

# INTERIM REPORT

*Submitted to*

**Minister Of Finance**  
The Hon. E.T. "Bob" Richards JP, MP

*July 23, 2013*



# SAGE COMMISSION

Spending and Government Efficiency

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July 23, 2013

The Honourable E.T. "Bob" Richards JP, MP  
Minister of Finance  
Government of Bermuda  
The Cabinet Building  
105 Front Street  
Hamilton HM05

Dear Minister Richards,

I present here for your information an interim report on the work undertaken to date by the SAGE Commission.

Since the Commission was embodied in April of this year, its six members, four Committee Chairs and 34 committee members have spent thousands of hours reviewing data and reports, and meeting with employees of the Bermuda Civil and Public Service, union representatives, and members of the public.

This report outlines interim findings and recommendations which will be developed more fully, and then finalised, as the Commission continues its review of the Bermuda Government. It presents recommendations for short-term actions while we develop the long-term solutions we feel will create a more modern, efficient and accountable government.

There is still a lot of work to do before we submit our final report in October: several more interviews to conduct, comparative analyses to complete and additional consultation to invite. We will also continue to educate the public about the challenges and opportunities facing us.

Our final report will offer a blueprint for the government the Island needs and can afford, and recommendations for how to achieve that goal.

Sincerely,



Brian Duperreault

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# Interim Findings

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The members of the SAGE Commission, having read reports, having received information from its Committees, having hosted three Public Meetings and having received submissions from members of the public, make the following interim findings:

1. The public is unaware that there exists a substantial body of work, prepared by Government employees and others, which addresses the issues facing Bermuda, and that few of the recommendations therein have been acted upon.
2. The pension schemes operated by the Bermuda Government for the benefit of its employees, Ministers and Members of the Legislature, and the public are unsustainable in their current form and as currently operated.
3. Preliminary indications are that health care costs are unsustainable on an ongoing basis.
4. There is a lack of accountability in the management of employees in Government service which has created a culture that inhibits innovation, creativity and leadership.
5. Significant improvements to efficiency and effectiveness in the Bermuda Government could be made through:
  - i. improved central management of key strategic functions, including information systems and human resources;
  - ii. further centralisation of core common functions, such as real estate management;
  - iii. integration of the multiple Human Resources management and information systems arising in part from the distinction between the Civil Service and the Public Service; and
  - iv. provision of a single, common point of access to Government services, particularly those delivered over the Internet.
6. The work of the Committees has been hampered by:
  - i. the unavailability of comprehensive and centralised information on the number of individuals employed in the Civil Service and the wider Public Service; and
  - ii. comprehensive and centralised information on the assets, particularly properties, owned by Government.

# Interim Recommendations

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Based on the interim findings to date, the members of the SAGE Commission recommend that:

1. The Bermuda Government act immediately on its policy of mandatory retirement at age 65.
2. Government institute an immediate hiring freeze on all categories of employees including, but not limited to, permanent, temporary, relief, contract and consultants:

As at July 9, 2012 there were 548 posts vacant. The estimated cost savings based on a salary average of \$70,000 per post, together with the savings on benefits, would amount to more than \$40,000,000 in savings. Any funds in the budget that are associated with the posts which are not filled should immediately be frozen.

However, notwithstanding this general recommendation, in certain specific cases, and subject to the discretion of the Minister of Economic Development, additional employees are required to meet International conventions or to support revenue generation for the Government and the Island as a whole.

3. A cross-Ministry committee is formed immediately to prepare and implement a plan to address the collection of all amounts owed to Government including taxes, fees, fines and social insurance contributions. This plan should only consider using existing resources within the Government or outsourcing collection to a debt collection agency.
4. Until such time as a cross-Ministry committee prepares a comprehensive asset management plan for all Government assets to ensure that existing Government-owned or leased assets are effectively and fully utilised, there should be:
  - i. no new spending for capital or development projects; and
  - ii. no new leases for new or replacement accommodation or renewal of leases.
5. Government immediately form a SAGE-like Commission to review health care cost containment in Bermuda.
6. Government immediately form a SAGE-like Commission to review economic growth and the current lack of liquidity in Bermuda.

# Key Financial Data

FROM REPORTS REVIEWED BY THE COMMISSION AND ITS COMMITTEES

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1. The Government deficit for:
  - a. 2012: was \$228,768,000
  - b. 2013: estimated at \$243,549,000
  - c. 2014: projected to be \$331,593,000

This amounts to a total of \$803,910,000 over the 3 year period to March 31, 2014. Total gross borrowings during this period are expected to be \$809,102,000.

2. Based on best estimate projections, the Bermuda Contributory Pension Fund (the public pension) will last until 2041 and then be exhausted. This means that any person aged 37 or younger will not receive a pension upon retirement at aged 65.

As of July 31, 2008, this fund had a funded ratio of 40.6% assets to liabilities.

The unfunded liability as at July 31, 2008 was \$1,901,000,000. The draft report prepared as at July 31, 2011 indicates that the unfunded liability has grown.

3. Based on the most recent best estimate projections, the Public Services Superannuation Fund (Government employees), if continued in its current form, (that is with a significant unfunded amount of \$983,000,000 which continues to increase annually), will last until 2046 and then be exhausted. This means that any person aged 27 who retires at the plan's retirement age of 60 and who worked in Government and whose contributions have vested, will find that there will be no assets in the fund to pay a pension.

As of March 31, 2012, this fund had a funded ratio of only 33.4% assets to liabilities.

The unfunded liability as at that date was \$983,096,000.

*(It should be noted that if the Public Services Superannuation Fund is exhausted, the Consolidated Fund will have the obligation to pay these pensions. Therefore, if these funds are maintained in their current form, Government revenue will have to rise substantially which would most likely require a substantial rise in taxes.)*

4. Based on best estimate projections, the Ministers and Members of the Legislature Pension Plan Fund, as of March 31, 2012, had a funded ratio of only 32.7% assets to liabilities. The unfunded liability for this fund as at March 31, 2012 was \$22,548,000.
5. The total unfunded liability for the three Pension Funds, as at the dates mentioned above, is in excess of \$2,906,644,000. Note, however, that the draft report for 2011 for the Bermuda Contributory Pension Fund projects its unfunded liability to rise so this number is most likely understated.

6. Health care is the largest and fastest growing component of Government's budget. Between 2005 and 2011, Ministry of Health expenditures on health care increased by 75.2%, to \$215 million. This represented 17% of Government's total expenditure in 2011.

Between 2005 and 2011, total health care costs in Bermuda grew at an annual rate of 11.9%. The Government component grew at an annual rate of 14.2% during that same period. If expenditure by Bermuda Hospitals Board (BHB) is included, the public component of health care expenditures in 2011 (\$311 million) represented approximately half of total health care costs in Bermuda.

By 2011, the total cost of health care per capita was \$10,570. At its current rate of growth, the total cost of funding Bermuda's health care system is estimated to be almost \$26,000 per capita by 2021.

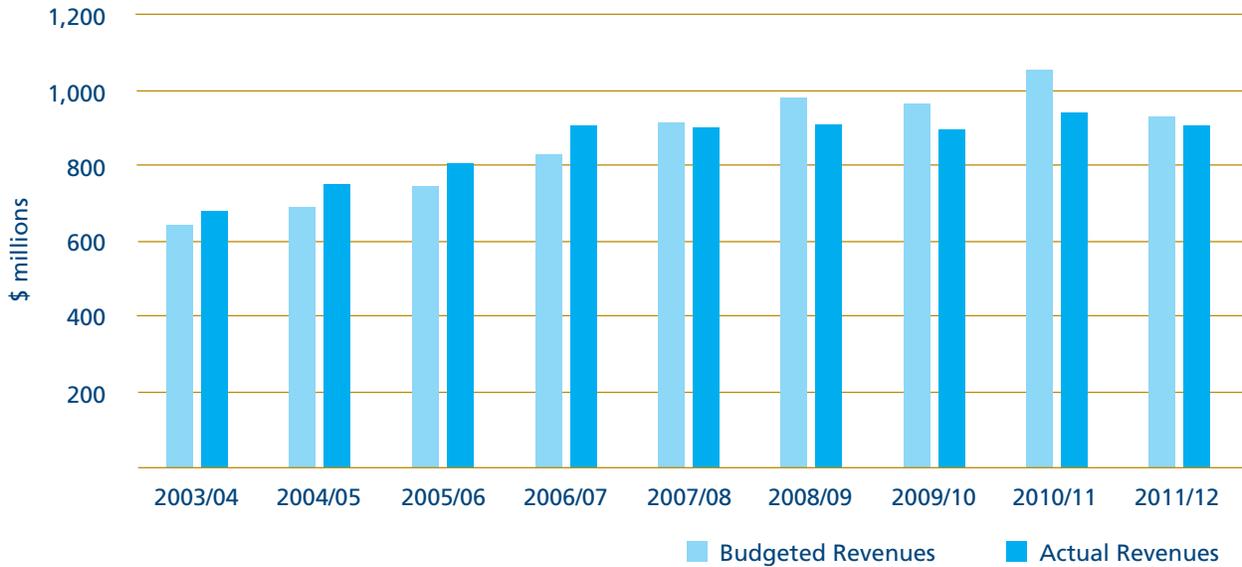
Assuming that Government cannot sustain its portion of health care funding (\$3,330 per person) into the system, we believe that the burden of financing will fall increasingly on the individual.

