

MLA Compensation Review – Alberta **May 2012 Report**

The Honourable J.C. Major, CC, QC



ALBERTA



Review of Compensation of Members of the Legislative Assembly of Alberta

A Report

May 2012

Commissioner: The Honourable J.C. Major, CC, QC

“MLAs must realize that their primary purpose is to maintain the integrity of democracy and that all of their actions should focus on that goal. Serving their constituents is noble, but does not necessarily protect the freedom of the individual inherent in democracy. Serving, legislating, regulating, debating, voting and all other MLA actions, if not properly focused, could erode our democratic principles.”

The Honourable Raymond (Ray) Speaker, PC, OC

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Summary of Recommendations

Compensation for the basic MLA role is expressed as a single amount and encompasses all legislative, constituency and committee duties. It is competitively placed around the median when compared to other government and broader public sector markets, and is placed at a lower percentile when compared to private sector markets.

Given the additional responsibilities involved in chairing committees, an appropriate stipend should be paid to the chair (or presiding Member) of all Assembly and Government committees. The stipend is to be provided on a per-meeting basis.

Additional compensation for Offices other than MLA and for MLAs in Special Members' roles is dealt with on an individual basis. Historical trends were observed and in many cases have been maintained. Existing ratios between various offices with respect to additional remuneration have been maintained to a large extent.

Compensation for the Office of Premier is to be increased to be commensurate with the duties and responsibilities of the role and to reflect the importance of the position.

It is recommended that the tax-free allowance be retained as it is of significant economic benefit to the Province of Alberta to do so. The cost savings to Albertans are illustrated in some detail. However, provisions are also made for eliminating the tax-free allowance, should the Legislative Assembly of Alberta decide to do so.

The present transition allowance is discontinued. A reduced transition allowance with a precise maximum is suggested, which is intended only to provide short-term assistance to departing MLAs on re-entering private life.

The present RRSP allowance contributions provided to MLAs are discontinued.

In light of substantially curtailing the present transition allowance and discontinuing the RRSP allowance contributions, the re-institution of a pension plan for MLAs is recommended. It is to be implemented on a go-forward basis with no recognition of past service.

Health, life insurance and disability benefits remain unchanged.

MLAs' salaries are indexed annually in accordance with the Alberta Consumer Price Index (CPI).

MLA compensation is to be reviewed every four years by a three-person committee consisting of the Chief Justice of the Alberta Queen's Bench and two other judges from that court.

The implementation of these recommendations in full would result in a reduced total compensation for Alberta MLAs. (page 50)

The overall cost to the province for implementing these recommendations for Alberta's 87 MLAs is approximately the same as it was to compensate Alberta's 83 MLAs for 2011/2012.

Section 1: Introduction

On November 30th, 2011, Speaker Ken Kowalski of the Legislative Assembly of Alberta appointed this Commission to conduct an independent review of the compensation and benefit package for Members of the Legislative Assembly (MLAs) and to submit a final report of the review within 120 days of January 3rd, 2012 (by May 2nd, 2012). Both the review and the report were to be completed in accordance with the following Mandate.

1.1 *Mandate*

To review and make recommendations to the Assembly regarding the compensation, benefits and allowances to be paid to the Members of the Legislative Assembly under the authority of the Assembly or the Government of Alberta, such items to include:

- 1) Member Indemnity and Tax Free Expense Allowance
- 2) Allowances for Offices other than MLA (Premier, Speaker, Minister with Portfolio, Minister without Portfolio, Leader of the Official Opposition, Deputy Speaker and Chair of Committees, Deputy Chair of Committees, Leader of a Recognized Opposition Party)
- 3) Special Members' Allowances (Official Opposition House Leader, Third Party House Leader, Chief Government Whip, Assistant Government Whip, Chief Opposition Whip, Assistant Opposition Whip, Third Party Whip)
- 4) Compensation for serving on Legislative Assembly committees
- 5) Compensation for serving on Government committees and holding other government funded offices
- 6) The RRSP Allowance
- 7) The Transition Allowance and/or consideration of a pension plan.
- 8) Health Care Benefits and Life Insurance Provisions
- 9) The impact on Members of 'double dipping' provisions in some pension plans

Benchmarks:

- 1) The Panel would make appropriate compensation and benefit comparisons to other jurisdictions including:
 - 2) Canadian federal, provincial and territorial parliaments
 - 3) Comparable Commonwealth parliaments
 - 4) Alberta Queen's Bench and Provincial Court Judges
 - 5) Senior public servants in Alberta including provincial, university, municipal, education and health care sectors
 - 6) Others as determined by the panel

Expectations:

- 1) The Panel would review the above matters and provide recommendations for consideration by the Legislative Assembly
- 2) The Panel would make recommendations on the process for future review and adjustment of Members' compensation, benefits and allowances

1.2 *Guiding Principles*

The following list outlines the general principles that guided the Commission in the preparation of this Report.

First, clarity and accessibility have been two essential principles in this undertaking. The Commission's aim was to make the Report clear, accessible and comprehensible to the general public, and to avoid the technical terminology that exists on the subject of compensation.

Second, transparency is necessary. This principle must apply to both the process of preparing the Report and its recommendations. The evidence gathered by the Commission on MLA compensation and the conclusions drawn based on that evidence should be open and transparent to the public.

A third goal, which relates to the second principle, is to gain the public confidence in MLA compensation and in the Legislative Assembly of Alberta. It is understandable that Albertans, as interested taxpayers, dislike—and distrust—a complex compensation system with elements that are regarded as hidden or unfair. The aim is for the recommendations contained in this Report to allow Albertans to understand the process by which their representatives are remunerated, although they may disagree with the result. To that end, an attempt has been made to use objective criteria available in the analysis of the position of MLA and in the assessment of MLA compensation.

Fourthly, the recruitment and retention of qualified and competent candidates must be an objective of this Report. Albertans expect—and should attract—the most qualified representatives prepared to undertake public service.

Finally, it is recognized that the principal objective is to recommend compensation that is fair and reasonable to the Members who work in the Legislative Assembly and understandable to the taxpayers to whom they are accountable. Members should be remunerated in total in a manner that is commensurate with the duties, responsibilities and importance of their role.

1.3 *Publicity of Review and Summary of Evidence Gathered*

At the beginning of this review, notice was given to Albertans to provide their input. Members of the public were encouraged to share their ideas and opinions either by appearing before the Commission at one of the public hearings in the province, or by filing a written submission. The latter were accepted by mail or email until February 24th, 2012, but all received by March 1st, 2012, were included as evidence.

To facilitate the public's participation and access to information regarding the MLA compensation review, a website was created (www.mlacompensationreview-alberta.ca). The schedule for the public hearings was posted on the website, as were instructions for how to register as a presenter. A separate email address was established for written submissions (submissions@mlacompensationreview-alberta.ca). As of March 1st, 2012, the website received 2,172 visits that generated 16,724 page views.

In addition to the website, notices for the public hearings were published in multiple newspapers. On January 9th, 2012, notice of the formation of the Commission and general notice of the upcoming hearings was published in nine major daily newspapers, and, in the same week, in 98 weekly papers throughout the province. Between January 11th and January 21st, more specific notice of the dates, times and locations of the public hearings was published in the major daily newspapers. The full list of papers that carried the notices and copies of the notices as they appeared is attached to this Report as Appendix A, and a calendar of when the notices were published is attached as Appendix B.

Originally, there were to be seven public hearings held throughout the province over the course of two weeks (in Edmonton, Fort McMurray, Grande Prairie, Lethbridge, Medicine Hat, Red Deer and Calgary). However, due to a marked lack of public response, all but the Edmonton and Calgary public hearings were cancelled. The few interested participants who had responded where hearings were cancelled were invited to attend in either Edmonton or Calgary at the expense of the Commission; one person accepted that invitation and appeared in Calgary.

In all, 24 witnesses appeared before the Commission over the course of two days of afternoon and evening hearings at the Edmonton and Calgary public meetings. Five of these were 'experts' retained by the Commission for the purpose of this review, and the rest testified either as private citizens, MLAs, former MLAs or as organizations. All of the witnesses' papers were marked as Exhibits and posted on the website. Transcripts of all of the testimonies were prepared and likewise posted. In addition, the Commission received 285 written submissions, all of which are posted on the website and included in the enclosed CD.

The Commission retained the services of Hay Group, a global management consulting firm, to perform a job evaluation of the position of MLA and the other roles named in parts 2 and 3 of the Mandate. Hay Group has approximately 2,600 consultants and support staff worldwide and have been in operation for almost 70 years. They offer human resource consulting for their clients, a large part of which deals with compensation and rewards.

Hay Group's methodology offers a means of more objectively assessing the role of MLA and placing a value on the position itself. The evaluation takes into consideration the job's complexity in terms of the knowledge, the skills, the creative thinking and the level of accountability required. The consistency of their methodology allows them to compare compensation data across all industries and sectors. Based on their independent evaluation of the MLA role, and using

various comparators in the private and public sectors, they analyzed and assessed the current compensation and benefits of Alberta MLAs. Hay Group submitted a report to the Commission based on its findings, which is attached as Appendix J.

Additionally, the Commission engaged the services of Aon Hewitt to provide actuarial evidence on the cost of various pension and benefit arrangements. Aon Hewitt submitted this evidence to the Commission in a report, which is attached as Appendix K.

To summarize, the evidence gathered by the Commission comprises the testimonies of the five 'expert' presenters and 19 other presenters, all 285 of the written submissions, Hay Group's Report and Aon Hewitt's evidence. Notice was taken of 'unofficial' evidence such as media coverage as well.

I thank those who shared their ideas and opinions during this review. The testimonies and recommendations without evidentiary foundation were of modest help, although they were expressions of interest. Many of the written submissions were single sentences criticizing MLA compensation, the inference being that the lower the pay, the better the government of the province would be.

1.4 *Principle Areas of Concern*

From the evidence gathered, there are six specific aspects of Member remuneration that have generated the most comments and annoyance. They were:

- 1) The general lack of transparency with respect to MLA remuneration and benefits;
- 2) The difficulty or inability to determine the total actual compensation of MLAs;
- 3) Dissatisfaction with the tax-free allowance provided to MLAs (\$26,046 annually);
- 4) Dissatisfaction with either the existence or the generosity of the transition allowance (set at three months' pay for every year of service, with no maximum, based on the average earnings for the Member's best three years);
- 5) Dissatisfaction with the extra compensation provided to MLAs for sitting on various committees, particularly those committees that failed to meet or met infrequently; and
- 6) The monies paid by the Alberta Legislative Assembly to all MLAs annually as RRSP allowances (\$11,225.00 for 2011), or other pension-related considerations.

It is of some interest that, while the annual budget of Alberta is in excess of \$39.4 billion and the total compensation (including benefits) of the Legislative Assembly's elected members makes up only 0.043 per cent of that value (about \$17 million), the issue of MLA remuneration generates considerable public and media angst. I believe that whatever the reason, this fact alone as well as the obscure nature of the compensation require consideration.

Section 2: Evidence

2.1 *Current MLA Compensation and Benefit Package*

The first witness at the Edmonton public hearing was Cheryl Scarlett, Director of Human Resources, Information Technology and Broadcast Services for the Legislative Assembly Office. Ms. Scarlett explained the current compensation, benefits and entitlements provided to Alberta MLAs. Ms. Scarlett's written submission and its accompanying Exhibits are attached as Appendix C. The transcript of her testimony is included in Appendix L.

All MLAs receive an indemnity of \$52,092.00 and a tax-free allowance of \$26,046.00, totaling \$78,138.00 as a base salary. The tax-free allowance is an exemption provided under Sect. 81 of the federal *Income Tax Act (1985)* as a benefit for provincial legislators. The Act makes similar provisions for civic legislators as well. Notably, while all provincial jurisdictions are entitled to make use of this tax exemption in the compensation of their legislators, only Alberta, Quebec, Yukon and the Northwest Territories currently do so.

Throughout this Report, the term 'grossed up' is frequently employed when referring to salaries that include a tax-free allowance. This means that to keep an MLA at the same net level of compensation if the tax exemption were removed would require an increase in payment—a 'gross up.' When comparing compensation across all the provinces, the 'grossed-up' amounts provide more accurate illustrations of the salaries as fully taxable incomes and can therefore be more readily compared to the salaries in jurisdictions that do not provide a tax-free allowance.

For information purposes, if Alberta MLAs did not receive the tax-free allowance but rather were paid a fully taxed salary that yielded the same net income for the Members, the above-mentioned base salary of \$78,138.00 would be 'grossed up' to an equivalent taxable amount of \$90,708.00. This is a difference of \$12,570.00. The implications of this are that for every MLA to be paid a fully taxable salary of the same net amount as they currently receive, the cost to the province would be more than \$1.04 million (\$12,570.00 times 83 MLAs), all of which would go to Canada Revenue Agency in the form of income taxes.

In Alberta, MLA salaries have remained unchanged since April 2008. Previously, salaries were adjusted annually in accordance with the Alberta Average Weekly Earnings, as reported by Statistics Canada. Had this indexing been applied from 2008 to 2012, salaries would have increased by 24.66 per cent.

Supplementary to MLAs' base salary is remuneration received by Members for serving on committees of the Assembly and committees of the Government.¹ With respect to Legislative Assembly committees, MLAs receive \$1,500.00 per month for chairing a committee, \$1,250.00 per month to serve as deputy chair, and \$1,000.00 per month to serve as a member. There is no limit on the number of legislative committees on which an MLA can serve, but they are restricted to receiving pay for three committees up to a maximum of \$3,500.00 per month. An MLA who belongs to the governing party is entitled to additional compensation for serving on Government committees. Overall, the average total of additional annual compensation received by MLAs for their committee work (as calculated in February 2012) was \$46,680.00 for Government MLAs and \$38,250.00 for Opposition MLAs.

¹ I am aware of the recent changes related to committee pay that have been implemented since the beginning of this review. In March 2012, all legislative and government committee pay was suspended. However, the information and recommendations contained in this Report refer to the circumstances of the Mandate and the process of committee pay that existed at the time this review was initiated.

