhibit 3.13 shows the annual stipend each Crown agency provides to the Chair of its Board of Directors.

Exhibit 3.13 - Annual Stipend Provided to Chairs of Boards of Directors



* FCNB Chair has a hybrid role as the Board Chair and an executive position, so a higher stipend is provided to compensate for this dual role.

Source: Prepared by AGNB from entity surveys (unaudited)

FCNB – High stipend was needed to attract a suitable candidate

3.63 FCNB stated, chair “*compensation was determined based on the responsibilities assumed and the amount required to attract a candidate with the necessary qualifications in business integration and financial and consumer regulatory matters.*”

FCNB Chair held two positions

3.64 We were also informed this Board Chair position has more duties than a typical Board Chair and is a hybrid of an executive position and a Board Chair. FCNB also indicated its Chair has recently taken on additional responsibilities acting as the Chair of New Brunswick Credit Union Deposit Insurance Corporation without any additional compensation.

FCNB to review governance structure to determine best approach for the future

3.65 FCNB also stated, it “*... will be undertaking a comprehensive governance review beginning this year to determine, among other things, whether the model of governance adopted remains the best approach. To date,*

FCNB is comfortable that it has been well served by the increased participation of the Chair.”

Employee Bonuses

Bonuses defined

3.66 Bonuses are paid to employees on top of their regular salary and are typically based on performance.

Survey results – NB Power

3.67 NB Power does not offer bonuses to non-bargaining employees, including senior executives. NB Power does **pay bonuses to its bargaining employees** as part of their collective agreements. The collective agreements are approved by the Lieutenant-Governor In Council and have criteria which are required to be met before bonuses can be paid. In 2019, NB Power paid approximately \$983,000 in bonuses to bargaining employees, the largest of which was \$5,400. Even though this was the largest total among Crown Agencies that paid bonuses, NB Power was the only one of these Crown agencies that did not pay bonuses to non-bargaining employees.

Survey results – RPC

3.68 In 2019, RPC paid \$309,000 in bonuses to its employees. We were informed:

“[RPC] offers bonuses to employees not eligible for overtime payments. [The bonus structure] is pay at risk based on performance objectives and RPC fiscal performance” and “2019 saw unprecedented 25% growth in revenue and strong net income.”

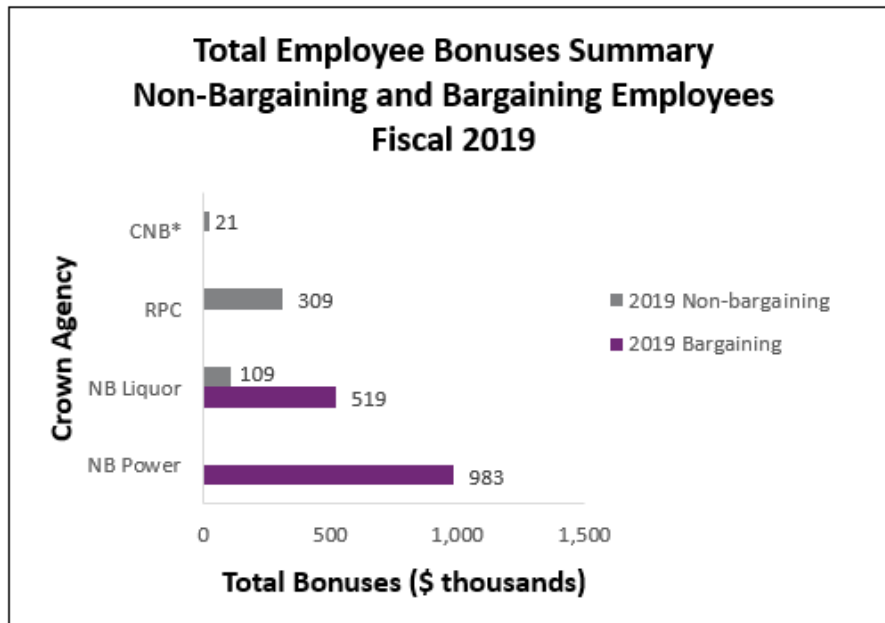
Survey results

3.69 For each Crown agency surveyed, we observed the following regarding bonuses paid to employees in fiscal 2019.

- Total bonuses paid for fiscal 2019 by all Crown agencies surveyed were \$1.9 million.
- The CEO of NB Power does not receive a bonus, while the CEOs of NB Liquor and RPC earned bonuses in the range of \$20,000 to \$29,000.
- Four Part IV Crown agencies paid bonuses to employees.
- Part I Crown agencies did not pay bonuses to employees.