Assuming an employer funds 50% of health care premiums, premium and out of pocket costs for each individual may triple. As a result, the direct health care payments by individuals may be as high as \$12,000 per capita by 2021.

7. Fitch Report, June 2013: "The downgrade of Bermuda's sovereign ratings reflects four years of economic contraction, sustained high fiscal deficits, and increased government debt burden. The sovereign's ability to sustain higher levels of debt is constrained by its narrow revenue base and its underdeveloped domestic public debt markets. Bermuda's lack of economic diversification and excessive reliance on mature industries is limiting its growth prospects. The Negative Outlook reflects continued uncertainty as to Bermuda's fiscal and economic trajectory and the lack of a credible fiscal consolidation strategy".

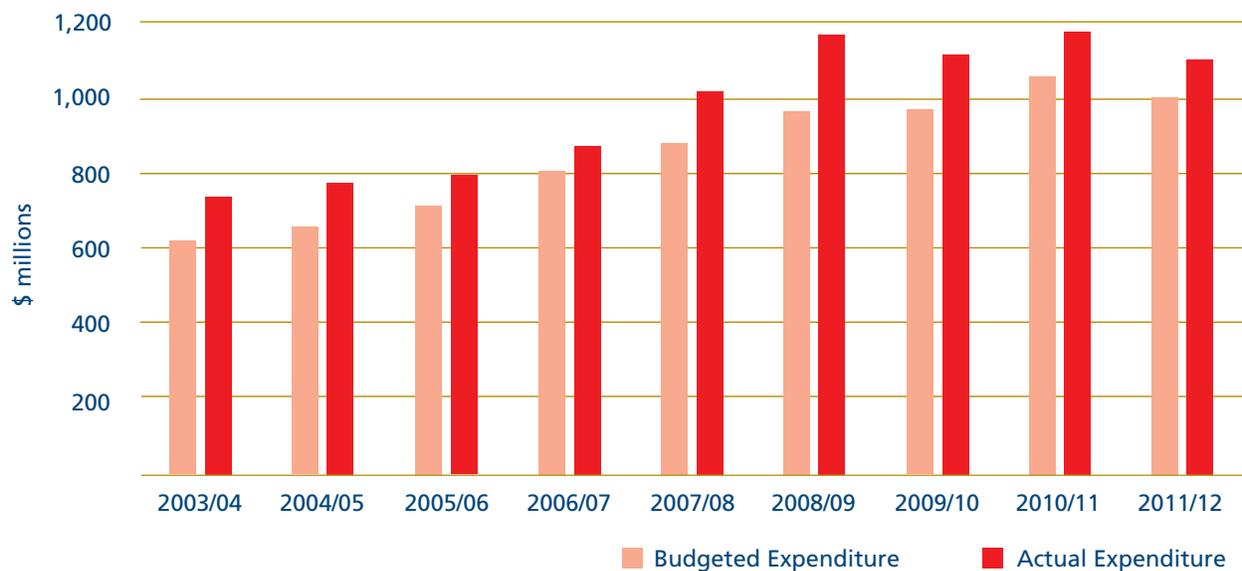
# GRAPHS

## Budgeted Revenues vs. Actual Revenues 2003-2012



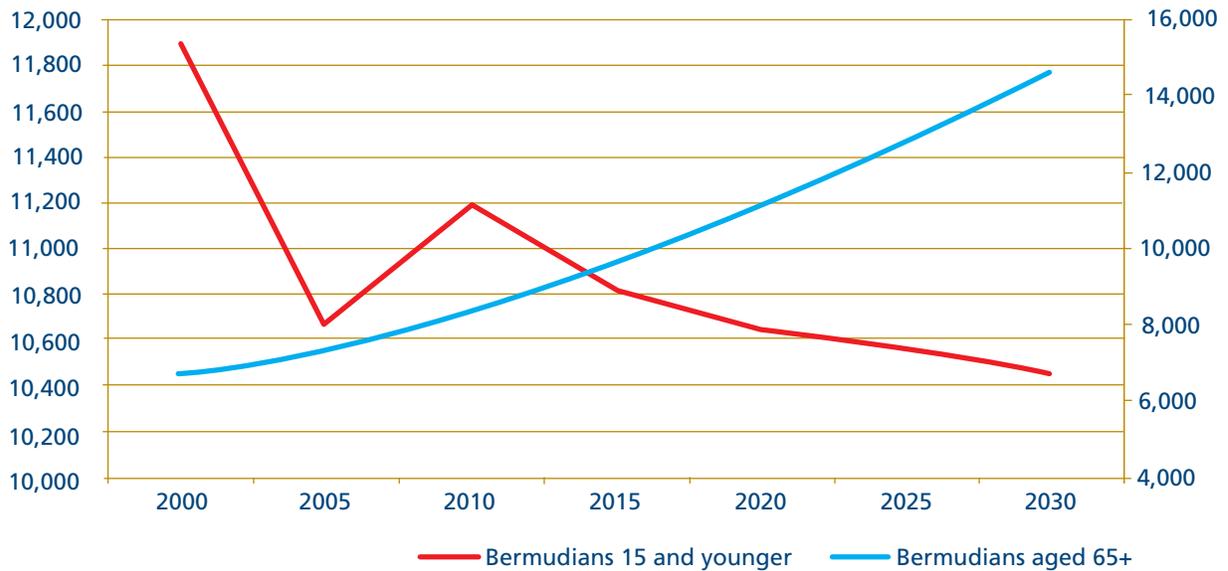
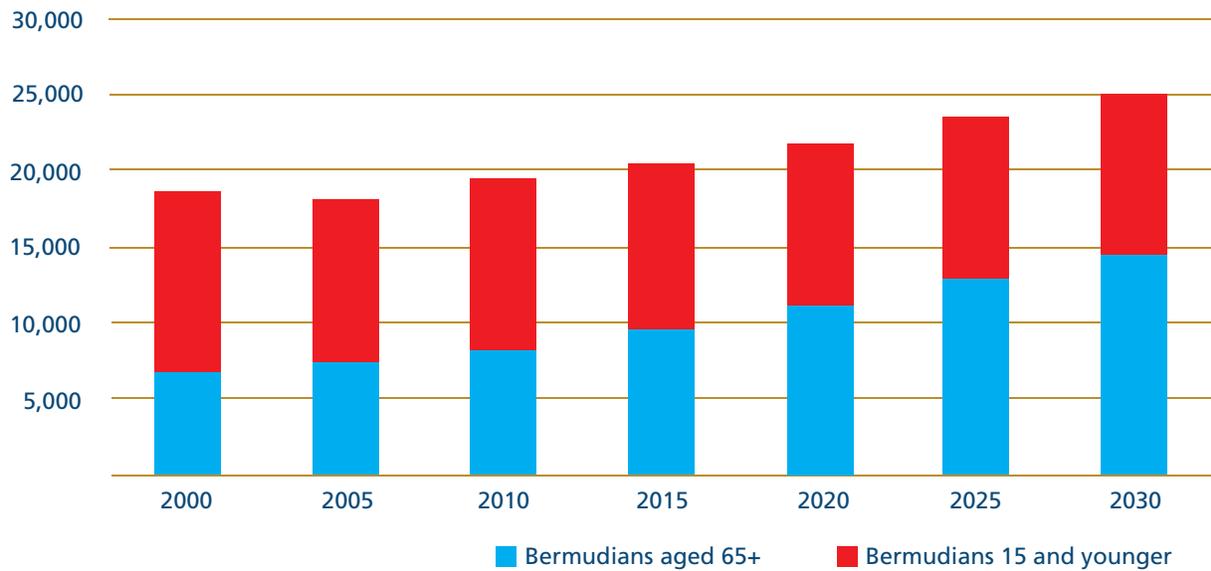
**What this shows:** Budgeted revenues have not been realised for the last five years.