Cabinet Ministers and the Premier are ad hoc members of various committees and receive a monthly stipend of \$2,967.00 and \$3,483.00 respectively in recognition of their Government committee work. Similarly, the Speaker and the Leaders of the Opposition parties all receive a monthly stipend of \$3,500.00 for their Assembly committee activity. The Members who hold these positions are not eligible for any extra remuneration for their work on committees of the Assembly or Government. Attached as Appendix D is a chart showing the cash compensation for legislators in all provinces and territories, as well as for MPs in the House of Commons; for those provinces and territories that provide a tax-free allowance, salaries have been 'grossed up' to the equivalent taxed income level.

In addition to the MLA base salary of \$78,138.00 (or 'grossed-up' equivalent of \$90,708.00), Alberta Cabinet Ministers receive a salary of \$63,912.00 and committee pay (mentioned above) of \$35,604.00 for total annual remuneration of \$177,654.00 (\$190,224.00 'grossed up'). The Premier receives an additional salary of \$81,312.00 and committee pay of \$41,796.00 for a total annual remuneration of \$201,246.00 (\$213,816.00 'grossed up').

Other compensation provided to MLAs includes the Legislative Assembly of Alberta's annual payment to each Member of an RRSP allowance equivalent to one half of the allowable amount for that year pursuant to the *Income Tax Act (Canada)* during their tenure. This payment was \$11,225.00 for 2011. Members do not receive any other form of pension as a result of their current service as MLAs.

Additionally, MLAs are entitled to receive a transition allowance upon leaving office—regardless of the circumstances—equal to three months' pay for every year served, with no limit on the amount realized. The payment is based on the average earnings for the Member's best three years. The transition allowance is considered a retiring allowance under federal tax guidelines. Attached as Appendix E is a chart comparing the total compensation received by all federal, provincial and territorial legislators in Canada, based on the estimated value of the transition allowance for Alberta MLAs and the estimated pension values for other jurisdictions; again, salaries have been 'grossed up' for the provinces and territories that provide a tax-free allowance.

In terms of benefits, MLAs are provided with a combined health benefit plan that is comparable to the benefits offered to management employees in the Alberta public service. The plan provides options for prescription and extended medical coverage, dental coverage and life insurance coverage, and Members can review and change their coverage levels every two years. Premiums for the benefit plans are shared by the Legislative Assembly Office and the Member. There is an Extended Benefits option offered to former Members as well. Individuals can elect to continue the benefit coverage they received on the above-mentioned plan when they resign, choose not to run for re-election or are defeated. Premiums continue to be shared by the Legislative Assembly Office and the former Member for the first five years, after which they are paid entirely by the retired Member if they choose to remain on the plan.

MLAs are also provided with Long-term Disability Insurance (LTDI) coverage, which guarantees partial income (70 per cent of the eligible recurring annual salary) for a Member who becomes disabled during their term and must resign their seat as a result. The LTDI benefit continues until the individual is deemed fit to return to gainful employment or until they reach age 65. However, unlike typical employee disability plans, there is no option to 'return to work' for an MLA, as the MLA has resigned his or her seat.

2.2 *The Role of an MLA*

The Commission heard a variety of testimonies (both ‘expert’ and personal) and reviewed numerous written submissions that related to compensation for MLAs. Many were critical of the current remuneration system and the MLAs that benefit from it, and some made suggestions that attempted to satisfy both the legislators and the public—a goal not easily reached.

The evidence showed a general disparity between what the public perceives an MLA does (or believes he or she should do) and what in fact they are required and expected to do. While I have found that this is a problem common to other jurisdictions, there is a need to close that gap. Members of the public need to understand the unique nature of the role of an MLA before they can reasonably conclude whether MLAs are meeting their responsibilities or that their compensation is appropriate. On the other hand, Members need to appreciate what is the reasonable public expectation of their performance, both in the Legislature and in their constituencies.

The aim is to consider the evidence with a view to properly compensating MLAs so as to attract the most competent individuals of those who are prepared to serve, even at some financial sacrifice. It is also the goal to properly explain compensation so as to satisfy Albertans, or at least explain the reasons for my recommendations. To achieve these objectives, the role and the value of our elected representatives must be properly assessed.

The two people described below were retained by the Commission to give evidence for the purposes of this review. They both submitted papers and testified at some length on the role of the MLA and the importance of both legislators and Legislatures.

Dr. Allan Tupper, Professor and Head of the Department of Political Science at the University of British Columbia in Vancouver, has 40 years’ experience as an academic in political science. He is also the author of numerous published works on the subject of democratic Legislatures. Dr. Tupper is obviously qualified as an expert in this field.

Dr. David Docherty is President of Mount Royal University and has a PhD in Political Science. He has studied Legislative Assemblies and legislative careers across Canada and has published extensively on this subject. The evidence he has given to the Commission has not been in his capacity as a university president, but as a political scientist. He, too, is qualified as an expert and entitled to express his opinion on this subject.

The following is a summary of the evidence given by both ‘experts’ relevant to the role of an MLA. Dr. Tupper’s and Dr. Docherty’s written submissions are attached to this Report as Appendices F and G, respectively. The transcripts of their testimonies are included in Appendix M.

Alberta is governed by a system of representative democracy whereby the voters elect others to represent them and govern on their behalf. A Member of the Legislative Assembly of Alberta has been selected by his or her constituents through a free and fair electoral system to represent them. The personal autonomy, freedom of speech and association and political equality that all Albertans enjoy is possible only in a genuinely democratic system such as ours. A representative institution such as the Legislative Assembly of Alberta is an essential feature of a modern democracy.

An MLA’s role is unique and varied. The representative function of an MLA is important and challenging. An MLA represents the residents of his or her constituency, a geographically defined community in a rural, urban or mixed area. An MLA also typically represents the ideological

views of the greatest percentage of his or her constituents, as the MLA is responsible for generally supporting the legislative aims of the party to which he or she belongs. However, a Member has a duty to represent all constituents, obviously including those who voted for another candidate or did not vote at all.

The challenge in representation comes in trying to balance the diverse interests of the people in the riding and, in some instances, connecting the interests of the people with the policy of the Government. Most constituents expect their MLA to do what is best for them, their family or perhaps their community, not always aware that doing so can have an adverse effect on valid interests other than their own. MLAs face issues where no resolution will satisfy all interested parties. In short, an MLA must attempt to speak to the needs and ideals of all those he or she represents.

As of December 2011, there were 83 MLAs in Alberta, which is approximately one Member for every 46,000 citizens.² This ratio means that the specific requirements, concerns and requests of every Albertan cannot realistically be met, yet it holds true that theoretically, every resident has direct access to his or her Member. It is of interest that both Dr. Tupper and Dr. Docherty made a case for increasing the number of members in provincial Legislative Assemblies. Larger Legislatures, they maintain, are the most effective means of controlling Governments and holding them to account. This view contrasts with some suggestions that fewer MLAs could be as effective and yet cost less.

An obvious role of MLAs is their legislative one, the importance of which can hardly be overstated. When the Legislature is in session, usually during the spring and fall, MLAs introduce, debate, amend and pass legislation in an open public forum. This legislation relates to almost every aspect of our everyday lives, including health, education, justice, taxation and economic development, to name a few. The decisions of MLAs affect the quality of life of Albertans and the short – and long-term success of the province. Members who are also part of the Executive Branch of government (the Premier and Cabinet Ministers) make decisions that involve the budgeting and expenditure of billions of dollars of public monies. As issues are debated and legislative business is conducted in public view, MLAs are collectively held accountable to the public and individually to their constituents.

In the execution of their legislative role, part of an MLA's time is spent on committee work. It is in committees where groups of MLAs, generally from all parties, can meet to consider bills, propose amendments and examine Government ministries and policies. Outside of Question Period, this is where much debate occurs. Considerable research is often required for committee work, and it is on committees where MLAs frequently gain expertise in government. The purpose of most committees is to inform Government decision-making; the MLAs who serve on them are serving the needs and wishes of Albertans.

Committees are not all equal, nor do they all perform in the same way. Some committees are active and challenging. The same does not apply to others whose mandate requires little work and fewer meetings. The fact that some committees do not meet regularly or function in a noticeable way does not diminish the value of the active ones.

Another responsibility of MLAs is to act as a control on the Executive Branch of government—the Premier and Cabinet. It is the collective duty of all Members to hold the Government accountable for the administration of the laws and the expenditure of public funds. Not surprisingly, this

² Electoral boundary changes made in January 2012 have resulted in four additional constituencies. There are now 87 MLAs in Alberta, which works out to approximately one Member for every 44,000 citizens.

particular activity is primarily associated with the Opposition. They not only oppose the Government's decisions, they are responsible for bringing issues of maladministration or error to light and for offering an alternative to the public. "Stronger Legislatures are the best antidote to executive dominance,"³ and "are essential to taming leader-dominated majority governments."⁴

An important function of MLAs is their role in their constituency. When the Legislature is not in session, much of a Member's time is devoted to constituency work. More than simply maintaining a constituency office, this involves being present and accessible in the riding. This may be more the case in rural ridings, where a Member often is—or soon becomes—personally known to his or her constituents. Attending constituency functions and 'main-streeting' form a regular part of many MLAs' daily life in their ridings. In fact, when an MLA is in their constituency, he or she is effectively 'on call' at all hours of the day and any day of the week.

Constituency work is in itself varied and often complicated. "It is a unique set of duties that requires patience, knowledge of government and a keen grasp of local sensitivities."⁵ Amongst other things, it entails problem solving for constituents, explaining public policies, working with community groups, and attending and speaking at public functions. To that add 'ribbon cutting' and other social commitments. It is in the performance of these roles that MLAs have the most direct contact with those they represent and can listen to their concerns and views. The success of almost all politicians can be attributed to following the advice of the late U.S. Congressman Tip O'Neill, who notably said, "All politics is local."

After assessing the role of MLAs in their respective duties, Dr. Tupper and Dr. Docherty both offered their views on the issue of remuneration.

Put simply, provincial Legislatures undertake important activities in governments that are central to citizens' concerns and needs. It follows that the well being of many Canadians is heavily shaped by the decisions of provincial politicians. Canadians should care a great deal about the quality of people that represent them. Public policies should be undertaken that provide positive incentives for qualified persons to pursue elected public office in the provinces.⁶

Members require remuneration that reflects their many contributions, that allows them to serve without financial penalty and that recognizes the impact of public service on their personal lives.⁷

Democracy must be transparent, but it is not free, (nor is it cheap). Saving money should not be a driver in establishing salary levels ... We must understand that while there is a financial price to pay for democratic representation, it is a price worth paying ... In order to both attract and retain strong, capable [Members], we need to compensate them appropriately. We must recognize that for many [Members] and for others that might consider a stint in office, the salary ... represents a fiscal sacrifice. Diverse and representative Assemblies should also reflect a diversity of occupations. While salaries of elected officials cannot compete with the highest salaries of the private (or even public) sector, neither should they be so low that they drive good individuals away before even contemplating public service.⁸

3 Allan Tupper, "Legislatures in Democracies: Roles, Influence and Importance," A Submission to the Alberta MLA Compensation Review, February 2nd, 2012, p. 2

4 Tupper, p. 14

5 Tupper, p. 10

6 Tupper, p. 14

7 Tupper, p. 3

8 David Docherty, "Compensation for MLAs," A Submission to the Alberta MLA Compensation Review, February 2nd, 2012, pp.

2.3 *The Highs and Lows of the Position of MLA*

Like any occupation, the position of MLA has its highs and lows. But the nature of these highs and lows is what makes it unlike any other occupation and a factor to consider in setting compensation.

The Honourable Ray Speaker, PC, OC, is a former Alberta MLA both in government and in opposition, provincial Cabinet Minister and two-term MP. He has more than 30 years' experience as a legislator in Canadian government, qualifying him to express an opinion on the functioning of Legislatures and legislators. Retained as an 'expert' by this Commission, he provided insight into the highlights and challenges of being an MLA. Mr. Speaker's written submission is attached as Appendix H and the transcript of his testimony is included in Appendix L.

Mr. Speaker testified that the nature and scope of the position of MLA has changed considerably over the course of Alberta's history. Earlier it was a part-time job, which required the balancing of a regular full-time job with the duties of an MLA. More recently, as governments became more complex, so did the responsibilities of MLAs, and as the length of legislative sessions increased, so did the time expectations placed on the Members.

Mr. Speaker felt that one of the most appealing aspects of being an MLA was the honour of serving the public. He believes MLAs have the opportunity to contribute in a tangible way to the quality of life of their fellow citizens and many who hold office regard it as a privilege. His evidence suggested the position has some marketable value and can bring with it some degree of celebrity status. Provincial politicians can become influential figures in society, and occasionally their careers as MLAs prepare them for other careers of significance in the public or private sectors. It is an interesting role, he said, and offers opportunities for travel that one would not otherwise have had.

The high-profile nature of the position can be a double-edged sword. Being in the public eye is difficult, and necessarily involves a loss of privacy not only for the Member but also for his or her family. While MLAs' successes rarely garner significant media attention, their failures (real or apparent) are almost always made public. MLAs are answerable to a number of different people and groups: the public, the Premier, Cabinet Ministers, party leaders, party executives and, of course, their constituents. It is unique to have so many bosses; it is almost impossible to satisfy them all.

Most MLAs also have demanding workloads. They must manage their schedules to accommodate their legislative and committee responsibilities, their constituency work, attending public functions, and other various obligations. With these demands they must balance their family or private life; for many Members, the latter is frequently sacrificed.

MLAs whose permanent residence is outside of Edmonton expect to be away from home four to five days a week for five or six months of the year. The travel can be time-consuming and wearisome. Mr. Speaker's statements on this subject were similar to those of former Speaker of the Legislative Assembly of Alberta Dr. David Carter, who testified to the death of three MLAs while traveling either by car or by plane to carry out official duties.