3.70 Exhibits 3.14 and 3.15 show the Crown agencies we surveyed provide bonuses to bargaining and non-bargaining employees.

Exhibit 3.14 - Employee Bonus Summary



* Bonuses paid by CNB were to employees who were extensively involved in the start-up of CNB in 2019

Source: Prepared by AGNB from entity surveys (unaudited)

Exhibit 3.15 - Employee Bonus Summary by Crown Agency for Fiscal 2019

Employee Bonuses Paid by Crown Agencies for Fiscal 2019 (\$ rounded)					
Crown Agency	Bargaining Employees	Non-bargaining Employees	Total Bonuses Paid	Number of Employees	Largest Bonus Paid (Employee Position)
CNB*	-	21,000	21,000	4	11,000 (Director of Business Development)
RPC	-	309,000	309,000	46	29,000 (CEO)
NB Liquor	519,000	109,000	628,000	567**	20,000 (CEO)
NB Power	983,000	-	983,000	816	5,400 (Nuclear Supervisor)
Total	\$1,502,000	\$439,000	\$1,941,000	1,433	

* Bonuses paid by CNB were to employees who were extensively involved in the start-up of CNB in 2019

** In 2019, NB Liquor paid bonuses to 525 bargaining and 42 non-bargaining employees.

Source: Prepared by AGNB from entity surveys (unaudited)

Part III may offer bonuses to recruit difficult positions

3.71 From our work, we found Part III Crown agencies offer signing bonuses to recruit for difficult positions. Vitalité paid approximately \$79,000 in signing bonuses between January and December 2018. Horizon did not pay any signing bonuses during this same time, but we were informed Horizon has paid signing bonuses in the past. We have excluded these signing bonuses from Exhibit 3.14 and Exhibit 3.15.

Merit Increases

Merit increase defined

3.72 Merit increases (raises) are typically awarded to employees each year for satisfactory or exceptional performance as long as they have not reached the end of their pay scale.

Survey results

3.73 For each Crown agency surveyed, we observed the following regarding merit increases in fiscal 2019 for non-bargaining employees.

- ONB does not follow the government Part I practice of awarding annual merit increases to a maximum of 2% for employees with exceptional performance. ONB awarded a maximum of 4% for employees with exceptional performance.
- KLC, a Part I Crown agency, can award merit increases of more than 2%, in some instances, for exceptional performance. This requires approval from the CEO.
- Six Part IV Crown agencies surveyed award employees merit increases of more than 2% for exceptional performance. CCNB does offer merit increases of more than 2%. This process, however, was frozen for 2019.
- RPC awards employees the highest merit increase for exceptional performance with a maximum of up to 10%.

The two Part III Crown agencies follow the Part I practice of awarding annual merit increases to a maximum of 2% for employees with normal or exceptional performance.

RPC merit increases for exceptional performance

3.74 As RPC awarded the highest merit increase to employees, we inquired as to how often a 10% merit increase was awarded in 2019. Exhibit 3.16 summarizes the merit increase percentages awarded to employees at RPC and the number of employees to receive the increases.

3.75 RPC notes it awards higher merit increases to employees instead of moving employees to a higher pay band which would end up costing RPC considerably more.