## Budgeted Expenditure vs. Actual Expenditure 2003-2012



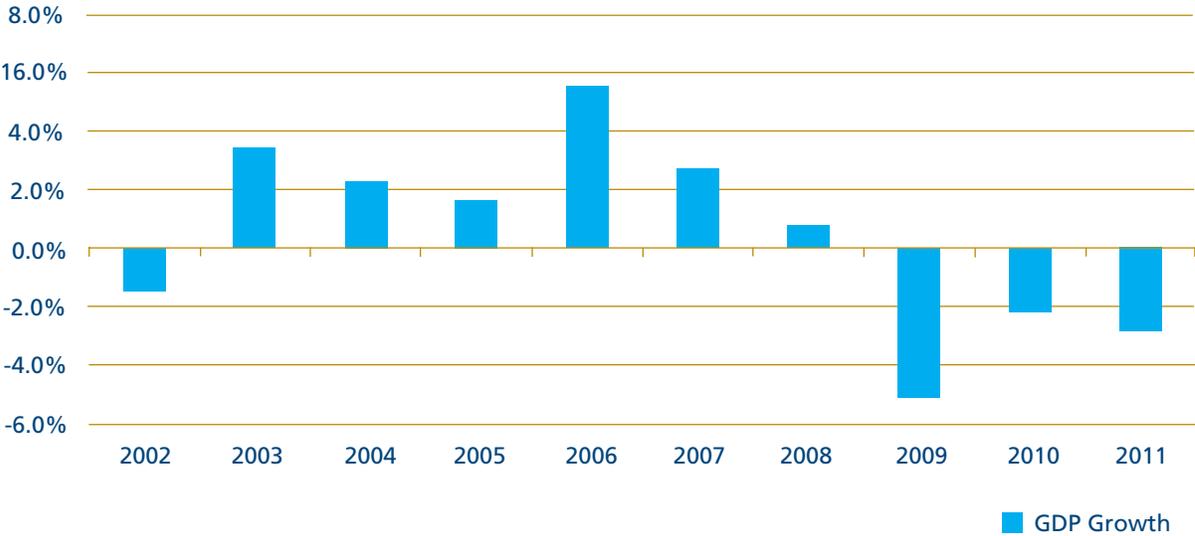
**What this shows:** Expenditure has not been controlled.  
Actual expenditure has exceeded budget for the last nine years.

## Bermuda Age Demographics 2000-2030

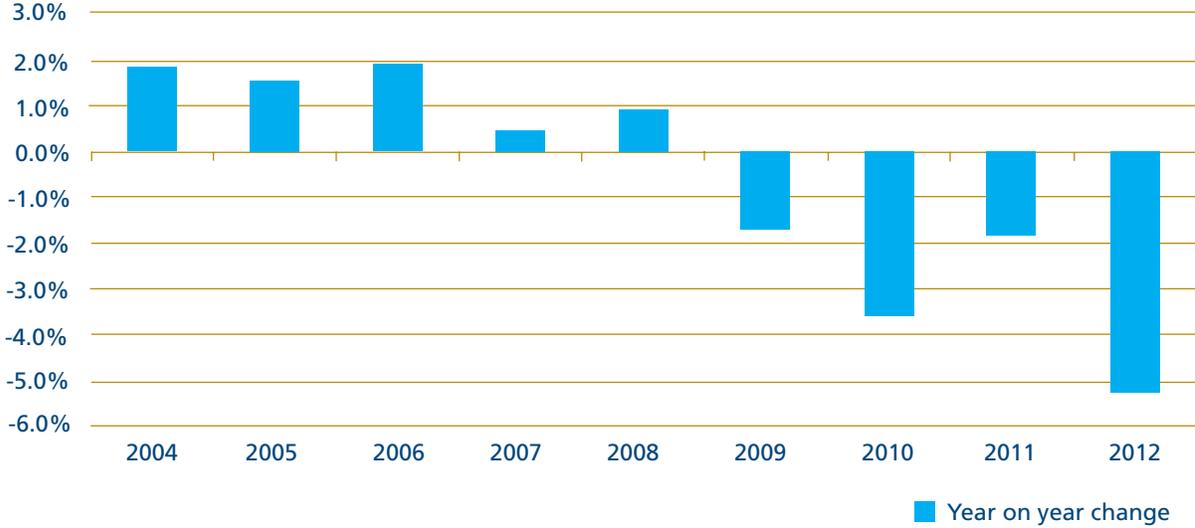


***What these show: Bermuda's population is rapidly aging which will have implications for health care, pensions and tax revenue.***

### Bermuda Economic Growth (GDP) 2002-2011

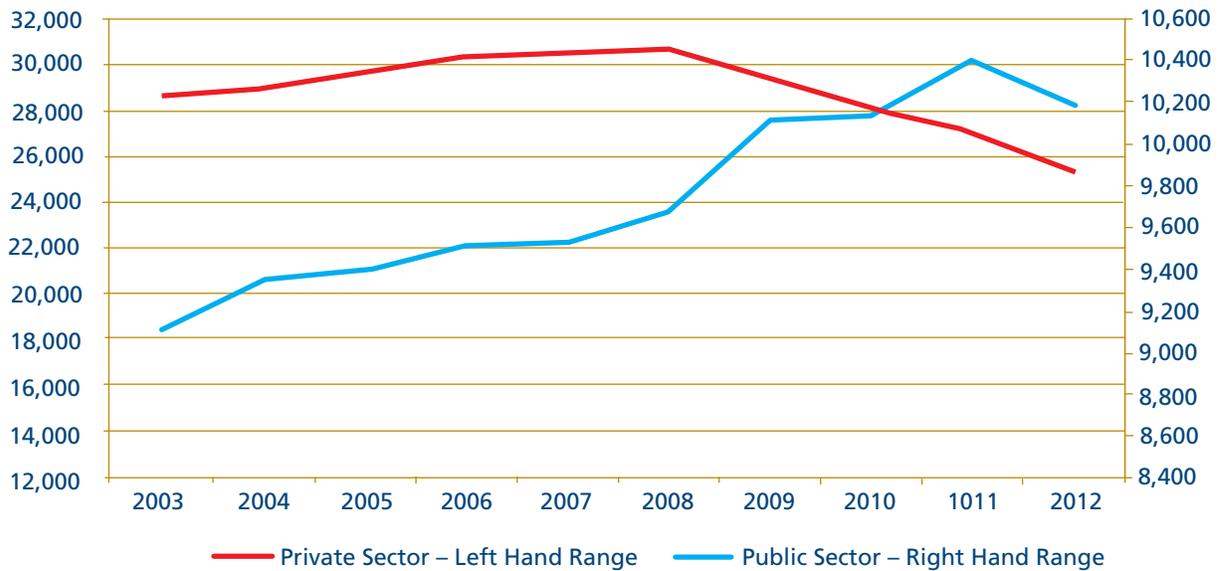


### Bermuda Jobs Growth/Decline 2004-2012



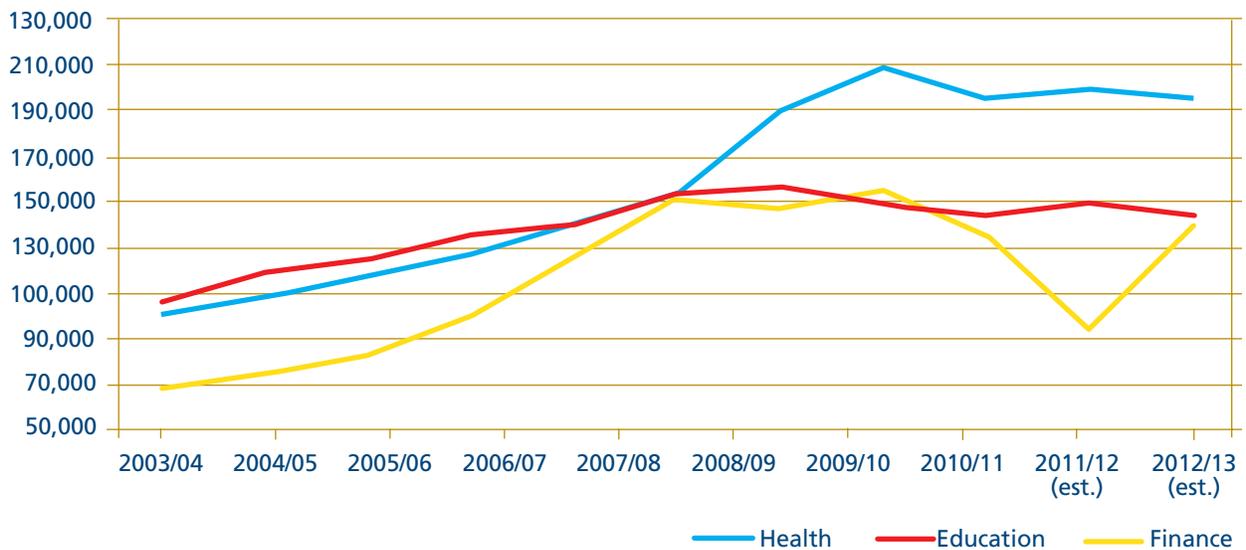
*What these show: Jobs growth and decline are tied to economic growth and decline.*