With respect to the end of their career, many MLAs face a number of difficulties, not the least of which is—for many—the uncertainty of when it ends. There is no job security—an MLA remains employed at the pleasure of the constituents and therefore cannot easily plan for the future. Being

elected an MLA means accepting a certain amount of risk with respect to one's future career. A defeat at the polls is akin to being publicly fired, and can be traumatic. Mr. Speaker testified to having personally witnessed many cases of individual MLAs who struggled psychologically with losing an election and the practical difficulty of returning to private life. After losing an election, Mr. Speaker said, "a Member has got the plague."⁹ There is often a stigma associated with former MLAs, and this can be intensified if the Member's defeat occurred at the time of a change in the governing party. Re-employment can pose a great obstacle for these MLAs in spite of the opportunities offered a few.

Some of the difficult cases that Mr. Speaker spoke to about Members returning to private life occurred when there was nothing offered in terms of transition allowances.

Some of them ... went through a difficult time. I think we have to be aware of that and try to deal with that issue. ... [I]t's not that the people weren't trying to do a good job under those circumstances; they were. Then all of a sudden the voters changed their minds about who should be administering the province.¹⁰

Mr. Speaker pointed out that even for those who resigned, and therefore chose the timing of the end of their political career, the return to private life was still challenging. Resuming a career that has been interrupted for an average of eight years (but quite often longer) is not simple. Re-training, re-certifying or further education can be required. Building or re-building clientele can be challenging. Most MLAs do not have a post-political position waiting for them. It takes time for them to adjust to the unusual change in lifestyle as well. On this subject, Mr. Speaker remarked:

As taxpayers—and I say this as a private taxpayer—if the job is done well, then we should compensate these people well and not feel that they should live in poverty or difficulty either when they're elected to the Legislature or after they have been defeated or decided to quit.¹¹

Another concern identified by Mr. Speaker with respect to MLA compensation was the fact that currently, the Premier and the Executive Council are paid significantly less than their immediately subordinate staff members. Mr. Speaker recommended that, over time, that gap be shortened or eliminated, that it was irrational in his opinion that the people who are elected to govern and administer the province are paid less than the people who work for them.

9 Ray Speaker, "MLA Compensation and Benefits Review," Transcript of Public Meeting, Edmonton, January 23rd, 2012, p. MLA-7

10 Speaker, p. MLA-8

11 Speaker, pp. MLA-7-8

2.4 *Fair Compensation*

The issue remains of how to properly assess compensation. Determining the appropriate level of remuneration for MLAs is difficult for a number of reasons and is complicated by a number of factors. MLAs are not employees in the formal sense of the word, but rather office-holders who are elected by and held accountable to the public. They are not readily comparable to other occupational groups, either in the private or the public sectors. Much is expected of our elected MLAs. Their responsibilities have been outlined, but how should their contribution be measured?

MLAs differ widely in their skills, diligence, qualifications, education and occupational backgrounds, and their experience as legislators varies from one Member to the next. Apart from Cabinet appointments, there are no promotions or opportunities for career advancement for MLAs. In terms of base salary, a newly elected Member is compensated the same as one with 20 years' experience. Moreover, MLAs differ in their approaches to their responsibilities. While some MLAs might regard their legislative role as their priority, others view their constituency duties above all else; all will allocate their time, effort and resources differently.

One of the facts of a representative democracy is that less talented, less conscientious and even incompetent individuals are, on occasion, elected to serve as legislators. Practically speaking, once an MLA is elected, nothing more is required to confirm their legitimacy. Citizens may cast their votes based on the perception of competence, on popularity or on a vote along party lines. It goes without saying that the popular vote does not always result in the most competent or deserving individuals being elected; nonetheless it is the democratic process. The constituents elect them, and in subsequent elections, the constituents continue to judge them.

Despite the foregoing, the only equitable means of remunerating MLAs is to treat them as a homogenous group. As different as they may be, compensation must be based on the necessity and obligations of the office and not on the individual. This raises the questions of how can we objectively assess the position, or should we rely on comparators (other provincial MLAs, federal MPs, the judiciary, or university presidents for instance), as diverse as those roles may be?

Dr. Herbert Grubel, PhD (Yale), is Professor Emeritus at Simon Fraser University in Vancouver, B.C., following a distinguished teaching career in Economics. His academic career, which has taken him to a number of universities, such as Stanford University and Oxford University, was followed by one term as Member of Parliament in the House of Commons. His numerous publications include "A Professor in Parliament," a reflection on his role as an MP in Ottawa. Dr. Grubel was retained by the Commission as an 'expert' for this review, and his remarkable career in economics and politics qualifies him to express his opinion on the question of MLA compensation. Dr. Grubel's written submission is attached as Appendix I and the transcript of his testimony is included in Appendix M.

Dr. Grubel stated that two problems complicate the issue of MLA compensation. First: "There is no market that establishes the productivity and correspondingly proper level of pay for legislators, as it does for workers in the private sector. Nor are there any objective criteria to select a group of private sector workers to which the pay of MLAs should be linked."¹² And secondly: "The actual level of compensation is difficult to establish because it includes pensions and fringe benefits, the

¹² Herbert Grubel, "Alberta MLA Compensation in Perspective and Recommendations for Changes," A Submission to the Alberta MLA Compensation Review, January 31st, 2012, p. 1

value of which is different for individual MLAs. This fact complicates making comparisons of the compensation of Alberta's MLAs with those of other provinces."¹³

Unlike the private sector, where workers' pay is typically determined by their education, training and previous experience, as well as by their measurable productivity, there is no comparable 'labour market' for MLAs that can be used in determining their pay. Moreover, there is no truly suitable reference group of workers in the private sector to which MLAs' pay can be linked. The remaining method for deciding their pay, according to Dr. Grubel, is to allow the will of the public to indirectly determine the appropriate level of compensation.

This process is quite simple. It sees one political party pushing for higher pay but finding its efforts restrained by other parties that push for lower pay. Through the election of parties whose platform best reflects voters' preferences, the pay of legislators ultimately is determined by the public.¹⁴

Dr. Grubel's theory is that pay levels are generally limited within the constraints of what the public thinks is appropriate, since MLA compensation becomes an election issue when it exceeds (or falls below) what the public deems suitable. This theory also reasons that the quality of legislators is—to some extent at least—"an increasing function of their pay."¹⁵ That is, the competence and productivity of MLAs increase as their salaries increase, which, insofar as this is true, is in the public's interest as it is conducive to good legislation and good governance. So despite MLA salaries coming out of taxpayer dollars, the pay levels will rarely be so low as to dissuade potential candidates from running. If the levels become excessive in the public's eye, voters will make their dissatisfaction known through the electoral process. This process, while not exemplified at all times, is manifested "in the longer run and on average."¹⁶

In light of this theory, which "implies that the political process tends to result in levels of compensation for MLAs that reflect the will of the people,"¹⁷ Dr. Grubel maintains that the only suitable comparators to be used in setting the pay of Alberta MLAs are the MLAs in other similar Canadian provinces.

Dr. Grubel compares the total actual compensation received by Alberta MLAs to that of those in the other provinces. Dr. Grubel's conclusions can be summarized as follows: in terms of the basic salary paid to MLAs, Alberta's legislators are the lowest paid. However, when the tax-free allowance, transition allowance and committee pay is added to the basic salary, Alberta is close to or at the top amongst the provinces.¹⁸

In light of his analysis, Dr. Grubel recommends bringing the transition allowances paid to Alberta MLAs more in line with other provinces and for the sake of transparency replacing the tax-free allowances with a 'grossed-up' fully taxable salary.

13 Grubel, p. 1

14 Grubel, p. 3

15 Grubel, pp. 2-3

16 Grubel, p. 4

17 Grubel, p. 4

18 Grubel, p. 14

2.5 *The Use of Comparators*

My opinion differs from that of Dr. Grubel on the use of other Legislatures as proper comparators for MLA compensation. The provinces and territories vary in size, obligations and cost of living. And while it was suggested in the Mandate that the Commission use other provincial and territorial parliaments as benchmarks for this review, it is evident from a study of other Legislative Assemblies in Canada that circularity occurs when setting compensation for their elected representatives. Historically, it appears that Legislatures since at least Confederation have looked to see what neighbouring jurisdictions provide in terms of remuneration for their legislators and have determined from that what was appropriate or acceptable. For instance, if Province A has increased Members' salaries by 5 per cent, so should Province B; then, if Province B subsequently increases compensation, it is an invitation to Province A (or other provinces) to match Province B. Over time, the same process is repeated; thus the circularity noted above.

While the Canadian provinces and territories each establish the compensation for their elected legislators independently, the actual amounts paid are in relatively close proximity to one another, suggesting that comparisons with other Canadian jurisdictions is the primary source of guidance when setting remuneration levels.

I could not find any objective evaluation or independent analysis for MLA compensation for Alberta or other Canadian provinces; most reports of this nature simply refer to other jurisdictions when reviewing and establishing appropriate pay levels for elected legislators. It is my view that this comparative procedure in some respects lacks an objective assessment of what the position of an MLA entails—what an MLA's duty is to the Assembly and to his or her constituents, and, perhaps most significantly, what an MLA's contribution is to our continuing democracy.

The Mandate also suggested that the Commission consider the compensation paid to Members of the House of Commons of Canada (MPs) and to the legislators of other Commonwealth parliaments. However, for the same reasons as mentioned in the previous paragraphs, there was only limited value in doing so and I have sought a more independent approach.

It was further suggested that the Commission consider Alberta Queen's Bench Judges, whose compensation annually is \$281,000 (indexed), and Alberta Provincial Court Judges, whose compensation annually is \$260,000 (indexed). I regarded such comparisons as being of little use, since the judges' remuneration is based on entirely different criteria. In addition to educational requirements, those positions and salaries require a certain number of years of practice as a lawyer and approval by committee review. Moreover, judges are appointed to tenured positions and have mandatory retirement with indexed pensions at age 75 and 70 respectively.

Similarly, I did not find it particularly instructive to attempt, as directed in the Mandate, any direct comparison between MLAs and senior public servants in Alberta in the university, municipal, education and health care sectors. Once again, those positions have very specific requirements in terms of education, experience and expertise, and the people in those roles have very different expectations in terms of careers and tenures.

University Presidents, for instance, have generally pursued long academic careers before assuming that role. The position entails multiple business and fundraising responsibilities, and compensation with full benefits for Presidents of major Universities in Alberta and Canada ranges from \$500,000.00 to over \$1 million. It is clearly more akin to a position in the private sector.

Civil servants typically serve in a long-term career spanning 25 to 35 years. They bring and acquire specific knowledge to their position and to the operation of Government. While they carry out Government policy, they do not set it, nor are they held accountable in the same way as those elected to public office.

MLAs serve a different function. While varying in skill, they represent the people of Alberta. They are the custodians of our economy, the guardians of our way of life and the embodiment of our democratic institutions.

Finally, I have discounted most direct comparisons with the private sector. Typically employment in the private sector requires specific qualifications in terms of education and experience and is subject to performance evaluations based on productivity or other measurable factors. Turning a profit is the ultimate goal of publicly traded companies. And while the Premier can be likened on some level to the CEO of a multi-billion dollar company, and Cabinet Ministers to his or her high-level executives, the parallels do not run deep. And as the CEOs of such companies typically earn several millions of dollars in total compensation annually, they make neither suitable nor realistic comparators for the Province's Chief Executive.

The Province of Alberta is not a publicly traded company, and the responsibilities of MLAs are different from those of private sector workers. An MLA's contributions to our province cannot readily be measured, and his or her performance is only evaluated on election day and only by the people in his or her constituency. MLAs' salaries cannot compete with private sector salaries. However, they should not be so low as to dissuade potential candidates from the private sector from entering public life due to an inordinate financial sacrifice.

2.6 *Hay Group Report*

Hay Group, as previously mentioned, is a global management and human resources consulting firm retained by the Commission for the purposes of this review. They were engaged to perform job evaluations of the basic MLA role and the various other MLA roles (such as Premier, Cabinet Minister, Speaker, Leader of the Official Opposition, etc.), to benchmark these roles and their associated compensation and benefits against certain comparator groups and to submit a report based on their findings. Hay Group's Report is attached as Appendix J.

Hay Group's methodology involves evaluating and assessing job 'size' (or 'weight' or 'importance') based on a set of criteria found in all jobs. These criteria fall under three general categories: Know-how; Problem Solving; and Accountability. Broadly speaking, 'Know-how' considers the knowledge, skills and ability required in a given role, the demands in terms of organizing and integrating knowledge and the communicating and influencing skills required. 'Problem Solving' considers the application of knowledge in analyzing and resolving problems and also the nature and complexity of the problems faced in the role. 'Accountability' measures the decision-making authority of a role, accountability for actions and decisions and the scope of the influence of the role.

The extensive use of Hay Group's methodology worldwide and the consistency of its application across roles, organizations, industries and sectors means the firm has amassed a wealth of data that allows them to compare job 'sizes' relatively accurately. The use of a points system to score positions allows compensation comparisons to be made between jobs in widely divergent fields or industries that have similar job 'sizes.'

As part of their process, Hay Group conducted a number of interviews with Alberta MLAs representing a cross-section of roles. They also compared the proposed MLA evaluation with similar evaluations carried out on New Zealand Members of Parliament, as New Zealand's population and GDP are comparable to Alberta's.

Hay Group assessed the various MLA roles and attached a numerical point value to each role. Using the points system as a guide, they then grouped the MLA roles into five levels or 'Bands,' Band 5 comprising the basic MLA role, Band 1 comprising the Office of Premier, and the other Bands comprising the roles that fall in between these two extremes.

The MLA roles in each Band were benchmarked against three comparator groups: the Government market, the Broader Public Sector market (public service jobs outside of government), and the Private Sector market (industry). Hay Group submits that using these comparator groups provides a sense of compensation levels across the three sectors and offers a reliable source for assessing the appropriateness of MLA compensation.

Hay Group presented compensation data by average and quartile to reflect the 25th, 50th and 75th percentiles of the market data, as well as the 10th and 90th percentiles, where available.