Exhibit 3.16 - Merit Increase Percentages for RPC for Fiscal 2019

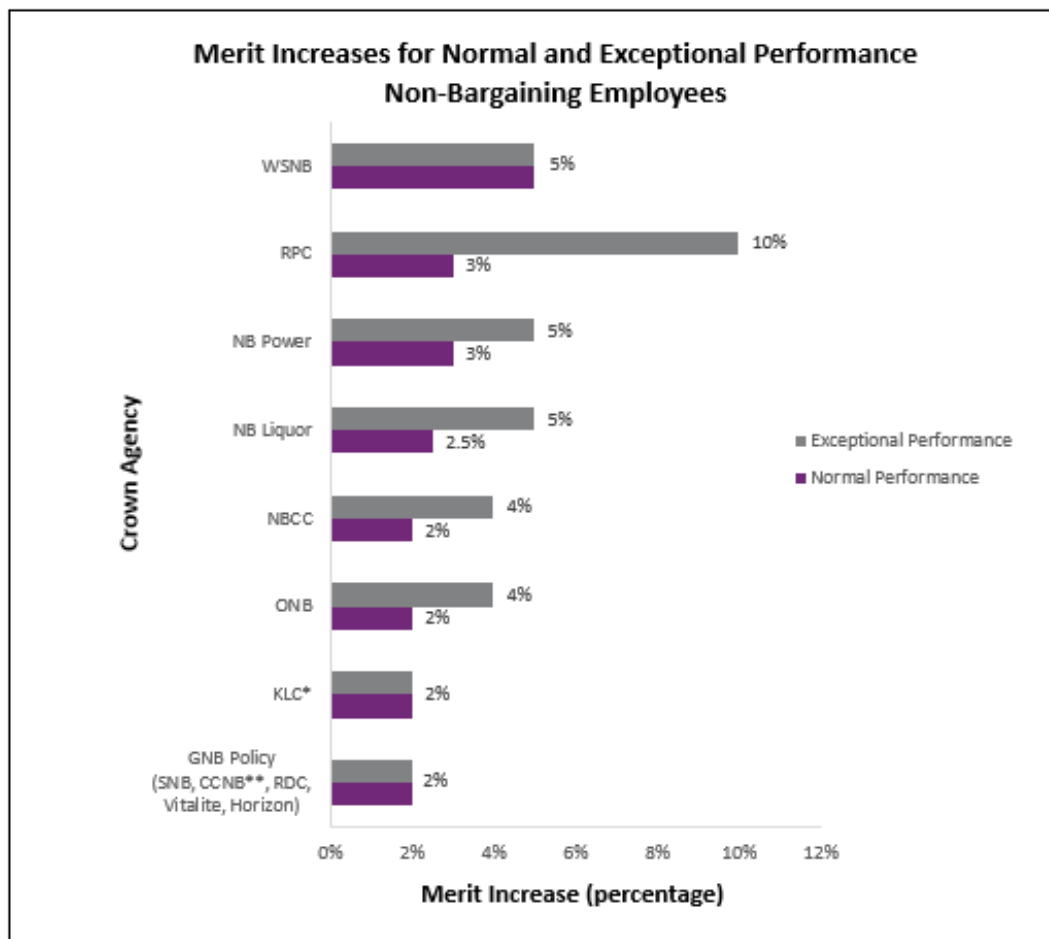
**Merit Increase Percentages for RPC
for Fiscal 2019**

Merit Increase	# of Employees
Less than 3%	64
3% - 4%	6
4% - 5%	30
5% - 6%	14
6% - 7%	4
7% - 10%	7

Source: Prepared by AGNB using information provided by RPC in its survey response (unaudited)

3.76 Exhibit 3.17 shows the merit increases offered by Crown agencies for fiscal 2019.

Exhibit 3.17 - Merit Increases for Normal and Exceptional Performance for Non-Bargaining Employees



* KLC can award merit increases of more than 2% for exceptional performance with approval from the CEO.

** CCNB does offer merit increases of more than 2%. This process, however, was frozen for 2019.

*** FCNB is excluded. Once per year, eligible FCNB employees receive a pay adjustment. This pay adjustment is all encompassing to include re-earnable increments, merit increases and inflation. This practice differs from other Crown agencies we surveyed and Part I, but in aggregate results in less favourable employee annual increases when compared with Part I.

**** CNB is excluded as it began operating in 2019 and had not yet awarded merit increases at the time of our work.

Source: Prepared by AGNB from Crown entity surveys (unaudited)

Re-earnable Increments

Re-earnable increment defined

3.77 Re-earnable increments are temporary pay step increases for employees who reach the end of their pay scale but had exceptional performance during the year. Until 2011, Part I government employees who were at the end of their pay scale were eligible to receive up to four additional steps annually. These steps had to be re-earned by the employee each year.

Survey results

3.78 For each Crown agency surveyed, we observed the following regarding re-earnable increments in fiscal 2019.

- Only two Crown agencies still provided non-bargaining employees with re-earnable increments: KLC and RPC.
- The remaining Crown agencies surveyed follow Part I and have stopped awarding re-earnable increments to non-bargaining employees.
- KLC, a Part I Crown agency, awarded one re-earnable increment for the first time in 2019. KLC indicated it was not aware the practice of awarding re-earnable increments was discontinued for Part I non-bargaining employees.
- RPC allows employees with exceptional performance to go above the top of their pay scale by up to 10%. RPC awarded 28 employees this benefit. RPC informed us, “RPC utilizes this approach to recognize exceptional performance while avoiding promotion to the next job classification/pay band.”
- Eligible FCNB employees receive a pay adjustment once per year. This pay adjustment is all encompassing to include re-earnable increments, merit increases and inflation. This practice differs from other Crown agencies we surveyed and Part I government, but in aggregate results in less favourable employee annual increases when compared with Part I.