## Public Sector vs. Private Sector Employment 2003-2012



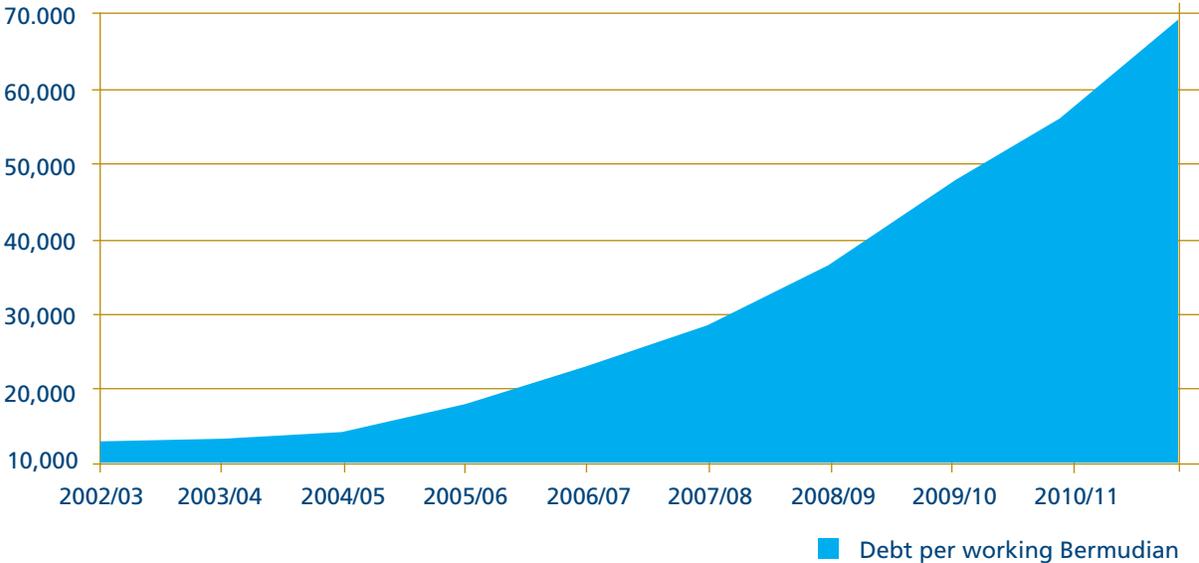
**What this shows:** *Since 2003, public sector employment has increased while private sector employment has declined.*

## Government Expenditure by Ministry (\$'000) 2003-2013



**What this shows:** *Of the three largest Ministries, the Ministry of Health has had the largest cost escalation since 2003.*

# Debt per Working Bermudian 2002-2011



***What this shows: Debt per working Bermudian is approaching unsustainable levels (growing at 10k per year).***

# Overview of the SAGE Commission

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## The SAGE Commission Act 2013

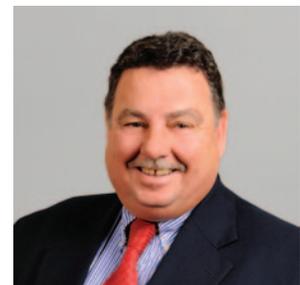
The SAGE Commission Act was officially gazetted on April 1, 2013 and included the terms and regulations relating to the establishment of the Commission, whose primary objective, in accordance with the legislation, is to focus on reducing spending and increasing Government efficiency in the future.

*Attached as Exhibit 1, page 19: The SAGE Commission Act 2013*

## The SAGE Commission

The Minister of Finance, exercising the power granted to him by Section 4(1) of The SAGE Commission Act, appointed the following as Commissioners of the SAGE Commission:

- Brian Duperreault, Chairperson
- Kenneth Dill
- Catherine Duffy
- Peter Hardy
- Don Mackenzie
- Kim White



## Committees appointed by the SAGE Commission

The SAGE Commission members, exercising the power granted to them by Section 9 of the SAGE Commission Act, appointed the following committees, whose functions and activities are alluded to in sequence:

Mandates of the Committees: *To assist the Commission in discharging its responsibilities under the SAGE Commission Act 2013; to identify activities that are central to the core mission of Government; to evaluate and analyse the operations of Government and its corporate bodies and agencies in line with international best practice; and to make recommendations regarding the streamlining of such processes to improve service delivery, cost savings, greater transparency and sustainability.*



### (a) STREAMLINE COMMITTEE

- Dame Jennifer Smith, Chairperson
- Pam Barit Nolan
- Kim Caines
- John Drinkwater
- Walwyn Hughes
- Vince Ingham
- Richard James
- Francine Mason
- Stan Oliver
- Jonathan Smith
- Michelle St. Jane
- Susan Wilson

*Will review, assess and redesign the organisational structure of Government in such manner as the Commission may deem appropriate, which may include streamlining, consolidating or eliminating redundant and unnecessary agencies, authorities and other bodies that have overlapping missions.*



### (b) PRIVATISATION AND OUTSOURCING COMMITTEE

- Henry Smith, Chairperson
- Richard Butterfield
- Daina Casling
- Nicola Feldman
- Donnie Francis
- Neville Grant
- Cathy Lord
- Allan Marshall
- Sheila Nicoll
- Craig Simmons

*Will identify areas of Government suitable for privatisation or outsourcing of services to the private sector.*



### (c) MEASUREMENT AND METRICS COMMITTEE

- Tom Conyers, Chairperson
- Susan Armstrong
- Zelia Amaral
- Philip Burrill
- Stephen Caton
- Crystal Clay
- Dane Commissiong
- Justin Freisenbruch
- Lynn Osborne
- Rebecca Pitman

*Will identify metrics and performance targets and other means for measuring efficiencies and enhancing accountability to the Public.*



#### **(d) PERFORMANCE COMMITTEE**

- Martha Dismont, Chairperson
- David Bedard
- Cal Blankendal
- Lynda Davidson-Leader
- Julie Dunstan
- Peter Everson
- Judy Gonsalves
- Alison Hill
- Gail Miller
- Gary Pitman

*Will identify operational improvements aimed at cost effectiveness and improved service quality, which may include shared services, enhanced use of Information Technology and changes in service delivery mechanisms.*

#### **(e) PENSIONS COMMITTEE**

- John Burville, Chairperson
- Catherine Duffy
- Peter Hardy
- James Jardine
- Kim White

The Pensions Committee is reviewing the three pension schemes operated by the Government:

Bermuda Contributory Pension Fund  
Public Services Superannuation Fund  
Ministers and Members of the Legislature Pension Fund

*The purpose of the review is to determine the funds' sustainability from an ongoing funding perspective as well as efficiency of operation.*

#### **(f) HEALTH CARE COMMITTEE**

- Brian Duperreault, Chairperson
- Kenneth Dill
- Don Mackenzie

*The purpose of the Health Care Committee is to review health care in Bermuda.*

#### **(g) ECONOMIC ANALYSIS WORKING GROUP**

- Nathan Kowalski, Chairperson
- Dane Commissiong
- Peter Everson
- Peter Hardy
- Don Mackenzie
- Craig Simmons
- Arhat Virdi

*The purpose of the Economic Analysis Working Group is to provide information on the effects on the Bermuda economy of the various recommendations made by the SAGE Commission.*

# Functions of the SAGE Commission

## (SECTION 5 OF THE SAGE COMMISISON ACT)

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- (a) The SAGE Commission shall evaluate and analyse operations of Government in line with international best practice to determine the best means of structuring Government, streamlining Government processes, improving delivery of services and introducing cost saving measures and greater transparency.
- (b) Without derogating from the generality of subsection (1), the SAGE Commission shall:
  - (1) review, assess and propose changes to Government and Government corporate bodies and agencies with respect to:
    - (i) the adequacy of the structures in place;
    - (ii) operations; and
    - (iii) processes for governing.
  - (2) review, assess and propose a redesign of the organisational structure of Government in such manner as the Commission may deem appropriate, which may include streamlining or consolidating agencies, authorities and other bodies that have overlapping missions;
  - (3) identify operational improvements aimed at cost-effectiveness and improved service quality, which may include shared services, enhanced use of Information Technology and changes in service delivery mechanisms;
  - (4) identify inefficiencies;
  - (5) identify activities that can be privatised or outsourced;
  - (6) identify targets and other means for measuring efficiencies; and
  - (7) do all such things as the Commission may deem necessary to achieve the objectives of the Act.