According to their data, compensation for Band 5—basic MLA—ranks the most competitively of the five Bands. In terms of base salary, it is at the 67th percentile compared to the government market, the 53rd percentile compared to the broader public sector market and the 35th percentile compared to the private sector market. Base salaries for comparable government roles typically range from \$108,000.00 (at the 10th percentile) to \$167,000.00 (at the 90th percentile). Base salaries for comparable roles in the public sector range from \$110,000.00 to \$173,000.00 (at the 10th and

90th percentiles, respectively). Base salaries for comparable roles in the private sector range from \$117,000.00 to \$199,000.00 (at the 10th and 90th percentiles, respectively).

Compensation for Band 4—Official Opposition House Leader and Committee Chair—ranks close to the median of government organizations, at the 26th percentile compared to the broader public sector market and below the 10th percentile compared to the private sector market. Base salaries for comparable government roles range from \$116,000.00 to \$178,000.00 (at the 10th and 90th percentiles, respectively), and for comparable public sector roles, from \$132,000.00 to \$219,000.00 (at the 10th and 90th percentiles, respectively).

Compensation for Band 3—Leader of a Recognized Opposition Party and Deputy Speaker/Chair of Committees—ranks below the 10th percentile of both the broader public sector and the private sector markets, but ranks near the 20th percentile of the government market. Base salaries for comparable government roles range from \$148,000.00 to \$216,000.00 (at the 10th and 90th percentiles, respectively), for comparable public sector roles, from \$169,000.00 to \$310,000.00 (at the 10th and 90th percentiles, respectively), and for comparable private sector roles, from \$216,000.00 to \$389,000.00 (at the 10th and 90th percentiles, respectively).

Compensation for Band 2—Minister with Portfolio, Speaker and Leader of the Official Opposition—ranks below the 10th percentile of both the broader public sector and the private sector markets (there are no comparable jobs in government organizations in the Hay Group database). Base salaries for comparable public sector roles range from \$234,000.00 to \$439,000.00 (at the 10th and 90th percentiles, respectively), and for comparable private sector roles, from \$329,000.00 to \$575,000.00 (at the 10th and 90th percentiles, respectively).

Compensation for Band 1—the Office of Premier—ranks the least competitively of the five Bands. It ranks well below the 10th percentile when compared to the private sector comparator group (there are no comparable jobs to that of Premier in government organizations or the broader public sector in the Hay Group database). Base salaries for comparable private sector roles typically range from \$709,000.00 to \$1,169,000.00 (at the 10th and 90th percentiles, respectively). These values do not include bonuses or severance payments, many of which are substantial in the private sector.

With respect to the low total remuneration positioning of the MLA roles in Bands 1 and 2, Hay Group observed that this is due, in large part, to the fact that MLAs are not entitled to cash incentives of any kind. Short-term, mid-term and long-term incentives are prevalent in the private sector, and short-term incentives are common in the broader public sector. What is more, MLAs receive minimal to no perquisites, while these are customary at senior levels in private organizations.

Hay Group further noted that the present transition allowance is excessive when compared to those offered to legislators in other Canadian jurisdictions and even within the private sector.

2.7 *Aon Hewitt Report*

Since 1993, Alberta MLAs have not been provided with any form of pension, with the exception of the annual RRSP allowance payments discussed in Section 2.1 above and, in some respects, the present transition allowance. As directed in the Mandate, the Commission was to consider the option of implementing a pension plan for Members.

To this end, as previously mentioned, the Commission retained the services of Aon Hewitt to comment on options for providing MLAs with a retirement plan and to provide actuarial evidence on the cost of various pension arrangements. Aon Hewitt submitted a report to the Commission, which is attached as Appendix K.

The following is a summary of the Aon Hewitt Report.

The primary consideration with respect to any registered pension plan is determining whether a defined benefit plan or a defined contribution plan is more appropriate under the circumstances. In a defined benefit plan, the pension income received at retirement is predetermined and is based on a formula involving years of service and earnings. Contributions to a defined benefit plan fund are typically made by both the employer and the employee, and the pooled assets are invested and managed by a professional asset manager on the behalf of the employees. In a defined benefit plan, the employer is responsible for all pension liabilities and therefore shoulders the risk if the fund does not cover the entirety of the retirement incomes.

In a defined contribution pension plan, the income received at retirement is not predetermined, but the contributions made by both the employer and employee are fixed. Contributions are deposited into a fund in the employee's name and are invested and managed by the employee or on an employee group basis. The income received at retirement is based on the contributions made over the years and the investment income generated on those contributions and continues only until there are no more funds in the employee's account. In a defined contribution plan, the employee shoulders the investment and interest rate risk, and retirement income will vary according to market fluctuations during their career and at the time of retirement.

In recent years, defined contribution plans have become more common in the private sector, and the sustainability of defined benefit plans in the public sector has been questioned. This is due, in part, to increased life expectancies among Canadians, recent market volatility and lower interest rates, all of which make defined benefit plans more costly to employers. Companies and governments are now more frequently facing funding deficits in covering pension liabilities. As a result, many defined benefit plans in the public sector are being redesigned to offset some of the costs and risks to employers. Changes to these plans include increased retirement ages, less generous benefits, increased employee contribution rates and greater risk sharing between employers and employees.

It is worth noting that most Canadian jurisdictions provide their legislators with defined benefit pension plans. Two provinces that switched to defined contribution plans have since reverted to defined benefit plans. Saskatchewan and Ontario are the only provinces that provide defined contribution pension plans.

Pensionable earnings for a registered defined benefit plan are limited to an employee's taxable income only. Thus, in the case of Alberta, the tax-free allowance would not be considered pensionable earnings. The tax-free portion of MLAs' salaries, if applicable, would only yield

pension benefits under a supplementary pension plan.

A vesting period of at least five years is recommended by Aon Hewitt for an MLA defined benefit plan to ensure that only Members who serve more than one term are eligible to receive a pension. Shorter vesting periods are more costly as a greater number of Members receive the pension and there are added administrative costs.

There are two options with respect to registering a pension plan for Alberta MLAs. The *Members of the Legislative Assembly Pension Plan Act*, in which membership was suspended in 1993, is still in force and registered under the *Income Tax Act (Canada)*. Therefore, the Act can be amended to reflect the newly designed plan and, the amendments can be filed with Canada Revenue Agency. Otherwise, a new Act is required, and application for registration and compliance with the *Income Tax Act (Canada)* is necessary before it can take effect.

Defined benefit plans are typically designed based on either final-average or career-average earnings. The latter usually provide lower, more predictable costs to employers than the former. They also tend to be more sustainable. In the case of MLAs, a best average earnings formula is sometimes used to ensure the inclusion of Executive service (such as a Cabinet position) in the pension calculation, regardless of when such service occurred in a Member's career. A career average formula also considers Executive service, since each year of earnings is treated separately.

According to the Aon Hewitt Report, "defined benefit plans are much more efficient vehicles for providing retirement income due to the fact that financial risks are pooled across all beneficiaries of the plan rather than being borne by each member individually."¹⁹ Acknowledging that defined benefit plans are coming under pressure due to increased costs and questionable sustainability, the Report offers a number of 'tools' for organizations to mitigate risks and keep costs sustainable. These tools include plan design, investment policy, funding policy and actuarial assumptions. For a full discussion, see Aon Hewitt's Report attached as Appendix K.

The Aon Hewitt Report further provided cost and benefit comparisons for various retirement plan designs for the Commission's consideration.

¹⁹ Aon Hewitt Report, p. 4.

Section 3: Conclusions and Recommendations

3.1 *Base Salary*

As noted in Section 1.4 of the Introduction, a primary concern highlighted at the public hearings and in the written submissions is the present difficulty in determining the total actual remuneration paid to MLAs, Cabinet Ministers and the Premier. Another is the current pay structure for committee work, particularly that MLAs are compensated for sitting on committees that rarely meet, or do not meet at all. Members frequently serve on numerous committees at once, but they are restricted to receiving compensation for three committees, up to a maximum of \$3,500.00 per month. Thus it is not necessarily the case that an MLA is remunerated for serving on an inactive committee. Nevertheless, most testimonies and written submissions from members of the public argued that committee work is a duty accompanying the office of MLA and should not be separately compensated. All of the MLAs interviewed by Hay Group as part of their analysis likewise felt that committee work was a core responsibility of their role as Members.

I agree that a more legitimate and transparent approach is necessary; that is, that MLAs be paid a single amount as a base salary that includes legislative and constituency duties as well as all committee services. However, since the chairs of committees have the additional responsibilities of running and organizing the committees, I recommend that an appropriate stipend be paid to the chairs of committees (or presiding Member, as the case may be).

Compensation for MLAs should be generous enough to attract suitably talented and capable individuals from all sectors, yet not so generous as to be the primary motivator for prospective members. Experience has shown that to attract the best people seeking office is to appeal to those primarily motivated by a desire to serve. For some, pursuing politics as a career will involve a financial sacrifice—MLAs' salaries cannot compete with those offered in the private sector. However, compensation should be crafted so as not to deter desirable candidates from serving due to unreasonable monetary sacrifices.

Compensation should also be commensurate with the duties, responsibilities and importance of the role. The unique position of MLA and the challenges associated with attaching a salary to that position have already been explored at some length in this Report. It is sufficient to say MLAs are critical to upholding our democracy. Collectively, they form the legislative institution that represents and expresses the will of the people. They establish and maintain the quality of life of Albertans in many ways; they are charged with setting public policy and spending public funds responsibly. If members of the public take issue with the performance of their legislators or their Government, they can vote them out. The opportunity is open to all Alberta residents 18 and over to stand for election. The Legislature is not a closed shop.

The specific recommendation for the MLA base salary was reached after considering all of the evidence, including the Hay Group Report. As noted in the summary of Hay Group's findings (Section 2.6 of this Report), the present MLA salary, including indemnity, tax-free allowance and average committee pay, is competitively placed in both the government and broader public sector markets. And while it is recommended that the pay structure be changed to include committee pay in the base salary, I believe that the compensation should not vary greatly from its present level. I recommend that it remain roughly around the 50th percentile with respect to both the government and public sector markets, and around the 25th percentile with respect to the private sector market.

Recommendation 1:

All MLAs should receive an indemnity of \$134,000.00 as compensation for their legislative, constituency and committee duties. They should not be separately compensated for serving on any Assembly or Government committees.

Recommendation 2:

Given the added responsibilities involved in chairing committees, a stipend should be paid to the chairs of committees. Standard procedure for providing chairs with additional remuneration is to compensate them on a per-meeting basis; therefore, a \$200.00 per-meeting stipend should be paid to the chair (or presiding Member) of any Assembly or Government committee.

3.2 *Offices Other Than MLA*

The Mandate directed the Commission to make recommendations regarding additional compensation for offices other than basic MLA. All of the offices mentioned in the Mandate are dealt with below:

Speaker, Minister with Portfolio, Leader of the Official Opposition: Historically, these three roles have been compensated equally, and there is no reason to suggest that this should be otherwise. Therefore, it is recommended that compensation for these offices should apply to all three roles.

According to Hay Group's evidence, these roles are not compensated competitively when compared to the broader public sector and private sector markets. This is due, in part, to the fact that short-term, mid-term and long-term cash incentives are not available to MLAs in these roles. Hay Group could not find any comparable roles in government organizations. These roles equated, in Hay Group's analysis, to chief financial officers and CEOs of moderate-sized organizations, whose private sector compensation is an unrealistic target for these particular public sector positions.

The preferable approach to setting compensation for the Speaker, Cabinet Ministers and the Leader of the Official Opposition is to relate their roles to the basic MLA role, the compensation for which has already been addressed. As these roles involve considerable added responsibilities and typically a higher profile and level of accountability, it is recommended that these offices receive an additional compensation equal to 50 per cent of the basic MLA indemnity. In actual amounts, this recommendation represents very little change from the present levels.

Recommendation 3:

The Speaker, Ministers with Portfolio and the Leader of the Official Opposition should receive additional compensation of \$67,000.00 as remuneration for the added responsibilities of their respective roles, for a total cash compensation of \$201,000.00.

Premier: As discussed in Section 2.6 above, Hay Group's evidence demonstrated that the Office of Premier is the least competitively compensated of any of the MLA roles they explored in their report. And the fact that Hay Group could not find any comparable government or public sector roles in their extensive database to compare to the position of Premier is telling. In reality, there are very few roles that are as demanding as that of Premier, or that are accompanied with such a high level of responsibility and accountability. Only the most senior positions in the private sector compared to the Office of Premier in Hay Group's analysis.

In effect, the Premier is the face and voice of Alberta, is responsible for a budget of nearly \$40 billion, is answerable to all of the citizens of the province, and is Alberta's representative on the national and global stage. The institution of the Office of Premier attracts the most attention as the most prominent public office in the province. The compensation should reflect that office.

One could expect the Premier to be the highest paid public servant in the province, given the importance and demands of the role. At present, the Chief Justices of the Alberta Superior Courts are paid \$315,900.00 annually (as of April 2012). The Premier's remuneration should not be less than this. Yet even the Premier's public sector subordinates are presently remunerated at a higher level.

The Premier's compensation is inadequate and not commensurate with the duties, obligations and responsibilities of the office. The Premier should be remunerated to reflect the difference in the level of responsibility between the Premier and his or her immediate subordinates. The Premier's salary should be higher than that of his or her deputy, and also the gap in remuneration between the Premier and the Cabinet Ministers should be widened. While managing a Portfolio is a notable responsibility in addition to regular MLA duties, it is not as significant as that of the Premier for the whole province.

The Premier's compensation should be increased, and while there may be reasons for doing this gradually, it is recommended that it be accomplished within three years, since it is further recommended (in Section 3.8 below) that MLA compensation be reviewed every four years by an independent committee.

The Premier should receive additional compensation equal to 100 per cent of the basic MLA indemnity, effective immediately, and two subsequent increases should be made to the Premier's salary for an ultimate additional compensation equal to 150 per cent of the basic MLA indemnity. While the Premier's duties are more than double those of the private Members, these increases will compensate the Premier in a way that more appropriately reflects the office.