Inflation Adjustments

Survey results

3.79 For each Crown agency surveyed, we observed the following regarding adjusting pay scales for inflation (i.e. cost of living) between 2015 and 2019.

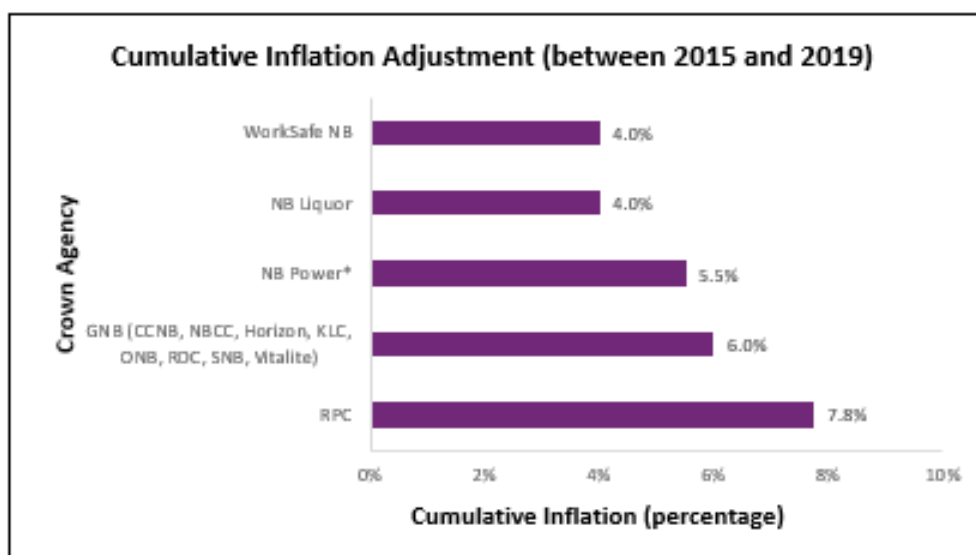
- Parts I and III Crown agencies have adjusted their pay scales cumulatively by 6%.
- RPC increased its non-bargaining pay scales for inflation 1.8% more than Part I has in total since 2015.

RPC stated, “RPC references published COLA [cost of living allowance] rates for New Brunswick.”

- Three Part IV Crown agencies have adjusted their pay scales for inflation *less* than Part I’s cumulative 6% increase.

3.80 Exhibit 3.18 shows the cumulative amount Crown agencies have adjusted their pay scales for inflation between 2015 and 2019.

Exhibit 3.18 - Cumulative Inflation Adjustments between 2015 and 2019



* Does not include adjustments for bargaining employees of NB Power.

** FCNB is excluded. Once per year, eligible FCNB employees receive a pay adjustment. This pay adjustment is all encompassing to include re-earnable increments, merit increases and inflation. This practice differs from other Crown agencies we surveyed and Part I, but in aggregate results in less favourable employee annual increases when compared with Part I.

Source: Prepared by AGNB from Crown agency surveys (unaudited)

Retirement Allowance for Employees

Retirement allowance defined

3.81 Retirement allowance is a lump sum provided to employees when they retire based on years of service. Employees earn credits for each year of eligible service.

RPC still accumulates retirement allowance credits for non-bargaining employees

3.82 In 2013, government discontinued the practice of accumulating retirement allowance credits for **non-bargaining** employees in Parts I and III, including senior executives. This practice, however, still exists for bargaining employees as part of collective agreements. From our surveys, we found one Part IV Crown agency (RPC) still continues to accumulate retirement allowance credits for non-bargaining employees hired before 2011.

3.83 RPC stated, “*RPC does not offer retirement allowance credits for employees hired since [2011]. [RPC] chose not to pay out eligible employees, to avoid 100% payout scenarios. [RPC] has several examples of employees departing before retirement and saving RPC from paying out the [retirement allowance]*”.

NB Power no longer offers retirement allowance credits

3.84 During our work, we were also informed NB Power is working to eliminate retirement allowance benefits from all of its collective agreements.