# Analysts, Members of the Secretariat and Others Contributing to the SAGE Commission

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## Analysts

Lori Rockhead (KPMG) Analyst Coordinator  
Ryan Benevides (Deloitte)  
Hannah Deevey (KPMG)  
Kiante Francis (PricewaterhouseCoopers)  
Jessica Mello (Deloitte)  
Stephen Nowell (Ernst & Young)  
Tom Powell-Tuck (KPMG)  
Ali Rattani (KPMG)  
Darryl Van-Heerden (PricewaterhouseCoopers)

## Secretariat

Pat Rodrigues  
James Smith

## Reports Collection

Bill Francis (Assistant Cabinet Secretary)

## Communications

Wendy Davis Johnson

# Outreach by the SAGE Commission

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The SAGE Commission is obliged by Sec. 7 (2) of the Act to solicit and to have diversified access to local input from various sources: Government Ministries, politicians, a broad and diverse range of individuals (public and private), and a number of organisations in Bermuda. The broad-based consultation with the aforementioned sources is intended to pilot solutions to Bermuda's economic and other challenges.

The Commission identified the following methods to seek a broad-based consultation:

## **PUBLIC MEETINGS**

The SAGE Commission hosted three Public Meetings in May at the following locations: St. James Church, Somerset (May 21st); Penno's Wharf, St. George's (May 28th); and Mount Saint Agnes Auditorium, Pembroke (May 30th). The meetings were well attended. Attendees drew attention to economic and social problems currently facing Bermuda, the Bermuda Civil Service and, in many cases, recommended initiatives to address these problems.

*Attached as Exhibit 2 on page 26 are notes from the Public Meetings.*

## **COMMUNICATIONS**

To support the SAGE Commission's objective of creating a transparent and inclusive process, the following communications are in place:

- A web site has been established at [www.sagecommission.bm](http://www.sagecommission.bm) that provides information about the goals, objectives and governance structure of the SAGE Commission, invites submissions and feedback, and posts updates on Commission activity.
- The SAGE Commission's Facebook page and Twitter account are used to advise followers of news and other developments.
- Press releases, interviews and advertising are used to promote the Commission's public meetings, speaking engagements and the Awards Programme.

## **MEETING WITH ORGANISATIONS**

1. To date, the Commission has met with the following organisations and unions:
  - i. Bermuda Chamber of Commerce
  - ii. Bermuda First
  - iii. Bermuda Industrial Union
  - iv. Bermuda Prison Officers Association
  - v. Bermuda Public Services Union
  - vi. The Cabinet
  - vii. The OBA Caucus
  - viii. The PLP Caucus
2. The Commission has also met with a number of private citizens and discussed with them their ideas and suggestions.

## AWARDS

The Commission has invited the public to participate in its review process by submitting suggestions for reducing the cost to run the Bermuda Government. An Awards Programme offers four prizes worth \$2500 each in four categories (Government employee, member of the public, person under the age of 25; and person under the age of 18). A separate prize of \$10,000 will be awarded for the best idea overall. Deadline for submissions is July 31, 2013.

As of Friday, July 19, 2013, the Commission had received 262 submissions.

## LETTERS SEEKING INPUT SENT TO ORGANISATIONS

Letters have been sent out to various organisations seeking their input and ideas.

*Attached as Exhibit 3 on page 26 is a list of the organisations to whom letters have been sent.*

## SPEECHES AND ARTICLES

The Chairman of the Commission has made speeches and written articles providing the public with information on the Commission's process and the economic challenges facing the Bermuda Government.

## MEETINGS

The Committees of the SAGE Commission have met with Permanent Secretaries, Assistant Cabinet Secretaries, Department Heads and quango Chairpersons and CEOs to discuss ideas and suggestions on how the Government's expenditure could be "right-sized" to meet the core requirements of the public. At the date of this report, these meetings are ongoing. Meetings are also planned with members of the Government Service who are not Permanent Secretaries, Assistant Cabinet Secretaries or Department Heads.

*Attached as Exhibit 4 on page 24 is a list of Civil Servants and quango personnel interviewed to date.*

## DISCLOSURE

The Commission determined that the Commissioners and Committee members and persons assisting the Commission and Committees would be required to disclose their interests to the Commission.

## BUDGET

In April, 2013, the SAGE Commission determined the budget required to undertake and complete its work. Subsequently, the Commission sought funds from both the Bermuda Government and from the private sector.

To date, the following companies and organisations have provided or pledged funds to the SAGE Commission:

a. ACE Foundation	\$25,000.00	e. BF&M	\$10,000.00
b. Argus Group	\$10,000.00	f. Butterfield Bank	\$25,000.00
c. Bank of Bermuda Foundation	\$25,000.00	g. Foreign and Commonwealth Office	\$4,500.00
d. Bermuda Government	\$100,000.00	h. XL Group	\$25,000.00

The Commission extends its sincere appreciation to these donors for their support of and commitment to Bermuda.

The funds received by the Commission are held in a Trust Account in the Commission's name at Cox Hallett Wilkinson Limited.

To date, the Commission has received the sum of \$185,000.00

To date, the Commission has spent the sum of \$26,981.00

The Auditor General, as required by sec. 14 (2), will audit the Commission's accounts and provide a report to the House of Assembly as required by sec. 14(7).

Additionally, the Commission has received *pro bono* assistance and support from the following individuals and companies:

A.F. Smith Limited (photocopier/printer)

Bermuda Government (office accommodation, computers and used office furniture)

Jeff Bormaster (consulting)

Cox Hallett Wilkinson Limited (provision of meeting space and accounting services)

Wendy Davis Johnson (communications)

Deloitte (provision of 2 analysts)

Ernest & Young (provision of an analyst)

Janet Ferguson (facilitator services)

Keil Gunther (communications)

Kerry Judd (communications)

KPMG (provision of an analyst coordinator and 3 analysts)

William Mackenzie (graph production)

Liz Martin (graphics and production)

Morneau Shepell (actuarial consulting services)

Mount Saint Agnes Academy (provision of the school auditorium for a public meeting)

PricewaterhouseCoopers (provision of 2 analysts)

Amy Shillingford (communications)

Suite Solutions (provision of meeting space and coordination assistance)

# Ongoing Work of the SAGE Commission

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The work of the SAGE Commission, its Committees and those assisting will continue. Thousands of hours have been expended on gathering information, interviewing, reading reports and discussing the information obtained. Thousands more will be expended on the analysis of all the information received and providing Bermuda with further recommendations for dealing with the issues facing the Island.

The Commission recommends the release of the interim report for the purpose of further engaging and soliciting input from the public to assist the Commission in carrying out its functions under the Act.

*Dated July 23 2013*

A handwritten signature in black ink, appearing to be 'Brian Duperreault', written in a cursive style.

*Brian Duperreault, Chairperson*

*Kenneth Dill*

*Catherine Duffy*

*Peter Hardy*

*Don Mackenzie*

*Kim White*

## EXHIBIT 1



BERMUDA

### SAGE COMMISSION ACT 2013

2013 : 9

#### Table of Contents

1. Citation
2. Interpretation

#### **PART 1: PRELIMINARY**

#### **PART 2: ESTABLISHMENT OF SAGE COMMISSION**

3. Establishment of SAGE Commission
4. Composition of SAGE Commission

#### **PART 3: FUNCTIONS, OPERATIONS AND PROCEDURES**

5. Functions of SAGE Commission
6. Procedures at meetings
7. Programme of operations of SAGE Commission
8. Reports and recommendations of SAGE Commission
9. Appointment of committees and delegation of powers
10. SAGE Commission to be provided with information
11. SAGE Commission and staff to maintain secrecy

#### **PART 4: FUNDS AND ACCOUNTS**

12. Funds of SAGE Commission
13. Surplus funds
14. Accounts of SAGE Commission

#### **PART 5: MISCELLANEOUS**

15. Immunity from suit
16. Offences
17. Statutory Instruments

WHEREAS it is expedient to provide for the establishment of the Spending and Government Efficiency Commission (the "SAGE Commission");

Be it enacted by The Queen's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Assembly of Bermuda, and by the authority of the same, as follows:

*The SAGE Commission Act 2013*

## **PART 1: PRELIMINARY**

### **CITATION**

1. This Act may be cited as the SAGE Commission Act 2013.

### **INTERPRETATION**

2. In this Act—

“Chairman” means the Chairman of the Commission appointed under section 4; “committee” means a committee appointed by the SAGE Commission under section 9;

“Minister” means the Minister of Finance;

“SAGE Commission” means the Spending and Government Efficiency Commission established under section 3 and the term “Commission” shall be construed accordingly.