Recommendation 4:

The Premier should receive additional compensation of \$134,000.00, effective immediately, for a total cash compensation of \$268,000.00. In one year's time, the Premier should receive an additional \$33,500.00 for a total cash compensation of \$301,500.00, and in two years' time, an additional compensation of \$33,500.00 for a total cash compensation of \$335,000.00. This would bring the Premier's compensation more in line with Alberta's highest paid public servants and more commensurate with overall duties, responsibilities and accountability.

Minister without Portfolio: Presently, there are no Ministers without Portfolio in Alberta. However, should those circumstances change and an MLA be appointed Minister without Portfolio, the following comments and recommendation should apply.

Historically, compensation for this position has been roughly less than half of that for a Minister with Portfolio. I regard this as reasonable. Thus, given that the compensation for a Minister with Portfolio is recommended to be \$67,000.00, the compensation for a Minister without Portfolio should be equal to 45 per cent of that value.

Recommendation 5:

A Minister without Portfolio should receive additional compensation of \$30,150.00 as remuneration for the added responsibilities of that role, for a total cash compensation of \$164,150.00.

Deputy Speaker/Chair of Committees: Historically, the compensation for this position has been half of that of the Speaker. I also regard this as reasonable. Thus, given that the compensation for Speaker is recommended to be \$67,000.00, the compensation for Deputy Speaker should be equal to 50 per cent of that value.

Recommendation 6:

The Deputy Speaker/Chair of Committees should receive additional compensation of \$33,500.00 as remuneration for the added responsibilities of that role, for a total cash compensation of \$167,500.00.

Leader of a Recognized Opposition Party: Historically, the compensation for this position has been roughly less than half of that of the Leader of the Official Opposition. I regard this as reasonable. Thus, given that the compensation for the Leader of the Official Opposition is recommended to be \$67,000.00, the compensation for a Leader of a Recognized Opposition Party should be equal to 45 per cent of that value.

Recommendation 7:

The Leaders of Recognized Opposition Parties should receive additional compensation of \$30,150.00 as remuneration for the added responsibilities of that role, for a total cash compensation of \$164,150.00.

Deputy Chair of Committees: Historically, the compensation for this position has been half of that of the Deputy Speaker/Chair of Committees. (This is not to be confused with committee pay.) I regard this as reasonable. Thus, given that the compensation for Deputy Speaker is recommended to be \$33,500.00, the compensation for the Deputy Chair of Committees should be equal to 50 per cent of that value.

Recommendation 8:

The Deputy Chair of Committees should receive additional compensation of \$16,750.00 as remuneration for the added responsibilities of that role, for a total cash compensation of \$150,750.00.

Special Members' Compensation: Regarding compensation for MLAs in the various Special Members' roles listed in the Mandate (identified in Recommendation 9, below), in general terms, I recommend that these could remain more or less as they are presently. However, in keeping with the formula used to determine the additional compensation for the offices dealt with in previous recommendations, I recommend that the compensation for each role be calculated as a percentage of the compensation for a Cabinet Minister (which is recommended to be \$67,000.00). My specific recommendations are as follows:

Recommendation 9:

Additional compensation for the various Special Members' roles, as remuneration for the added responsibilities of those positions, should be as listed below. In parentheses is the recommended compensation expressed as a percentage of that of a Minister with Portfolio.

Official Opposition House Leader: \$16,750.00 (25 per cent)

Third Party House Leader: \$13,400.00 (20 per cent)

Chief Government Whip: \$13,400.00 (20 per cent)

Assistant Government Whip: \$10,050.00 (15 per cent)

Chief Opposition Whip: \$10,050.00 (15 per cent)

Assistant Opposition Whip: \$8,040.00 (12 per cent)

Third Party Whip: \$8,040.00 (12 per cent)

A summary of the recommendations regarding the various MLA roles is represented in the following tables:

Base Indemnity	Annual Remuneration
MLA	\$134,000.00
Offices Other than MLA – Additional Compensation	Annual Remuneration
Premier	\$134,000.00
Speaker	\$67,000.00
Minister with Portfolio	\$67,000.00
Leader of the Official Opposition	\$67,000.00
Minister without Portfolio	\$30,150.00
Deputy Speaker/Chair of Committees	\$33,500.00
Leader of a Recognized Opposition Party	\$30,150.00
Deputy Chair of Committees	\$16,750.00
Special Members – Additional Compensation	Annual Remuneration
Official Opposition House Leader	\$16,750.00
Third Party House Leader	\$13,400.00
Chief Government Whip	\$13,400.00
Assistant Government Whip	\$10,050.00
Chief Opposition Whip	\$10,050.00
Assistant Opposition Whip	\$8,040.00
Third Party Whip	\$8,040.00

There were a number of government roles for which there was little information available as to their duties and responsibilities (Parliamentary Assistants, Secretariat Chairs) and on which no recommendations were made in this report. However, in order to maintain consistency in the proposed approach to salary determination, these salaries should be set by Cabinet as percentages of the MLA salary when the nature and scope of these roles can be more fully determined.

3.3 Tax-Free Allowance

At the public hearings, in the written submissions and in the media, there was considerable criticism of the tax-free portion of the MLA salary, which is \$26,046.00 annually. It can be appreciated why this particular aspect of MLA remuneration is the subject of widespread disapproval, yet I believe that is because it is the least understood.

The *Income Tax Act (Canada)*, RSC 1985, c 1 (5th Supp), s 81(2) states:

Where an elected member of a provincial legislative assembly has, under an Act of the provincial legislature, been paid an allowance in a taxation year for expenses incident to the discharge of the member's duties in that capacity, the allowance shall not be included in computing the member's income for the year unless it exceeds ½ of the maximum fixed amount provided by law as payable to the member by way of salary, indemnity and other remuneration as a member in respect of attendance at a session of the legislature, in which event there shall be included in computing the member's income for the year only the amount by which the allowance exceeds ½ of that maximum fixed amount. (Underlining added.)

As noted in Section 2.1 above, Ms. Scarlett testified that this tax-free allowance is a benefit provided to all provincial legislators by the federal Government. It is a provision paid for in forgone taxes by the Government of Canada.

Alberta as a province has, to date, elected to recognize this exemption and, in doing so, saves the province paying extra taxes to the federal government. If the province ignored the exemption, MLAs' salaries would need to be increased or 'grossed up'²⁰ to permit them to retain their present compensation after paying this income tax. The effect of each MLA's present salary being 'grossed up' by approximately \$12,570.00 (if their net base salary was to remain the same) would cost taxpayers approximately \$1.04 million, all of which would go to the federal Government in the form of income taxes. Thus, its elimination would be tantamount to a decision to send more than one million dollars directly to Revenue Canada, for which Albertans would receive nothing. I assume the lack of support for this federal tax benefit is, at least in part, the result of the general public not knowing the source of it or who would bear the cost if it were discontinued. If the rationale for retaining it was better understood, it might be more widely favoured.

In spite of the financial penalty to Albertans, there was marked support for the elimination of the tax-free allowance by several presenters, both expert and private. In particular, the Honourable Ray Speaker, Dr. Herbert Grubel, Dr. David Docherty, and Mr. Scott Hennig of the Canadian Taxpayers Association all advocate following the lead of most provinces and eliminating the tax-free allowance, replacing it with a fully taxable salary. While these witnesses understood the financial ramifications of doing so, they generally felt that the importance of transparency outweighed the economic benefits of the federal tax exemption. Those opposing the tax-free allowance also pointed to the fact that only the provinces of Alberta and Quebec, Yukon Territory and the Northwest Territories avail themselves of this Federal Government incentive. The other provinces have elected to discontinue the federal exemption and have accordingly 'grossed up' MLAs' salaries—with no explanation found other than that of transparency and the public's perception of inequity.

If the tax-free allowance is to be discontinued, it is more appropriate that it be done by the Federal Government who initiated it, who still authorize it, and who alone have income tax jurisdiction.

20 For an explanation of this term as used in the context of this Report, see Section 2.1.

Its original purpose may be unknown or outdated, but so long as it remains available, I see considerable economic value in maintaining it. Doing away with it in the name of transparency or to assuage the public who perceive it as inequitable, as other provinces have done, is not, in my view, a compelling enough reason for following that lead, especially given the cost to Albertans. It is in the interest of all taxpayers of this Province that the tax-free allowance be kept but with an explanation of what it is and why it is an obvious financial advantage to the Province. It appears logical, as already stated, that if the exemption is to be discontinued, it should be by the federal legislators that created it. Nonetheless, while I recommend against eliminating the tax-free allowance, I recognize that this decision ultimately remains at the discretion of the Legislative Assembly of Alberta.

In Section 3.1 above, a basic MLA indemnity of \$134,000.00 is recommended. However, if the tax-free allowance is retained as a cost savings to Albertans, the MLA indemnity should be broken down as follows: a taxable indemnity of \$75,000.00 and a tax-free allowance of \$37,500.00 (50 per cent of indemnity, as per Section 81 of the federal *Income Tax Act*), for a total base salary of \$112,500.00. Thus formulated, this base salary would have a 'grossed-up' value of \$134,000.00, but would yield the same net income to the Member. Any financial benefit received from retaining the tax-free allowance is on the part of the taxpayers and not the MLAs. Apart from the basic MLA indemnity, compensation for the other roles would not be affected by the decision regarding the tax-free allowance.

If this recommendation is adopted and the MLA salary is implemented as \$112,500.00, including a tax-free allowance of \$37,500.00, instead of a fully taxed amount of \$134,000.00, it would result in an overall savings to the annual budget of Alberta of about \$1,870,000.00.

Recommendation 10:

The basic MLA salary should be formulated as follows: an indemnity of \$75,000.00 and a tax-free allowance of \$37,500.00 for a total base salary of \$112,500.00. While this salary would have a 'grossed-up' value of \$134,000.00, it would save the province approximately \$1.87 million.

3.4 *Transition Allowance*

The average tenure for an Alberta MLA is two terms—or eight years. Some serve longer and others less, but regardless of the duration of an MLA's career, the return to private life upon leaving office generally poses difficulties.

As was explored in Section 2.3 above, these challenges can take many forms. For some, a defeat at the polls is a psychological blow that—at the very least—requires a recovery period, but in extreme cases leads to more serious psychological issues, such as depression. Even when the departure from office is voluntary, former Members often need to meet increased standards for re-entry into the work force. For those returning to professions, they may have to re-qualify in some manner. Some simply depart public office at an age that makes re-employment challenging. For still others, they are burdened by a surprising stigma of having been an MLA; this is particularly the case when there has been a change in Government or when certain Government policies have been unpopular within particular industries. As a result, finding suitable employment can be difficult.

The Honourable Ray Speaker, as previously noted, testified to the disadvantages facing exiting MLAs, whether their departure from office was voluntary or not. His view was supported by former Speaker of the Legislative Assembly of Alberta Dr. David Carter, as well as by a number of the written submissions received by the Commission.

The exceptions to this situation are successful Premiers and prominent Cabinet Ministers whose notable careers in government have opened up opportunities for them in the marketplace. But these cases tend to be the exceptions only and typically do not occur, particularly when an MLA's departure coincides with a change in the governing party.

Presently, MLAs accrue a transition allowance of three months' pay for every year served in office, based on the Member's best three years in office, with no limit placed on the total amount accrued. Simple arithmetic illustrates that a long-serving MLA is provided, upon departure from office, with a substantial lump sum payment in an amount that—while taxable—exceeds the intended purpose of the allowance. A transition allowance should provide short-term assistance to former Members in re-entering private life; it should not take the place of a pension or be funded without limit.

There is sufficient evidence to support the need for some transition allowance for MLAs to assist them in re-entering private life. MLAs have, after all, served the public in a role without job security, and, as we've seen, their return to their former occupations or lifestyles is often fraught with difficulties. However, there is also a compelling case to be made for identifying the present transition allowance as unjustified and excessive.

Therefore, I recommend a more reasonable and justifiable transition allowance of two months' salary for every year served to a maximum of 12 months. This is a formula seen frequently in the private sector in some of the other provincial jurisdictions and would require an MLA to serve at least six years to reach the maximum accruable allowance. It should be based on the MLA salary only and not on additional compensation provided for other roles. Most importantly, it recognizes a limit and more appropriately fulfills its intended purpose.

A transition allowance should not be disguised to compensate for the suspension of the MLA Pension Plan in 1993. It is intended to assist exiting Members in re-entering private life after

serving the province. Amounts of the present transition allowance accrued to date and presently owing to former and serving Members to the end of the 27th Legislature should be protected and must be paid to them on leaving the Assembly.

Recommendation 11:

The present transition allowance should be discontinued and a new transition allowance of two months' basic MLA salary for every year served to a maximum of 12 months should be implemented. Thus formulated, the transition allowance would not recognize additional compensation received for roles other than MLA and would accrue equally for all Members.

3.5 Pension

My review as to whether a pension plan should be reinstated for Members of the Legislative Assembly was informed both by the information and analysis provided by Aon Hewitt, the actuarial firm retained by the Commission, and the extensive work that has been done in the United Kingdom in the review of public sector pension plans (the Lord Hutton Report, 2011)²¹ as well as pension benefits provided to Members of the House of Commons and House of Lords (the Cockburn Report, 2010).²²

The Members of the Legislative Assembly Pension Plan in which membership was suspended in 1993 was a best three-year average earnings defined benefit plan that provided a benefit which Aon Hewitt estimated to have a value of 47.8 per cent of salary and was similar to defined benefit plans in place in the majority of Legislatures and in the Parliament of Canada today. The *Members of the Legislative Assembly Pension Plan Act* provides the structure under which pensions to retired MLAs are being paid but has allowed no new enrollment since 1993.

In considering a pension for Alberta MLAs, it must again be noted that the average length of service for Members is just over eight years—or approximately two terms. Thus for the majority of Members a political role is either a mid-career or late career occupation and rarely close to a lifetime career. It also interrupts an MLA's private career, which means MLAs frequently sacrifice the pension accrual that they would have earned during those otherwise pensionable years in another occupation. Given this, it would seem to follow that any pension plan in these circumstances should provide a reasonable and predictable benefit but should be cognizant of the emerging trends in pension benefit practices for this type of employment circumstance.