Retirement Benefits for Senior Executives

Survey results

3.85 For each Crown agency surveyed, we observed the following regarding retirement benefits for senior executives in fiscal 2019.

- Senior executives at NB Power receive a retirement benefit supplement in addition to routine government pension plan benefits.
- Deputy Ministers in Part I receive a retirement supplement.
- Senior executives at the other 13 Crown agencies surveyed do not receive such a supplement.

3.86 We also observed the following regarding senior executive retirement benefits based on our work:

- Senior executives in Parts I, III, and IV all participate in the New Brunswick Public Service Pension Plan (NBPSPP).
- Deputy Ministers can earn double years of pensionable service, up to five additional years. (E.g. if a Deputy

Minster works for 10 years, they are credited with 15 years of pensionable service.)

- Deputy Ministers were once eligible to receive a “supplemental” retirement allowance benefit. This benefit, however, was discontinued in 2013 for all new Deputy Ministers.

NB Power’s senior executive supplement explained

3.87 We provide the following information regarding NB Power’s senior executive supplement.

- The supplement is approved by NB Power’s Board of Directors.
- It is paid to senior executives each year after they retire.
- Ten current senior executives are eligible to receive the supplement when they retire.
- The supplement is not funded (no assets have been set aside to pay retirees).
- In fiscal 2019, NB Power paid approximately \$378,000 in benefits to 24 retired senior executives.

3.88 Exhibit 3.19 summarizes the added benefits provided to NB Power’s senior executives under the executive retirement supplement.

Exhibit 3.19 - Summary of NB Power Executive Retirement Supplement

	<i>NB Power Executive Retirement Supplement</i>
Added Retirement Supplement	1% of average annual earnings for each year while employed as a senior executive to a maximum of 10%.*
Example	A senior executive averaging a salary of \$200,000 per year over ten years would receive an additional benefit of \$20,000 per year during retirement.
Limit on Benefit	There is a cap on how much senior executives can receive from the supplement. The maximum overall pension payable to senior executives (including the supplement) is capped at 80% of their rate of pay at retirement. For example, a senior executive earning an annual salary of \$200,000 at retirement would be capped at an overall annual payment of \$160,000 during retirement.

** If senior executives retire before the age of 60, this amount is reduced by 3% per year. This benefit is only available after 5 years as a senior executive.*

Source: Prepared by AGNB using information provided by NB Power (unaudited)

Vacation Entitlement Benefits

Survey results

- 3.89** For each Crown agency surveyed, we observed the following regarding vacation entitlements in fiscal 2019.
- Five Crown agencies provide long-serving employees with up to 30 days of vacation compared to Part I which offers a maximum of 25 days.
 - Part III and most Part IV Crown agencies earn more vacation days sooner than Part I. The Part IV exceptions are: CCNB, NBCC, and RPC.
 - Four Crown agencies have more ‘cut-off points’ for when employees can earn vacation (i.e. employees can earn one additional vacation day per year rather than waiting multiple years to receive additional days).
 - All Part I Crown agencies and RPC, NBCC and CCNB follow the Part I government vacation policy.
 - Both Part III Crown agencies follow the same vacation policy.
- 3.90** Exhibit 3.20 shows the number of vacation days employees earn for each of the surveyed Crown agencies.

Exhibit 3.20 - Number of Employee Vacation Days for each Surveyed Crown Agency

Years of Service	Days Earned											
	PART I Policy	PART III	PART IV									
	GNB, RPC, CCNB, NBCC	Horizon, Vitalite	CNB, NBLiquor	FCNB	WorkSafe NB	NB Power						
1	15 days											
2												
3												
4												
5	17											
6												
7	20 days											
8												
9												
10							21					
11												
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25	29											
26	30 days											
27												
28												
29												
30												

Source: Prepared by AGNB from Crown agency surveys (unaudited)

Sick Leave Benefits

Sick leave defined

3.91 Sick leave is typically paid leave from work to cover short-term absences due to employee illness. As the Province does not offer short-term disability for employees, in our view, the sick leave banks are intended to act like short-term disability for employees.

Survey results: earning sick days

3.92 For each Crown agency surveyed, we observed the following regarding sick benefits (earning sick days) in fiscal 2019.

- All Crown agencies surveyed (except for NB Power) follow the Part I sick leave policy allowing employees to earn up to 15 sick days per year.
- NB Power employees do not earn sick days. See paragraph 3.93 for further details.