## **PART 2: ESTABLISHMENT OF SAGE COMMISSION**

### **ESTABLISHMENT OF SAGE COMMISSION**

3. (1) There is established a body corporate under the name “Spending and Government Efficiency Commission”, with a common seal and power, subject to the provisions of this Act, to—
  - (a) acquire and dispose of property, both moveable and immovable;
  - (b) sue and be sued in its corporate name; and
  - (c) perform such other acts as bodies corporate may by law perform.

(2) The objective of the SAGE Commission is to advise Government on the most efficient and cost-effective government organisational structure and governing processes in accordance with the functions set out in section 5.

(3) Subject to subsection (4), the SAGE Commission shall exist as a body corporate under this Act and conduct the functions under this Act for a period of six months starting from the date of appointment of the Commission.

(4) The Minister may by order, subject to the negative resolution procedure, extend the period of existence and operation of the SAGE Commission.

(5) The Minister shall by order, subject to the negative resolution procedure, dissolve the SAGE Commission after the laying before the Houses of the Legislature of the Commission’s final report and recommendations and its audited financial statements as provided under section 14(7).

### **COMPOSITION OF SAGE COMMISSION**

4. (1) The SAGE Commission shall be composed of six members appointed by the Minister who shall, subject to section 3(3), hold office for such period and on such terms as the Minister may determine.

(2) The Minister shall appoint a Chairman from among the members of the SAGE Commission.

(3) The Chairman and members of the SAGE Commission shall be persons with suitable qualifications and experience for the purposes of the Commission, as the Minister may direct.

## **PART 3: FUNCTIONS, OPERATIONS AND PROCEDURES**

### **FUNCTIONS OF SAGE COMMISSION**

5. (1) The SAGE Commission shall evaluate and analyse operations of Government in line with international best practice to determine the best means of structuring Government, streamlining Government processes, improving delivery of services and introducing cost saving measures and greater transparency.

(2) Without derogating from the generality of subsection (1), the SAGE Commission shall—  
(a) review, assess and propose changes to Government and Government corporate bodies and agencies with respect to—

- (i) the adequacy of the structures in place;
- (ii) operations; and
- (iii) processes for governing;

(b) review, assess and propose a redesign of the organisational structure of Government in such manner as the Commission may deem appropriate, which may include streamlining or consolidating agencies, authorities and other bodies that have overlapping missions;

(c) identify operational improvements aimed at cost-effectiveness and improved service quality, which may include shared services, enhanced use of information technology and changes in service delivery mechanisms;

(d) identify inefficiencies;

(e) identify activities that can be privatised or outsourced;

(f) identify targets and other means for measuring efficiencies; and

(g) do all such things the Commission may deem necessary to achieve the objectives of the Act.

### **PROCEDURES AT MEETINGS**

6. (1) The SAGE Commission shall meet as often as necessary or expedient for the due performance of its functions.

(2) The Chairman may summon a meeting at any time on giving such notice as, in his judgment, may be adequate.

(3) At a meeting of the SAGE Commission, the proceedings shall be regulated as follows—

(a) three members of the Commission constitute a quorum;

(b) the Chairman shall preside at meetings of the Commission;

(c) if the Chairman is absent from a meeting of the Commission, the members present may elect another person from their number to act as Chairman and to preside at the meeting;

- (d) if a member of the Commission has any direct or indirect interest in any matter with the Commission—
- (i) he shall disclose his interest to the Commission at the time of the matter being discussed; and
  - (ii) he shall have no vote in relation to the matter, unless the Commission has resolved that the interest does not give rise to a conflict of interest;
- (e) subject to subparagraph (d)(ii), a member of the Commission shall have no vote in relation to any question arising which touches or concerns him;
- (f) the decisions of the Commission shall be by a majority of votes;
- (g) in the event of an equality of votes, the Chairman shall have a casting vote; and
- (h) the Commission shall determine its own procedure.

#### **PROGRAMME OF OPERATIONS OF SAGE COMMISSION**

7. (1) The SAGE Commission shall decide on the programme of operations for purposes of its functions which shall be provided to the Minister.
- (2) Without derogating from the generality of subsection (1), the SAGE Commission shall engage and solicit the input of a broad and diverse range of persons, associations and organizations, which may include—
- (a) members of the Legislature;
  - (b) representatives of public service employees;
  - (c) companies, boards and statutory bodies;
  - (d) professional bodies;
  - (e) individuals; and
  - (f) such other persons as the Commission may deem necessary.
- (3) Every Government Department and statutory body shall facilitate the work of the SAGE Commission, provide access to records and cooperate with the Commission.
- (4) The SAGE Commission may employ such number of persons as staff members as it may determine necessary.

#### **REPORTS AND RECOMMENDATIONS OF SAGE COMMISSION**

8. (1) The SAGE Commission shall submit to the Minister such number of reports and recommendations and at such intervals as may be determined in the programme of operations.
- (2) The SAGE Commission shall submit its final report and recommendations to the Minister at the end of the six-months period referred to in section 3(3) or at the end of such period as the Minister may have determined by order under section 3(4).

#### **APPOINTMENT OF COMMITTEES AND DELEGATION OF POWERS**

9. (1) The SAGE Commission may, in its discretion, appoint from among its own members or from among other persons, such number of committees as it thinks fit for purposes which, in the opinion of the Commission, would be more expediently carried out or managed by such committees.

(2) The SAGE Commission may, subject to such conditions or restrictions as it thinks fit, delegate to—  
(a) the Chairman;  
(b) any of its members;  
(c) any committee appointed under subsection (1);  
(d) any public officer or employee of the Commission, any of the functions or powers of the Commission under this Act, except the power of delegation conferred by this section.

(3) Any power, function or duty delegated as provided in subsection (2) shall be exercised or performed by the person to whom delegated in the name and on behalf of the SAGE Commission.

(4) The SAGE Commission may continue to exercise a power conferred upon it, or perform a function or duty under this Act, notwithstanding the delegation of such power, function or duty under this section.

### **SAGE COMMISSION TO BE PROVIDED WITH INFORMATION**

10. (1) For the purposes of its functions the SAGE Commission may, subject to this section, require any officer or employee of the Government or member or employee of a statutory body or any other person who is in its opinion able to provide information or produce documents relevant to the functions of the Commission to give such information or produce such documents.

(2) The Secretary to the Cabinet shall ensure that requirements made by the SAGE Commission from any officer or employee of Government under subsection (1) are attended to expeditiously.

(3) The SAGE Commission shall not require any person to furnish any information or answer any question—

- (a) relating to proceedings or deliberations of the Cabinet or any committee of the Cabinet;
- (b) that might prejudice the security, defence or international relations of Bermuda;
- (c) that is subject to legal privilege; or
- (d) that might prejudice the investigation or detection of offences.

(4) For the purposes of subsection (3)(a), a written statement by the Secretary to the Cabinet with the approval of the Premier, confirming that any information, question, document or part of a document so relates shall be conclusive.

### **SAGE COMMISSION AND STAFF TO MAINTAIN SECRECY**

11. (1) The SAGE Commission and every person employed or appointed under sections 7(4) and 9 shall maintain secrecy in respect of all matters that come to their knowledge in the exercise of the functions of the Commission, and shall not communicate any such matter to any person except for the purpose of carrying out functions under this Act for the purpose of—

- (a) the reports and recommendations to the Minister under section 8;
- (b) the reports and recommendations to the Legislature under section 14(7); or
- (c) court proceedings.

(2) This section does not apply to information which at the time of the disclosure is or has already been made available to the public from official Government sources.

## **PART 4: FUNDS AND ACCOUNTS**

### **FUNDS OF SAGE COMMISSION**

12. (1) The funds of the SAGE Commission shall consist of—
  - (a) all such sums as may be appropriated by the Legislature for the purposes of the Commission;
  - (b) all grants, subsidies and contributions paid to the Commission or received from any source and funds raised by all lawful means.
- (2) For the purpose of the receipt of grants, subsidies and contributions under subsection (1)(b), the SAGE Commission shall be deemed to be a charitable organisation.
- (3) The Charities Act 1978 is not applicable to the SAGE Commission.

### **SURPLUS FUNDS**

13. At the end of the period of operation of the SAGE Commission, any surplus funds not utilized for purposes of the Commission under this Act—
  - (a) that were appropriated by the Legislature for the purposes of the Commission under section 12(1)(a), shall be paid into the Consolidated Fund;
  - (b) that are a grant, subsidy or contribution received by the Commission under section 12(1)(b), shall returned to the respective donor.