One of the key considerations in re-implementing a pension plan for MLAs is the decision whether it should be a defined contribution or defined benefit plan. A more detailed analysis of the advantages and disadvantages of the two basic pension designs is presented in the Cockburn Report.²³ As noted in this Report, a study from the United States' National Institute on Retirement Security found that "a defined benefit (DB) pension can deliver the same retirement income at 46 per cent lower cost than an individual defined contribution (DC) account."²⁴ The Cockburn Report concluded that defined benefit plans appear to encourage people to contribute more to their own pensions, as the average employee contribution to a defined benefit plan is higher than to a defined contribution plan, even within the private sector.

Based on the evidence reviewed, given the relatively short-term careers of the average MLA and the objective of providing a fair, reasonable and predictable pension for that service while remaining affordable and sustainable, a defined benefit plan is the optimal approach.

However, instead of a final average earnings defined benefit plan in which the employer bears all of the salary, investment and post-retirement longevity risk, a Career Average Revalued Earnings plan with price indexing (CARE-P), which better balances the risk between the Member and the Legislative Assembly, is recommended. In a CARE-P plan, each year the member earns an amount of pension based on the plan's accrual rate and their salary in that particular year. This amount is then revalued annually—that is, indexed based on changes in a consumer price index (CPI). At

21 Lord Hutton of Furness, *Independent Public Service Pensions Commission: Final Report*, March 2011, available at: http://cdn.hm-treasury.gov.uk/hutton_final_100311.pdf

22 Bill Cockburn, *Review of the Parliamentary Contributory Pension Fund*, July 2010, available at: <http://www.official-documents.gov.uk/document/cm79/7926/7926.pdf>

23 Cockburn, pp. 11-13

24 Cockburn, p. 12

retirement each year’s accrual is summed up to the total pension.

The new retirement plan, if adopted, should be implemented on a go-forward basis only, with no recognition of past service. The specific recommendations for the provisions of an MLA Pension Plan are:

Average Earnings Formula	Career Average Revalued Earnings–CARE
Accrual Rate	2.5%
Vesting	5 years
Normal Retirement Age	65
Maximum Service	30 years
Member Contributions	11% of pensionable earnings
Assembly Contributions	Balance of Cost–estimated at 20.3%
Indexing of pre-retirement pensions	100% of Alberta CPI (CARE-P)
Indexing of Post Retirement Pension	60% of Alberta CPI
Surviving Partner Pension	Joint and 2/3 survivor
Early Pension Reduction	3% per year
Earnings Definition	Each year of earnings treated separately

The Aon Hewitt Report (Appendix K) outlines the cost estimates for a CARE-P plan with these provisions. In terms of the rationale for the specific provisions, the following observations are significant.

Accrual Rate:

An accrual rate of 2.5 per cent is recommended in recognition of the short-term nature of the typical MLA career and the lack of perquisites available to Members in comparison to the broader public sector and private sector. This level of accrual is less than most other MLA plans in Canada.

Normal Retirement Age:

Given the increased longevity risk for this type of plan due to the fact that Canadians are living longer, age 65 is a more reasonable age at which a Member should start receiving an unreduced pension. This is a higher age than most MLA plans in place in Canada.

Vesting:

As earlier noted, shorter vesting periods are generally more costly for a plan and it seems reasonable that MLAs serve at least five years before becoming vested in the plan, which is similar to most MLA plans in Canada.

Member and Assembly Contributions:

The recommended distribution of contributions (approximately 1/3 Member, 2/3 Assembly) parallels that of the Alberta Management Employees Pension Plan presently in place. It seems

reasonable that similar costing be applied to Members of the Assembly as is applied to managers in the Alberta Public Service. This distribution is significantly more balanced than most MLA defined benefit plans in Canada.

Indexing:

The primary characteristic of a CARE-P defined benefit plan is the indexation of annual pension amounts by some type of price index as opposed to a wage index. In that regard, indexing of pre-retirement pension amounts should be 100 per cent of the Alberta CPI and indexing of post-retirement benefits should be reduced to 60 per cent of Alberta CPI, the same indexing formula that is applied to retired managers receiving a pension under the Management Employees Pension Plan. By comparison, the pensions of Alberta Provincial Court Judges are indexed at 100 per cent of Alberta CPI.

Other Provisions:

The recommended surviving partner and early retirement reduction provisions are typical for defined benefit plans.

Funding:

A revised MLA Pension Plan should be fully funded for future service on an ongoing basis with contribution levels, accrual rate and indexing provisions subject to review and adjustment dependent on the financial position of the plan. An actuarial review of the plan is required once every three years under the *Income Tax Act* rules. This actuarial review would inform the periodic review of MLA compensation recommended elsewhere in this report.

Implementation and Administration:

In terms of the implementation of a revised MLA Pension Plan, Aon Hewitt noted that this can be most easily accomplished through amendments to the *Members of the Legislative Assembly Pension Plan Act* now in place. With the implementation of a revised MLA Pension Plan, the existing transition allowance can be amended to reflect the earlier recommendation in this Report (see Section 3.4, Recommendation 11). The administration of the plan can be managed in a manner similar to other Alberta public sector plans. Governance of the Plan should be under the Members of the Legislative Assembly Pension Plan Board established under the present Act.

As with many other public sector retirement plans, Members should have the one-time option to join the MLA pension plan. In electing not to participate, those Members who do not contribute to the plan do not benefit in any way from the plan.

In part 9 of the Mandate, the Commission was asked to consider the impact of some Members' 'double dipping' in more than one pension plan. There was no evidence to suggest that this was a particular problem with respect to Alberta MLAs. Individuals who are retired from other occupations and are already receiving pensions are nonetheless free to run for public office and should not be discouraged from doing so. Many people have a second career in their retirement; contributing to and collecting a second pension is not unique to MLAs and is not what I consider to be 'double dipping.' I therefore make no recommendation with respect to this issue.

Recommendation 12:

A pension plan should be re-implemented for MLAs on a going forward basis, with no recognition of past service. The specific recommendations for the plan are included in Section 3.5 of this Report. The Members of the Legislative Assembly Pension Plan Act should be amended to reflect the new plan design. It follows that the RRSP allowance payments presently made to MLAs be discontinued if a pension plan is re-implemented.

3.6 *Other Benefits*

There is no evidence to suggest the need to revise the health, life insurance and disability benefits provided to MLAs. Therefore, it is recommended that these remain unchanged.

Recommendation 13:

The health, life insurance and disability benefits presently provided to MLAs should be maintained.

3.7 *Indexing*

In accordance with the Mandate that directs the Commission to make recommendations on the process for future adjustments to MLA compensation, it is suggested that to the extent that some or all of the aforementioned recommendations are implemented—even if implemented in stages—MLA compensation should be indexed annually following the Alberta Consumer Price Index (CPI), using the same index as other Alberta public service pension plans.

Recommendation 14:

With respect to future adjustments to MLA compensation, salaries should be adjusted annually in accordance with the Alberta Consumer Price Index (CPI).

3.8 *Future Review*

The Mandate further directed that the Commission make a recommendation on the process for future review of Members' compensation, benefits and allowances. As a general rule, MLAs should not set their own pay. To that end, it is recommended that every four years the Chief Justice of the Queen's Bench of Alberta (or his or her designate from the court) be appointed chair of a three-person committee to review MLA compensation—the two other members of the committee to be judges of that same court. The Queen's Bench of Alberta, the superior trial court of the Province, is a federally appointed court (under section 96 of the *Constitution Act, 1867*) and is compensated by the Federal Government. That court is therefore independent from the Government of Alberta, and as its members reside in various judicial districts throughout Alberta, it offers a province-wide perspective on the assignment.

Recommendation 15:

Every four years the Chief Justice of the Queen's Bench of Alberta (or his or her designate) should be appointed chair of a committee of three members to review MLA compensation. The two other members of the committee should be judges of the same court.

3.9 *Implications of Recommendations*

In arriving at and making the recommendations contained in this Report, I considered, among many other things, the implications of the recommendations, financial and otherwise. I wish to highlight and comment on some of these.

As previously noted, it was the aim of the Commission to come to conclusions using as independent an approach as possible. A point was made of not relying exclusively on what other jurisdictions were doing (or had done) in terms of compensating their legislators in order to avoid the circularity that has heretofore occurred in setting MLAs' salaries. Nevertheless, it is recognized that the MLAs and the public will want to see how the proposed Alberta salaries and pension compare to those in the other Canadian jurisdictions. Therefore, several charts are attached for reference in this regard.

Appendix N compares the total compensation for Members in all Canadian provinces and territories and in the House of Commons, including the proposed fully taxable Alberta salary of \$134,000.00. Appendix O compares the total compensation for the same groups, but uses the proposed partly tax-exempt Alberta salary of \$112,500.00 (\$75,000.00 indemnity and \$37,500.00 tax-free allowance). These charts are intended to reflect the total compensation received, not just cash compensation. Thus the values of the pension arrangements in each jurisdiction are included in the overall totals.

Of particular interest is a comparison between Appendix E and either Appendix N or Appendix O. This comparison shows the total compensation comparisons for Members in all jurisdictions, but with respect to Alberta, it shows the total compensation before this review was initiated (Appendix E) and 'after'—that is, with the recommended Alberta salary and pension (either Appendix N or Appendix O, depending on the decision regarding the tax-free allowance).

From Appendix E, it can be seen that the present total annual compensation for Alberta MLAs is \$176,989.00 ('grossed up'), if the current transition allowance is added in lieu of a pension contribution. From Appendices N and O, it can be seen that the proposed total annual compensation for Alberta MLAs is estimated at either \$161,202.00 (fully taxable) or \$159,313.00 ('grossed up' partly tax-exempt salary). Thus the implementation of the recommendations contained in this Report would result in a decrease in total compensation principally as a result of changes in the transition allowance and the elimination of the RRSP allowance.

Appendix P compares the total compensation for Cabinet Ministers in all Canadian provinces and territories and in the House of Commons using the present Alberta Cabinet salary—that is, before this review was initiated. Appendix Q compares the total compensation for Cabinet Ministers in the same jurisdictions using the proposed Alberta Cabinet salary of \$67,000.00. Appendix R also compares Cabinet salaries across all jurisdictions, but uses the proposed partly tax-exempt MLA base salary in the calculation of the total Alberta Cabinet salary.

From Appendix P it can be seen that the present total annual compensation for Alberta Cabinet Ministers is \$257,582.00 ('grossed up'). From Appendices Q and R, it can be seen that the proposed total annual compensation for Alberta Cabinet Ministers is estimated at either \$241,803.00 (fully taxable) or \$241,388.00 ('grossed up' partly tax-exempt salary). Thus the implementation of the recommendations in this Report would result in a decrease in total annual compensation for Alberta Cabinet Ministers. Also note the negligible difference in the totals with respect to Alberta between Appendices Q and R.

If the tax-free allowance is retained and the recommendation contained in this report of a base MLA salary of \$112,500.00 (\$75,000.00 indemnity and \$37,500.00 tax-free allowance) is implemented instead of a fully taxable salary of \$134,000.00, it would result in a savings of \$1,870,500.00 to the annual budget of Alberta. If this recommendation is not adopted but the recommendation of a fully taxed salary of \$134,000.00 is, the entirety of the \$1.87 million would go to the federal government in the form of income taxes.

Regarding the recommended MLA pension plan, it may be of interest that, based on the proposed salary of \$134,000.00, an MLA who had served eight years (or two terms) as a private Member would receive an estimated annual pension at retirement of around \$31,300.00. This estimate is based on a number of assumptions and is provided here only as an example.

Finally, if the recommendations contained in this Report are adopted in full, the total cost (including pension benefits) to the Province of Alberta to compensate its provincial legislators, of which there are now 87, would be approximately the same as the cost to compensate the 83 Members in 2011/2012. Expressed as a percentage of the province's overall budget of more than \$39 billion, this represents 0.043 per cent, the same figure as was mentioned in Section 1.4 of the Introduction with respect to the circumstances before this review was initiated.


Contemporaneous with its release, the full Report will be posted and available for public viewing on the website: <http://www.mlacompensationreview-alberta.ca/>.

A handwritten signature in blue ink, appearing to read 'J.C. Major', is centered on the page.