Survey results: maximum number of sick days

3.93 For each Crown agency surveyed, we observed the following regarding how employees accumulate sick days.

- 11 Crown agencies follow the Part I sick leave policy and employees can accumulate a maximum of 240 sick days.
- NB Liquor and Cannabis NB employees can accumulate a maximum of 330 sick days.
- NB Power does not have a typical sick leave bank. Employees are provided up to 15 weeks of pay for sick leave based on length of service. Fifteen weeks represents the qualifying period for long-term disability.

Survey results: pay out of unused sick days

3.94 FCNB is the only Crown agency surveyed that pays out unused sick days. FCNB pays employees 20% of their unused sick days (up to a maximum of 48 days) when they retire. In the past four years, FCNB has paid out approximately \$17,000 per year for sick leave credits which is 0.2% of its total payroll.

Health and Wellness Spending Benefits

Health and wellness spending defined

3.95 Health and wellness spending benefits can be used for items such as gym memberships, nutrition counselling, smoking cessation, etc. or as health spending in addition to what is covered by insurance, such as Blue Cross.

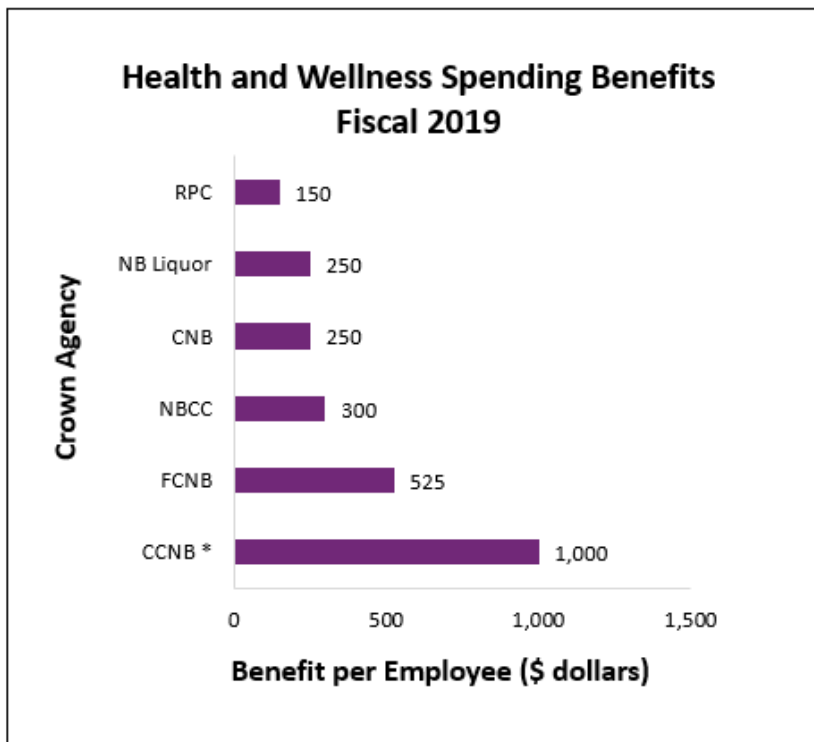
Survey results

3.96 For each Crown agency surveyed, we observed the following regarding health and wellness spending benefits in fiscal 2019.

- We found six Crown agencies offered health and wellness spending benefits in fiscal 2019. These benefits are not offered to Part I employees.
- CCNB offers a \$1,000 health and wellness spending benefit to its CEO, but not to its employees. NBCC offers benefits of \$300 annually to employees.
- Four other Part IV Crown agencies offer health and wellness spending benefits to their employees. Benefit amounts are in the range of \$150 to \$525 annually.
- For fiscal 2019, the total health and wellness spending benefit provided to employees for all surveyed Crown agencies was around \$50,000 for approximately 240 employees.

3.97 Exhibit 3.21 shows Crown agencies in our survey which offered health and wellness spending benefits to employees, and the amount offered per employee for fiscal 2019.

Exhibit 3.21 - Crown Agency Health and Wellness Spending Benefits for Fiscal 2019



Part I does not provide Health/Wellness Spending benefits.

** CCNB provides \$1,000 for the CEO. Employees are not eligible to receive health spending benefits.*

Source: Prepared by AGNB from Crown agency surveys (unaudited)

Health and Dental Insurance Benefits

Health and dental insurance benefits defined

3.98 Health and dental insurance benefits provide employees with insurance for health costs (such as prescriptions, hospital stays, eye care costs, etc.) and dental costs (such as checkups, teeth cleaning and fillings, etc.) The benefits provided depend on the plan negotiated by each employer.