### **ACCOUNTS OF SAGE COMMISSION**

14. (1) The SAGE Commission shall cause proper statements of its financial affairs to be maintained and shall prepare in respect of the period of its operation a statement of its accounts in such form as required by applicable accounting standards.
  - (2) The accounts of the SAGE Commission shall be audited by the Auditor-General or by an auditor appointed by the Auditor-General.
  - (3) A person shall not be qualified for appointment as an auditor under subsection (2) unless he is a public accountant who is registered or deemed to be registered under the Institute of Chartered Accountants of Bermuda Act 1973.
  - (4) The statement of accounts must present fairly and accurately—
    - (a) the financial transactions of the SAGE Commission during the period of its operation; and
    - (b) the financial position of the period of its operation at the end of its operation.
  - (5) Where the Auditor-General has not been appointed to be the auditor, a copy of the audited financial statements and any report made by the auditor shall be forwarded to the Auditor-General at the same time they are submitted to the SAGE Commission.
  - (6) As soon as the accounts of the SAGE Commission and the financial statements have been audited in accordance with the provisions of this Act, a copy of the audited financial statements signed by the Chairman, together with a copy of any report made by the auditor, shall be submitted to the Minister.

(7) The Minister shall as soon as practicable after receipt of the final report and recommendations, and audited financial statements, of the Commission cause a copy of each to be laid before both Houses of the Legislature.

## **PART 5: MISCELLANEOUS**

### **IMMUNITY FROM SUIT**

15. (1) No action, suit, prosecution or other proceeding shall be brought or instituted personally against an officer, employee or agent of the SAGE Commission, or any member of the SAGE Commission, or the Minister, in respect of any act done bona fide in pursuance or execution or intended execution of their functions under this Act and Regulations made thereunder.

(2) Where any member of the SAGE Commission is exempt from liability by reason only of subsection (1), the Commission shall be liable to the extent that it would be if that member were an employee or agent of the Commission.

### **OFFENCES**

16. (1) A person commits an offence if he intentionally—  
(a) makes a false statement to, misleads or attempts to mislead the SAGE Commission or another person in the exercise of any function under this Act, or otherwise obstructs the work of the Commission; or  
(b) discloses information or documents in contravention of section 11.

(2) Any person who commits an offence contrary to subsection (1) is liable on summary conviction to a fine not exceeding \$5,000.

(3) Notwithstanding anything in any other provision of law, proceedings in respect of an offence against this Act shall be commenced within three years after the date of the commission of the offence.

### **STATUTORY INSTRUMENTS**

17. (1) The Minister may make statutory instruments for the purposes of this Act prescribing anything that is necessary or convenient to be prescribed for the carrying out of the provisions of this Act or to give effect to it.

(2) Statutory instruments made under this section shall be subject to the negative resolution procedure.

*[Assent Date: 26 March 2013]  
[Operative Date: 26 March 2013]*

# Notes from Public Meetings

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The SAGE Commission arranged three Public Meetings during May 2013 at the following locations: St. James Church, Somerset (May 21st), Penno's Wharf, St. George's (May 28th); and Mount Saint Agnes Academy, Pembroke (May 30th). The meetings were well attended and invited the audiences to draw attention to the problems currently facing Bermuda and how to recommend initiatives to deal with those problems.

## St. James Church Hall, MAY 21

- *SAGE Commission Chairman Brian Duperreault told attendees that the SAGE Commission has no power to implement its recommendations, which would be determined in the final analysis by Parliament. Attendees were invited to question and comment on Government expenditure, efficiency and revenue conceptions, noting that their comments and suggestions would be forwarded to Government.*
- *A comment was made that the Post Office Department has been losing revenue because the number of employees and the costs of the Department are too high and that there are other means of communication and more efficient services such as DHL and FedEx.*
- *A suggestion was made that a national lottery should be instituted.*
- *A suggestion was made to privatise pre-schools.*
- *It was recommended that instrumental measures should be put in place for the payment of unpaid bills such as utilities, health insurance and payroll tax.*
- *Given that the Government of Bermuda rents a large number of buildings, the suggestion was made to consolidate Government offices in fewer buildings in order to reduce the rent being paid.*
- *There should be a review of banking regulations to prevent giving out risky credits.*
- *A central bank should be established with the power to affect monetary policy.*
- *Deregulation should be put into effect to allow people, other than banks, to provide banking services such as currency transactions.*
- *The number of Members of Parliament, and the current dependency on consultants, should be reduced.*
- *Bars, restaurants and music should be allowed on beaches to attract tourists.*
- *There is a need to carefully monitor the process of privatisation, because, as one speaker mentioned, privatisation has been known to fail in other economies.*

- *GDP data for Bermuda is available 18 months after the year-end, which prompted the suggestion from a member of the audience that there is a need to make the data available on a quarterly basis because investors are interested in the data for their decision-making.*
- *Health care costs are spiraling out of control and need to be reviewed.*
- *Economic decisions should be made taking Bermuda's social and cultural systems into careful consideration.*
- *There should be a merging of debt collection departments relating to Social Insurance, Tax and the Accountant General.*
- *There should be accountability of Government staff and Departments; and there should be an investigation into how Government cars are used.*
- *There should be a water park at Morgan's Point instead of a golf course.*
- *Government should consider establishing a robust aquaculture industry, including shrimp farming, to encourage a more diversified revenue stream*
- *There should be whistle-blower regulations for Civil Servants.*
- *The Senate is not necessary.*
- *There is a need to consolidate the procurement functions in all Government Departments.*
- *Regarding the procurement of items used in Government offices, a proper record should be kept of items which are in stock so that if a need occurs, stocked items can be used instead of buying new ones.*
- *The procurement functions in all Government Departments should be consolidated.*
- *There should be an organised process ensuring equality in the remuneration of Government workers.*
- *Contact and discussion with trade unions are necessary to deal with salary packages and employee removals, and there is a need to have a displacement plan in place.*
- *Civil Servants are frustrated with the leadership of the Civil Service.*
- *Payroll tax relief should be rolled back.*
- *Regarding the defined benefits plan, there is a need to compare it with other countries and the private sector, and to make amendments to the plan.*
- *Unemployment insurance should be introduced.*
- *Some people who leave Bermuda and return as retirees collect pensions in spite of not contributing to the pension system while away from the Island.*
- *Rich people who never worked still collect pensions.*
- *Work permit costs for guest workers should be increased.*



Photo courtesy of Bernews

## Penno's Wharf, MAY 28

- *Health care costs are out of control.*
- *Government has substantial pension obligations.*
- *The seriousness of Bermuda's financial situation needs to be understood and dealt with. The cost of the Civil Service should be considered; about 80 cents of each dollar is spent on salaries and benefits.*
- *The involvement of Bermuda's unions in finding solutions to the Island's problems is critical and essential.*
- *Increase Tax Commissioner staffing to collect outstanding taxes.*
- *Reduce the size of the Department of Education.*
- *Reduce the number of individuals picking up trash at ferry stops from five to one.*
- *Reduce the burning of fuel on fast ferries when docking and get them to travel at a slower pace. Reduce the ferry crew numbers from four to two.*
- *Introduce a four-day work week and a sliding scale pay cut.*
- *The pay rise given to Civil Servants at the salary level of PS 38 and above should be rolled back.*
- *Eliminate or reduce pensions for Members of Parliament.*

- *Concerned about too many levels of supervision in the Civil Service, which translates into people not doing their job and not utilizing Information Technology to make their jobs easier and more efficient.*
- *Consolidate Bermuda's schools to reduce expenditure.*
- *Privatise Elder Care and require a suitable model for seniors.*
- *Focus on preventative medicine.*
- *Heat the National 50 metre swimming pool with energy provided from the incinerator.*
- *Revenue stimulus ideas: encourage capital investment; rent the Dockyard boat slip to commercial boat owners; make provision for the use of a 75-100 passenger yacht to transport visitors from the East coast of the United States to Bermuda; stop the use of container ships coming into Bermuda on weekends to eliminate overtime pay for workers.*
- *Initiate QR codes (barcodes) for post offices rather than stamps.*

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## Mount Saint Agnes, MAY 30

- *The expectation is that Government debt will accelerate unless decisive steps are taken to carry out effective restraints on our financial problems.*
- *There is a need to establish control of our economy in order to protect Bermuda's children in the future.*
- *There are about 8,000 individuals in the Government workforce, and it is difficult for a person in the Civil Service to lose his or her job. This does not alter the fact that there are many efficient workers in the Civil Service, but, as also mentioned, there are some individuals who are not carrying out their jobs efficiently.*
- *Government workers receive higher salaries and benefits than they would in the private sector.*
- *The Post Office system loses about \$9 million in a year. The loss needs to be looked at and the suggestion was made that performance appraisals should be instituted for postal workers.*
- *Reference was made to individuals who were receiving administrative leave, which, in some instances, was prolonged and effectively threw money down the drain.*
- *The question was raised relating to whether we needed 36 Members in the House of Assembly and 11 Senators, and the suggestion was made that the numbers should be reduced to decrease Government expenditure.*
- *Escalating debt will, in the final analysis, make it very difficult for Bermuda to continue borrowing money.*