The Honourable J.C. Major, CC, QC

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A List of Alberta papers that carried notices of the review and copies of the notices

MLA Compensation Review ad campaign- January 2012

MLA Compensation Review advertising campaign

Campaign A - General Notice ad – Click for Copy

Daily Campaign

January 9, 2012

CALGARY HERALD
 CALGARY SUN
 EDMONTON JOURNAL
 EDMONTON SUN
 FT. MCMURRAY TODAY
 GRANDE PRAIRIE DAILY HERALD/TRINBUNE
 LETHBRIDGE HERALD
 RED DEER ADVOCATE
 MEDICINE HAT NEWS

Weekly Campaign – Click for Copy

January 8 – 14, 2012

AIRDRIE CITY VIEW (Airdrie AB)
 AIRDRIE ECHO (Airdrie AB)
 ATHABASCA ADVOCATE (Athabasca AB)
 BANFF CRAIG & CANYON (Banff AB)
 BARRHEAD LEADER (Barrhead AB)
 BASHAW STAR (Stettler AB)
 BEAUMONT NEWS (Beaumont, AB)
 BROOKS & COUNTY CHRONICLE (Brooks AB)
 BEAVERLODGE AND DISTRICT NEWS (Beaverlodge AB)
 BONNYVILLE NOUVELLE (Bonnyville AB)
 BOW ISLAND COMMENTATOR (Bow Island AB)
 BASSANO TIMES (Bassano AB)
 CAMROSE CANADIAN (Camrose AB)
 CASTOR ADVANCE (Castor AB)
 CARDSTON TEMPLE CITY STAR (Cardston AB)
 CALGARY FAST FORWARD WEEKLY (Calgary AB)
 CHESTERMERE ANCHOR WEEKLY (Chestermere AB)
 CLARESHOLM LOCAL PRESS (Claresholm AB)
 COCHRANE TIMES (Cochrane, AB)
 COALDALE SUNNY SOUTH NEWS (Coaldale AB)
 COLD LAKE SUN (Cold Lake AB)
 CONSORT ENTERPRISE (Consort AB)

MLA Compensation Review ad campaign- January 2012

CORONATION EAST CENTRAL ALBERTA REVIEW (Coronation A)
 CROWSNEST PASS HERALD (Blairmore AB)
 CANMORE/BANFF ROCKY MOUNTAIN OUTLOOK (Canmore AB)
 CARSTAIRS COURIER (Carstairs AB)
 DEVON DISPATCH NEWS (Devon, AB)
 DIDSBURY REVIEW (Didsbury AB)
 DRAYTON VALLEY WESTERN REVIEW (Drayton Valley, AB)
 DRUMHELLER MAIL (Drumheller AB)
 ECKVILLE ECHO (Sylvan Lake AB)
 EDMONTON EXAMINER (Edmonton, AB)
 ELK POINT REVIEW (Elk Point AB)
 EDSON WEEKLY ANCHOR (Edson AB)
 FAIRVIEW POST (Fairview AB)
 FORT MCMURRAY CONNECT (Fort McMurray)
 FORT SASKATCHEWAN RECORD (Fort Saskatchewan AB)
 FOX CREEK TIMES (Valleyview AB)
 FALHER SMOKY RIVER EXPRESS (Falher AB)
 FORT MACLEOD GAZETTE (Fort Macleod AB)
 GRANDE CACHE MOUNTAINEER (Grande Cache AB)
 HANNA HERALD (Hanna, AB)
 HIGH RIVER TIMES (High River, AB)
 HINTON PARKLANDER (Hinton, AB)
 HINTON VOICE (Hinton AB)
 HIGH PRAIRIE SOUTH PEACE NEWS (High Prairie AB)
 INNISFAIL PROVINCE (Innisfail AB)
 JASPER FITZHUGH (Jasper AB)
 LACOMBE GLOBE (Lacombe, AB)
 LAC LA BICHE POST (Lac La Biche AB)
 LAMONT FARM 'N' FRIENDS (Lamont AB)
 LETHBRIDGE SUN TIMES (Lethbridge AB)
 LLOYDMINISTER MERIDIAN BOOSTER) (LLoydminister, AB)
 MAYERTHORPE FREELANCER (Mayerthorpe, AB)
 MORINVILLE FREE PRESS (Morinville AB)
 NANTON NEWS (Nanton AB)
 OKOTOKS WESTERN WHEEL (Okotoks AB)
 OLDS ALBERTAN (Olds AB)
 OYEN ECHO (Oyen AB)
 LEDUC/WETASKIWIN PIPESTONE FLYER (Millet AB)
 PEACE RIVER RECORD-GAZETTE (Peace River AB)
 PINCHER CREEK ECHO (Pincher Creek, AB)
 PONOKA NEWS (Ponoka AB)

MLA Compensation Review ad campaign- January 2012

PROVOST NEWS (Provost AB)
 RED DEER EXPRESS (Red Deer AB)
 REDWATER REVIEW (Redwater AB)
 RIMBEY REVIEW (Rimbey AB)
 ROCKY MOUNTAIN HOUSE MOUNTAINEER (Rocky Mtn. House)
 RYCROFT CENTRAL PEACE SIGNAL (Rycroft AB)
 SEDGEWICK COMMUNITY PRESS (Sedgewick AB)
 SHERWOOD PARK NEWS (Sherwood Park, AB)
 SPRUCE GROVE EXAMINER (Spruce Grove AB)
 STONY PLAIN REPORTER (Stony Plain AB)
 SWAN HILLS GRIZZLY GAZETTE (Swan Hills AB)
 SLAVE LAKE LAKESIDE LEADER (Slave Lake AB)
 SLAVE LAKE SCOPE (Slave Lake AB)
 SMOKY LAKE SIGNAL (Smoky Lake AB)
 STETTTLER INDEPENDENT (Stettler AB)
 ST. ALBERT GAZETTE (St. Albert AB)
 ST. PAUL JOURNAL (St. Paul AB)
 SUNDRE ROUND-UP (Sundre AB)
 SYLVAN LAKE NEWS (Sylvan Lake AB)
 TABER TIMES (Taber AB)
 THREE HILLS CAPITAL (Three Hills AB)
 TOFIELD MERCURY (Tofield AB)
 TWO HILLS & COUNTY CHRONICLE (Two Hills AB)
 VALLEYVIEW VALLEY VIEWS (Valleyview AB)
 VAUXHALL ADVANCE (Vauxhall AB)
 VEGREVILLE OBSERVER (Vegreville AB)
 VIKING WEEKLY REVIEW (Viking AB)
 VERMILION VOICE (Vermilion AB)
 VULCAN ADVOCATE (Vulcan AB)
 WABASCA FEVER (Wabasca AB)
 WESTLOCK NEWS (Westlock AB)
 WETASKIWIN TIMES (Wetaskiwin AB)
 WAINWRIGHT STAR (Wainwright AB)
 WHITECOURT STAR (Whitecourt AB)
 RAYMOND MAGRATH WESTWIND WEEKLY NEWS (Magrath AB)

MLA Compensation Review ad campaign- January 2012

Campaign B - Meeting Notice ad – Click for Copy

Daily Campaign

January 11- 21, 2012

CALGARY HERALD
CALGARY SUN
EDMONTON JOURNAL
EDMONTON SUN
FT. MCMURRAY TODAY
GRANDE PRAIRIE DAILY HERALD/TRINBUNE
LETHBRIDGE HERALD
RED DEER ADVOCATE
MEDICINE HAT NEWS

Campaign C- Cancellation Notice ad – Click for Copy

Daily Campaign

January 24-28, 2012

FT. MCMURRAY TODAY
GRANDE PRAIRIE DAILY HERALD/TRINBUNE
LETHBRIDGE HERALD
MEDICINE HAT NEWS
RED DEER ADVOCATE



ALBERTA

Independent Review of Compensation and Benefits of Members of the Legislative Assembly of Alberta

Notice of Public Meetings

Calgary • Edmonton • Fort McMurray • Grande Prairie • Lethbridge • Medicine Hat • Red Deer

The Honourable John C. (Jack) Major, CC, QC, is conducting public meetings as a component of his review of the compensation and benefits of Members of the Legislative Assembly of Alberta.

Based on his findings he will make recommendations to the Assembly regarding the compensation and benefits paid to the Members of the Legislative Assembly.

Individuals and groups are encouraged to share their ideas by making a public presentation.

If you would like to make a presentation at one of the public meetings, please register one week in advance of the meeting date by phone, e-mail or letter. Those who are unable to attend may still provide input through written submissions. Written submissions must be received by **February 24, 2012**.

Submissions and the names of authors will be made public. Specific details about the public meetings will be posted on the website and advertised in the local daily papers of hosting communities.



More Info

The Honourable John C. (Jack) Major, CC, QC
 #801, 9718 - 107 Street, Edmonton, AB T5K 1E4
Tel: 780.643.6704 **Toll-free:** 1.855.643.6704
E-mail: submissions@mlacompensationreview-alberta.ca

Web

www.mlacompensationreview-alberta.ca

Appendix A



ALBERTA

Independent Review of Compensation and Benefits of Members of the Legislative Assembly of Alberta

Public Input Invited

The Honourable John C. (Jack) Major, CC, QC, is conducting an independent review of the compensation and benefits of Members of the Legislative Assembly of Alberta.

Justice Major is seeking public input through written submissions and oral presentations at public meetings. The public meetings in Calgary are scheduled as follows:

Thursday, February 2, 2012

1 p.m. to 4 p.m. and 6:00 p.m. to 9:00 p.m., Pekisko Room, McDougall Centre, 455 – 6 Street S.W., Calgary, AB

If you would like to present, please register by phone or e-mail one week prior to the meeting.

Further information about the review is available online at:
www.mlacompensationreview-alberta.ca

Deadline for written submissions is Friday, February 24, 2012

Submissions and the names of authors will be made public.

More Info

The Honourable John C. (Jack) Major, CC, QC

801, 9718 - 107 Street, Edmonton, AB T5K 1E4 **Tel:** 780.643.6704 or **toll-free:** 1.855.643.6704

E-mail: submissions@mlacompensationreview-alberta.ca



Independent Review of Compensation and Benefits of Members of the Legislative Assembly of Alberta

Public Meetings

Wednesday, January 25, 2012 **CANCELLED**

The Honourable John C. (Jack) Major, CC, QC, is conducting an independent review of the compensation and benefits of Members of the Legislative Assembly of Alberta.

The **Fort McMurray public meetings have been cancelled** due to lack of registrants. Members of the public can provide input through written submissions. Submissions and the names of authors will be made public.

Deadline for written submissions is Friday, February 24, 2012


Those who wish to present at other meeting locations can call 1.855.643.6704 for information.

Further information about the review is available online at: www.mlacompensationreview-alberta.ca

The Honourable John C. (Jack) Major, CC, QC

801, 9718 - 107 Street, Edmonton, AB T5K 1E4 **Tel:** 780.643.6704 or **toll-free:**

1.855.643.6704 **E-mail:** submissions@mlacompensationreview-alberta.ca



B Calendar of when notices appeared in papers

January 2012 MLA Compensation Review Ad Bookings


	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1		2	3	4	5	6	7
8		9 Daily Notice ads Weeklies- 100 editions AWNA -72 weekly Sun/Vest ad 2k weekly	10	11 Edmonton Journal/Sun meeting ad	12	13 Grande Prairie Daily Herald Tribune meeting ad Edmonton Sun mto	14 Ft. McMurray Today meeting ad
15		16	17	18 Lethbridge Herald meeting ad	19	20 Medicine Hat News meeting ad	21 Calgary Herald/Sun meeting ad Hed Deer Advocate meeting ad
22		23 Edmonton meeting	24 Ft. McMurray Today cancellation ad	25 Grande Prairie cancellation ad Fort McMurray meeting	26	27	28 Lethbridge Herald Medicine Hat News Hed Deer Advocate cancellation ad
29		30 Lethbridge meeting	31 Medicine Hat meeting	Feb 1 Hed Deer meeting	Feb 2 Calgary meeting		

*Daily Notice Editions - 9 editions

- Edmonton Journal
- Calgary Herald
- Edmonton Sun
- Calgary Sun
- Edmonton Herald/Tribune
- Ft. McMurray Today
- Lethbridge Herald
- Hed Deer Advocate
- Medicine Hat News



Appendix B



C Cheryl Scarlett's written submission and exhibits

**Overview of MLA Pay and Benefits
Legislative Assembly of Alberta
Presentation to Honourable J.C. Major
January 2012**

Introduction of presenter: Cheryl Scarlett, Director of Human Resources, Information Technology, and Broadcast Services with the Legislative Assembly of Alberta.

The intent of today's presentation is to provide a brief overview of Members' remuneration, benefits and entitlements as they exist today.

The staff that work for the Legislative Assembly Office (LAO, as we refer to ourselves) support the Speaker and the Members of the Legislative Assembly of Alberta by providing nonpartisan procedural, administrative and educational services. The responsibility for the administration of Members' pay and benefits rests with the Human Resource Services branch of the LAO.

In the presentation today I will be providing information with respect to

- Members' pay,
- health benefits,
- MLA pension plan, and
- transition allowance.

1. Authorities

The authorities that govern Members' pay and benefits are determined in accordance with the

- Legislative Assembly Act,
- as delegated to the Members' Services Committee through the Legislative Assembly Act and through the Members' Services Committee orders, and
- MLA Pension Plan Act.

Members' pay is set in accordance with these authorities with the exception of remuneration that Members may receive in recognition of their service on government committees. The authority for these appointments is determined by the government of Alberta as detailed in orders in council or ministerial orders.

2. Overview of role of LAO as paymaster for all remuneration paid to Members

Members' remuneration

- All Members receive an MLA indemnity and tax-free allowance. In addition, Members may be eligible for additional pay based on appointments for various roles in addition to the MLA indemnity and tax-free allowance.
- The LAO is the paymaster for all remuneration, including payments made on behalf of the government of Alberta (GOA). Examples of these types of payments include the Premier, a Minister and government committee remuneration.
- Payments processed by the LAO on behalf of the GOA are charged back and reimbursed to the LAO by the government.
- All Member remuneration is paid based on 365 work days per year.
 - Members do not have casual or general illness entitlements, nor any vacation entitlements or other leave entitlements.

3. Remuneration

- All MLA remuneration except payments for service on government committees is set pursuant to the Legislative Assembly Act and authority delegated to the Members’ Services Committee. The current remuneration chart is posted on the Alberta Legislative Assembly’s website. *(Tabling 1)*
- A link to the Report of Selected Payments to the Members and Former Members is also posted on our site. This report provides payments to all Members, including remuneration, benefits, allowances, travel expenses and payment made under the MLA pension plan and public service pension plan. *(Tabling 2)*
- Member compensation decisions per the Members’ Services Committee have varied throughout the years; however, the current formula for Member compensation adjustments is in accordance with a decision of the committee on October 5, 1998, whereby

Components of Member remuneration are to be adjusted on April 1 of each year by the same percentage increase or decrease as in the Average Weekly Earnings for Alberta as reported by Statistics Canada survey of employment payroll and hours for the immediately preceding calendar year.

- A summary of historical adjustments (%) is also posted on the website; however, it is important to note the decisions of the committee to freeze increases for the last three fiscal years. As detailed on the site,

However, based on an approved motion of the committee of December 8, 2010, there shall be no annual adjustment to the salaries as outlined (below) for the fiscal year April 1, 2011 to March 31, 2012. Salaries have remained unchanged since April 1, 2008. (Tabling 3)

- All three charts posted on the web have been tabled (MLA remuneration, Selected Payments report link, and historical compensation adjustments).
- When looking at the remuneration chart, one will see that there are various components of Members remuneration. (Refer to the chart.)

MLA indemnity and tax-free allowance

- All Members receive the MLA indemnity and tax-free allowance.
- The current remuneration is \$52,092 per annum.