Survey results

3.99 For each Crown agency surveyed, we observed the following regarding health and dental insurance benefits in fiscal 2019.

- Five Crown agencies have a health and dental insurance benefit plan different from Part I.
- The total monthly cost per employee (employer and employee amounts) for all health and dental insurance benefit plans varies between plans.
- Three Crown agencies pay 100% of the health and dental insurance benefits for employees.

Three areas of interest

3.100 Health and dental insurance benefits are offered by all Crown agencies in all parts of government we surveyed. In our survey, we were interested in determining if:

- the total cost of the contributions were consistent; and
- the percentage of employer versus employee costs were consistent.

Five Crown agencies have different health and dental insurance benefit plans

3.101 We found five Crown agencies offer health and dental insurance benefit plans different from the Part I plan: NB Power, RPC, WSNB, CNB and NB Liquor.

3.102 We asked each of the five Crown agencies why it was not following the Part I health and dental insurance benefit plan.

- NB Power noted changing plans is difficult as benefit offerings are embedded in collective agreements.
- RPC noted it was looking into joining the Part I plan.
- Some of the Crown agencies responded that they have always had a different plan from Part I.

The cost per employee varies for all plans

3.103 We found the total monthly cost per employee varies for each of the five Crown agencies with different plans. We also found these costs vary from the Part I plan.

3.104 Exhibit 3.22 shows the cost per employee for all health and dental insurance benefit plans.

Exhibit 3.22 - Total Cost per Employee (sum of employer and employee contributions) for Health and Dental Insurance Benefit Plans for 2019

Total Monthly Cost for Health and Dental Insurance Benefit Plans (\$ dollars)					
Benefit Plan	PNB Part I*	NB Power**	CNB/NB Liquor	RPC	WSNB
Single Health & Dental	113	113	126	200	131
Single Health	85	63	79	0	103
Single Dental	28	50	47	0	28
Family Health & Dental	292	265	313	400	324
Family Health	230	157	208	0	229
Family Dental	62	108	105	0	95

* Includes all remaining Crown agencies surveyed

** NB Power offers a flexible benefit program which enables employees to choose benefit options which meet their needs. These amounts are the average cost of these benefit plans.

Total monthly cost includes both employer and employee amounts

Source: Prepared by AGNB from Crown agency surveys (unaudited)

Percentage of employer versus employee costs varies – three Crown agencies pay 100% of benefit – two Crown agencies pay less than Part I

3.105 From Exhibit 3.23, we make the following observations regarding health and dental insurance benefits.

- For three Crown agencies, the employer pays 100% of health and dental insurance benefits. For these entities, employees receive health and dental insurance benefits at no cost to the employee. This is unlike most other Crown agencies where costs are shared between employer and employees.
- For one Crown agency, the employer pays 90% of health and dental insurance benefits.
- For two Crown agencies, the percentage of benefits paid by the employer is less than Part I.
- For the remaining eight Crown agencies, the percentage of benefits paid by the employer is the same as Part I.

Exhibit 3.23 - Percentage of Benefit Paid by Employer for Health and Dental Insurance Benefits

Percentage of Benefit Paid by Employer					
Benefit Plan	CNB/ NB Liquor FCNB	Part I*	NB Power	RPC	WSNB
Single Health and Dental	100%	69%	60%	50%	90%
Single Health	100%	75%	60%	NA	90%
Single Dental	100%	50%	60%	NA	90%
Family Health and Dental	100%	70%	60%	50%	90%
Family Health	100%	75%	60%	NA	90%
Family Dental	100%	50%	60%	NA	90%

* Includes all remaining Crown agencies surveyed

Source: Prepared by AGNB from Crown agency surveys (unaudited)