- *Bermuda needs to improve the tax collection process, and the individual responsible for ensuring that taxes are collected should deal with all tax issues rather than one.*
  - *Government's Financial Assistance system was criticised by an attendee, who argued that the system had to be carefully scrutinised, pointing out that there was an increase in those receiving financial assistance and that in some instances they received more money than was earned by working.*
  - *Electricity costs have surged in the Government and private sectors, which emphasises the need throughout Bermuda to conserve electricity usage.*
  - *Health care costs are very high and will increase in the future if the problem is not solved. One suggestion was that we should consider how other countries are dealing with health care and study those systems which produce beneficial outcomes. Another suggestion was that more people should be moved from the hospital into homes to reduce expenditure. In addition, it was pointed out that the costs at the hospital for extended care should be examined.*
  - *There is a high incidence of diabetes on the Island which requires high levels of health care. Bermudians have to take appropriate measures to become healthier.*
  - *Bermuda's pension schemes should be examined in detail, which in the Government system have proven to be extremely costly. The observation was made that 33% of Government pensions is funded and that the percentage level will decrease if no action is taken to address the financial problem.*
  - *The best-funded pension plan applies to Ministers of Parliament and Senators and should be reconsidered.*
  - *It was noted that people who have never worked outside of their houses are receiving limited pensions,*
  - *More women have taken on outside employment because of financial necessity.*
  - *The observation was made that lotteries functioned well in other countries and that lotteries in Bermuda should be considered as a potential incentive to encourage more tourists to visit the Island.*
  - *The financial status of Bermuda is unsustainable and needs to be examined in depth and improved.*
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## EXHIBIT 3

### ORGANISATIONS WRITTEN TO SEEKING INPUT

*African Methodist Episcopal (AME) Church*  
*Argus Group*  
*AXIS Capital Holdings Limited*  
*BELCO*  
*Bermuda Foundation for Insurance Studies*  
*Bermuda Health Council*  
*Bermuda Healthcare Services*  
*Bermuda Housing Corporation*  
*Bermuda Industrial Union*  
*Bermuda Police Service*  
*Bermuda Public Services Union*  
*Bermuda Union of Teachers*  
*Butterfield Bank*  
*Capital G Bank*  
*The Centre on Philanthropy*  
*Church of Christ, Paget*  
*Coco Reef Resort*  
*CORE Heart Health Centre*  
*Elbow Beach Bermuda*  
*Evening Light Pentecostal Church Inc.*

*Fairmont Hamilton Princess*  
*The First Church of God Inc.*  
*Greater St. George's Holy Church*  
*Grotto Bay Beach Resort*  
*Habitat for Humanity Bermuda*  
*HSBC Bermuda*  
*JLT Insurance Management (Bermuda) Ltd.*  
*Kitson Insurance Services*  
*Ministry of Education*  
*Ministry of Health*  
*New Testament Church of God*  
*Peace Lutheran Church*  
*Richard Allen AME Church*  
*Salvation Army Bermuda*  
*Seventh Day Adventist Church*  
*St. John's Church*  
*St. Theresa's Cathedral*  
*United Church of Bermuda*  
*Wesley Methodist Church*

## EXHIBIT 4

### PEOPLE INTERVIEWED

ORGANISATION	Name	Meeting Held	Meeting scheduled; will occur prior to July 26th
Accountant General	Roseanne Foy		X
Airport Operations	Aaron Adderley	X	
Archives	Beverley Morfitt	X	
Assistant Cabinet Secretary	William Francis	X	
Assistant Cabinet Secretary	Rosemary Tyrrell	X	
Assistant Cabinet Secretary	Marva O'Brien	X	
Assistant Cabinet Secretary	Rozy Azhar	X	
Assistant Cabinet Secretary	Judith Hall-Bean	X	
Attorney General's Chambers	Melvin Douglas	X	
Bermuda College	Dr. Duranda Greene	X	
Bermuda College	Jill Husbands	X	
Bermuda Economic Development Corp.	Nicholas Kempe	X	
Bermuda Economic Development Corp.	Michelle Khaldun	X	
Bermuda Housing Corporation	Charlton Dill	X	
Bermuda Housing Corporation	Major Barrett Dill	X	
Bermuda Land Development Corp.	Geoffrey Elliott	X	
Bermuda Land Development Corp.	Francis Mussenden	X	
Bermuda Rep - London Office	Kimberley Durrant	X	
Bermuda Rep - Washington DC Office	Beverly Lottimore	X	
Budget Director	Tina Tucker	X	
Child & Family Services	Alfred Maybury	X	
Civil Aviation	Thomas Dunstan	X	
Clerk to the Legislature	Shernette Wolfe	X	
Communication and Information	Jackie Aubrey	X	
Community & Cultural affairs	Heather Whalen	X	
Community & Cultural affairs	Wayne Carey	X	
Conservation Services	Drew Pettit	X	
Corrections	Eddie Lamb	X	
Court Services	Gina Maybury	X	
Customs	Lucinda Pearman	X	
Defence	Michael Foster Brown	X	

ORGANISATION	Name	Meeting Held	Meeting scheduled; will occur prior to July 26th
E-Commerce	Nancy Volesky	X	
E-Government	David Atwood	X	
Economic Development	Ross Webber	X	
Education	Warren Jones	X	
Education	Wendy McDonell	X	
Energy and Telecommunications	Jeane Nikolai	X	
Environment & Planning	Derrick Binns	X	
Environmental Protection	Dr. Frederick W. Ming	X	
Financial Assistance	Diana Taylor	X	
Finance Intelligence Agency	Greg Wojciechowski	X	
Finance Intelligence Agency	Sinclair White	X	
Fire Services	Lloyd Burchall	X	
GEHI Team Lead	K. Tuckett	X	
Health	Kevin Monkman	X	
Health - Chief Medical Officer	Dr. Cheryl Peek-Ball	X	
Health Insurance	Colin Anderson	X	
Home Affairs	Cherie Whitter	X	
Human Affairs	Deborah Blakeney	X	
Human Resources	Carlita O'Brien	X	
Immigration	Danette Ming	X	
IT Office	Michael Oatley	X	
Judiciary	Charlene Scott	X	
Labour Relations	George Outerbridge Jr.	X	
Land Surveys & Registration	Sean Patterson	X	
Land Valuation	Christopher Farrow	X	
Libraries	Joanne Brangman	X	
Marine Ports and Services	Scott Simmons	X	
Maritime Administration	Gamarala e Nawaratne	X	
National Drug Control	Joanne Dean	X	
National Sports Centre	Sean Tucker	X	
Ombudsman	Arlene Brock	X	

ORGANISATION	Name	Meeting Held	Meeting scheduled; will occur prior to July 26th
PADI	Ellen Kate Horton		X
Parks	Lisa Johnston	X	
Planning	Aideen Ratteray Pryse	X	
Police	Michael DeSilva	X	
Post Office	Allan Wayne Smith	X	
Project Management & Procurement	Lydia Dickens	X	
Public Lands & Buildings	Stephen Tucker	X	
Public Prosecutions	Rory Field	X	
Public Safety	Marc Telemaque	X	
Public Transportation	Dan Simmons	X	
Public Works	Randolph Rochester	X	
Registrar of Companies	Stephen Lowe	X	
Registry General	Thelma Trott	X	
Regulatory Authority of Bermuda	Philip Micallef	X	
Rent Commissioner	Eugene Foley	X	
Social Insurance	Karen Daniels	X	
Statistics	Valerie James Robinson	X	
Sustainable Development	Charles Brown	X	
Tax Commissioner	Lucia Peniston	X	
Tourism	William Griffith	X	
Tourism and Transport	Francis Richardson	X	
Transport Control	Jasmin Smith	X	
West End Development Corporation	Ray Charlton	X	
West End Development Corporation	Andrew Dias	X	
Works & Engineering	Peter Havlicek	X	
Youth, Sport & Recreation	Norbert Simons	X	



# **SAGE** COMMISSION

Spending and Government Efficiency

**SAGE** COMMISSION | PO BOX HM695 | HAMILTON HM CX | TEL. (441) 299-0210



web: [www.sagecommission.bm](http://www.sagecommission.bm)

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