Travel Policies

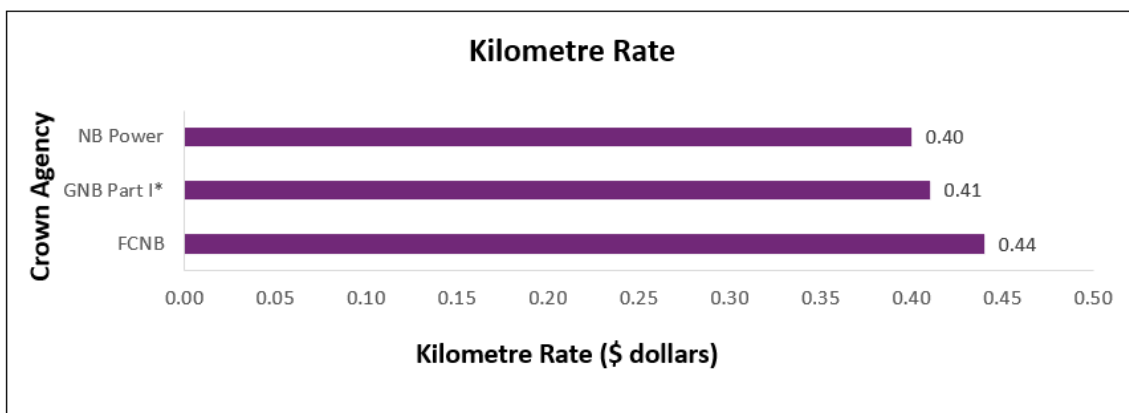
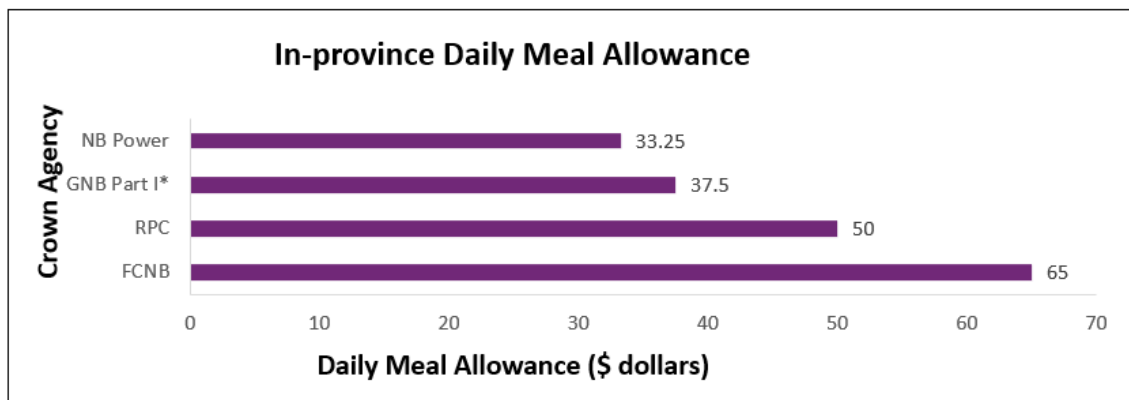
Survey results

3.106 For each Crown agency surveyed, we observed the following regarding travel policies in fiscal 2019.

- Crown agencies' travel policies mostly align with the Part I travel policy. We noted some differences in the daily meal allowances and mileage rates (e.g. cost per kilometer travelled).
- Three Crown agencies do not follow the Part I travel policy for in-province daily meal allowances.
- Only one Crown agency, NB Power, has a daily meal allowance **lower** than Part I.
- Two Crown agencies do not follow the Part I travel policy for mileage rates.
- Only one Crown agency, FCNB, has a mileage rate **higher** than Part I.

3.107 Exhibit 3.24 compares the in-province daily meal allowance and mileage rates for Crown agencies to Part I.

Exhibit 3.24 - In-province Daily Meal Allowance and Kilometre Rates



* Includes all remaining Crown agencies surveyed

Source: Prepared by AGNB from Crown agency surveys (unaudited)

Appendix I – Crown Agencies Included in this Chapter

The Province has 51 entities listed in the *Public Service Labour Relations Act*. As part of our work, we sampled and surveyed 14 Crown agencies to determine what their salary and benefits practices were for fiscal 2019. We surveyed the following:

Part I

- Kings Landing Corporation (KLC)
- Opportunities New Brunswick (ONB)
- Regional Development Corporation (RDC)
- Service New Brunswick (SNB)

Part III

- Horizon Health Network (Horizon)
- Réseau de santé vitalité (Vitalité)

Part IV

- Cannabis NB (CNB)
- Collège communautaire du Nouveau-Brunswick (CCNB)
- Financial and Consumer Services Commission (FCNB)
- New Brunswick Community College (NBCC)
- New Brunswick Liquor Corporation (ANBL)
- New Brunswick Power Corporation (NB Power)
- New Brunswick Research and Productivity Council (RPC)
- Workplace Health, Safety and Compensation Commission (WSNB)