MLA Indemnity	\$52,092.00
MLA Tax-free Allowance	\$26,046.00
(Total)	\$78,138.00

- In addition, all Members receive a tax-free allowance equivalent to 50 per cent of the indemnity in recognition of expense incidental to their duties.
- The authority for the tax-free allowance is pursuant to section 81 of the Income Tax Act. *(Tabling 4)*
- Current total remuneration, including the indemnity and tax-free allowance, is \$78,138 per annum. Based on a comparison as of November of 2011 Alberta was second lowest in comparison to all Canadian jurisdictions. (Note that all but four jurisdiction have no tax-free allowance). *(Tabling 5)*
- Of interest, if Members did not have the tax-free allowance, Members’ remuneration would need to be approximately \$90,708 per annum to provide an equivalent net remuneration to the Member.

- Of interest in this calculation is that the difference in the increased remuneration amount (approximately \$1,000 per month) is approximately equivalent to the increased amount of income tax that the Member would be paying as a result of the change. In essence, it appears that the additional employer remuneration cost would all be forwarded to the federal government in income payments.
- Remuneration (\$7,559.00 - \$6,511.50 = \$1,047.50). 16% increase
 Tax (\$1,846.37 - \$799.00 = \$1,047.37). 43% increase
 (\$1,093,590.00 additional remuneration versus \$1,093,454.28 increased tax)

Additional Allowances, Office Other Than

- All taxable
- List appointments

Premier	\$81,312
Speaker	\$63,912
Minister with portfolio	\$63,912
Minister without portfolio	\$28,392
Leader of the Official Opposition	\$63,912
Deputy Speaker and Chair of Committees	\$31,968
Deputy Chair of Committees	\$15,984
Leader of a recognized opposition party	\$28,392

Special Members' Allowances

- All taxable income
- List appointments

Official Opposition House Leader	\$13,596
Third-party House Leader*	\$10,872
Chief Government Whip	\$10,872
Assistant Government Whip	\$8,136
Chief Opposition Whip	\$8,136
Assistant Opposition Whip	\$6,792
Third-party Whip*	\$6,792

- * *Recognized opposition party*

Committee payments

- **LAO committees (all-party committees)**

Allowances	Remuneration
Committee Allowances (Category A and C)	
Chair	\$1,500 per month
Deputy Chair	\$1,250 per month
Member (not to exceed \$3500/maximum 3 committees)	\$1,000 per month
Speaker and Opposition Leaders (in lieu of all committee activity)	\$3,500 per month
Committee Member Allowance (Category B)	
Up to four hours long	\$135.90
Over four to eight hours	\$224.20
Longer than eight hours	\$353.00
Committee Chair Allowance (Category B) (per meeting, in addition to committee members' allowance noted above)	
Up to four hours long	\$47.70
Over four to eight hours	\$88.50
Longer than eight hours	\$142.70
Speaker and Opposition Leaders	\$3,500 per month

- Detailed remuneration chart
 - Committee A, B, C
 - Pay for A/C committees is based on a maximum of three committees/\$3,500
 - Pay in lieu of all committee activities – Speaker, Leaders of the opposition parties: \$3,500

Category A Committees:

Standing Committee on the Alberta Heritage Savings Trust Fund Act
 Standing Committee on Private Bills
 Standing Committee on Public Accounts
 Standing Committee on Legislative Offices
 Special Standing Committee on Members' Services
 Standing Committee on Privileges and Elections, Standing Orders and Printing
 Any other committee designated as a Category A committee by resolution of the Assembly

Category B Committees:

(none at this time)

Category C Committees:

Standing Committee on Community Development
 Standing Committee on Education
 Standing Committee on Energy
 Standing Committee on Finance
 Standing Committee on Public Health and Safety

Government appointments of MLAs to Government Committees (Tabling 6)

- Current authority for payments is pursuant to OC 450/2011 and 526/2011, MLA remuneration order, and section 1 or 2 of OC 466/2007 of the committee remuneration order.
- Appointments and payments are not set pursuant to the LAA or by MSC, rather by the government.

1. *In this order "committee" means a committee, board, commission, council, or other body established*

- (a) *by an Act of the Legislature*
- (b) *by the Lieutenant Governor in Council*
- (c) *by a Minister of the Crown, or*
- (d) *by a regulation*

but does not include a committee of the Legislative Assembly

- Review OC
 - Sections 2.1 – 2.5
 - Sections 3
 - Pay in lieu of all government committee activities: Premier, \$3,483 per month; Ministers, \$2,967 per month.

Pay and Benefit Administration

- To ensure that all appropriate withholdings and benefit entitlements are calculated and administered appropriately, the LAO is responsible (through their Human Resource Services branch) for processing all payments to Members and managing their health benefits and entitlement.
- As such, they work in conjunction with the appropriate entities to track all appointments and ensure that Members receives the appropriate pay based on their multiple appointments.
- All payments processed by the LAO on behalf of the government (Premier, Minister, government committee appointments) are charged back and reimbursed to the LAO by the GOA.

4. RRSP Allowance

- Members are eligible to receive an RRSP allowance once per fiscal year.
 - Pursuant to the Members' Allowances Order once in every fiscal year there shall be paid to every person who is a Member and has served a minimum of three months in that fiscal year, an allowance equal to one-half of the RRSP dollar limit for that year as established pursuant to the Income Tax Act (Canada).
- Recent change: Members must have served a minimum of three months in the fiscal year to be eligible for the payment.
- The RRSP allowance for the 2012-13 fiscal year will be \$11,485.
 - This allowance is paid as taxable remuneration. However, Members may request that the LAO transfer this payment directly to the Member's financial institution to be applied against an RRSP account, provided that the Member has the required RRSP room as identified on the individual Member's Notice of Assessment and that they have completed a declaration confirming such.

5. MLA Health Benefits Plan – Members’ Choice

- Members are provided with a health benefit plan that is intended to parallel benefits offered to management employees of the public service of Alberta plan, First Choice.
- Like First Choice, Members’ Choice is a combined benefit plan offering Members the flexibility to review and change coverage levels every two years.
- Coverage options are provided for in the following health plans:
 - Prescription coverage and extended medical coverage, including emergency out-of-Canada travel coverage,
 - Dental coverage, and
 - Life insurance coverage.

Premiums for the plans are paid by both the LAO and the Member (see *Members’ Guide* if necessary/rate chart).

MLA Long-term Disability Insurance (LTDI) Coverage

- The LTDI provides partial income for a Member who becomes mentally or physically disabled during their term and, as a result, must resign their seat.
- Disability benefit is 70 percent of the total eligible recurring annual salary. There is no minimum service requirement for this benefit. The LTDI benefit continues until such time as the individual is deemed fit to return to gainful employment or reaches age 65.
- However, this plan differs from normal employee plans as there is no option to “return to work” (as a Member) as the Member has to resign to obtain the benefit.

Health Spending Account

- Effective April 1, 2012, Members will be entitled to a health spending account of \$950 per year. This benefit is parallel to a plan being implemented April 1, 2012, for public service management employees.
- A criterion for eligible expenditures is presently being developed and will be consistent with the public service program. However, the approval of eligible claims will follow the existing Canada Revenue Agency (CRA) guidelines for eligible medical expenses.

Extended Benefits Option for Former Members

- Provides Members with the option of continuing benefit coverage on the MLA plan when they resign, choose not to run for re-election, or are defeated.
- The coverage provided for prescription/extended medical, dental, and life insurance coverage based on the level of Member’s coverage at time of retirement.
- Premiums continue to be paid by both the LAO and the former Member for the first five years, and thereafter they are paid entirely by the former Member if they choose to stay on the plan.
- Participation on the plan terminates at age 75 (70 for life insurance) or sooner if directed by the former Member. Members can drop the coverage in whole or in part; however, once they have dropped coverage, they cannot recommence at a later date.

6. MLA Pension Plan

- Historical Summary
 - The MLA pension plan was established in 1969. Service formulas and contribution rates changed periodically throughout the years.
 - The MLA pension plan was suspended in June 1993.
 - All members who were not vested at that time (five years of pension service) received a refund of their contributions.
 - As a result, all Members elected in 1989 or thereafter do not/did not have a pension benefit pursuant to the MLA pension plan.
 - The MLA pension plan as at 1993 was based on 4 per cent of the highest average pensionable allowances for three consecutive years times the number of years of pensionable service in an office.
 - However, a retroactive revision to the plan reduced the Member pension benefits to 3 per cent on service accrued after March 19, 1989.
 - LAO and Member contributions at its time of suspension were based on a rate of 10 per cent plus an additional 1 per cent that was set aside toward meeting the plan's unfunded liability.

7. Transition Allowance

- Historical Summary
 - This allowance was initially approved in July 1988 – Re-establishment allowance
 - Formula based on:
 1. Amount of one month's indemnity and tax-free allowance at the highest level attained multiplied by X.
 2. The years or part years of service as a Member
 3. (whether continuously or in separate periods),
 4. With a minimum of six and a maximum of 12 years of service.
 - Renamed to a transition allowance in October 1998 and formula amended.
 - Formula calculated by multiplying the highest rate of Member's monthly indemnity and tax-free expense allowance by
 1. One month for every year of service prior to March 20, 1989, and
 2. 2 months for every year of service from March 20, 1989, up to a maximum of 12 years of service.

In calculating the years of service, the most recent years of service shall be first counted. (No person shall be credited for any years of service as a Member for which that person had previously received a payment.)

- Subsequent formula change in August 2001
 - Present formula – two parts
 1. For service prior to March 20, 1989, the amount to be paid:
 - Multiply the highest rate of Member’s monthly indemnity and tax-free expense allowance (only) by one month for every year of service prior to March 20, 1989.
 2. For service commencing on or after March 20, 1989, the calculation is based on total Member remuneration (*MLA indemnity, tax-free allowance, RRSP allowance, remuneration for office other than special Members’ allowance and remuneration for Legislature and government committees)

Uses a formula: $A \times B \times 3$, where

 - A means the average month salary based on the three calendar years in which the person received their highest salary,
 - B means the number of years the person served as a Member during the period commencing March 20, 1989,
 3. No person shall be credited for any years of service as a Member for which that person had previously received a payment.

The transition allowance order also provides (death benefit):

- *When a person who is a Member dies, there shall be paid an amount equivalent to the amount of the transition allowance that the deceased person would have been entitled to at the date of death.*
- This death benefit payment would be administered in the form of a life insurance policy that has been established strictly for the purpose of dealing with this order.
- Pursuant to guidelines in the Income Tax Act governing life insurance policies, a lump-sum death benefit paid to an individual(s) named as a designated beneficiary is tax free. A lump-sum payment to an estate as the designated beneficiary would be subject to payment of debts, probate fees, and tax.

Options for Members at Time of Retirement

- Retiring Allowance (pursuant to CRA rules)
 - Under the present guidelines set out by the Canada Revenue Agency (CRA), a transition allowance is considered a “retiring allowance.” The term “retiring allowance” (also called severance pay) is an amount paid to officers or employees when or after they retire from an office or employment in recognition of long service or for the loss of office or employment.
- Deferral Option
 - Presently a person who is eligible to receive a retiring allowance may elect to defer the payment of the amount of that allowance over a period of years. However, the decision respecting the

specific deferred amounts to be paid is required immediately at the time of retirement or loss of office.

- Option to Request a Reduced Tax Rate at Time of Payment
 - Retiring allowances are treated as lump-sum payments. Income tax must be deducted from a retiring allowance unless it is paid directly into an RRSP.
 - There is a slightly reduced tax rate for lump-sum payments at source:
 1. \$5,000 or less – 10 per cent
 2. \$5,000 to \$10,000 – 20 per cent
 3. Over \$15,000 – 30 per cent

However, dependent upon all other sources of incomes throughout a tax year, a Member may still be required to pay additional tax when filing their yearly income tax.

- RRSP Transfer Provisions
 - Again pursuant to CRA guidelines for retiring allowances, Members who have years of service before 1996 are eligible to directly transfer a part of a retiring allowance to a RRSP in their name, thus sheltering it from taxation at source.

Formula is based on

 - \$2,000 for each year or part year of service prior to 1996.
 - This eligible amount for transfer to an RRSP is over and above a Member's "normal room."
 - In addition to this provision, any Member may, on the payout of their transition allowance, direct a designated amount of their payment to an RRSP. The amount that is transferred directly by the LAO to the financial institution cannot be more than the Member's available RRSP deduction limit for the year, and the Member signs a declaration confirming such.
- Of final note, any deferred money does not accrue interest with the LAO, and the present accrued transition allowance liability is fully funded.

This concludes the overview of MLA pay and benefits. Thank you for the opportunity to present.



[HOME](#) | [ELECTED MEMBERS](#)



MLA REMUNERATION - EFFECTIVE APRIL 1, 2011

In accordance with a decision of the Special Standing Committee on Members' Services (MSC) on October 5, 1998, components of Member remuneration are to be adjusted on April 1 of each year by the same percentage increase or decrease as in the Average Weekly Earnings for Alberta as reported by Statistics Canada survey of employment payroll and hours for the immediately preceding calendar year.

However, based on an approved motion of the committee of December 8, 2010, there shall be no annual adjustment to the salaries as outlined (below) for the fiscal year April 1, 2011 to March 31, 2012. Salaries have remained unchanged since April 1, 2008.

For information purposes only, had Member remuneration been adjusted pursuant to the approved formulae, the percentage increase based on the Alberta Average Weekly Earnings* would have been 4.54%.

MLA Indemnity and Allowance

Indemnities and Allowances	Annual Remuneration
MLA Indemnity	\$52,092.00
MLA Tax Free Allowance	\$26,046.00
(Total)	\$78,138.00

Additional Allowances, Office Other Than MLA

Allowances	Annual Remuneration
Premier	\$81,912.00
Speaker	\$63,912.00
Minister with portfolio	\$63,912.00
Minister without portfolio	\$28,392.00
Leader of the Official Opposition	\$63,912.00
Deputy Speaker and Chair of Committees	\$31,968.00

MLA Remuneration - Legislative Assembly of Alberta

Deputy Chair of Committees	\$15,984.00
Leader of a recognized opposition party	\$28,392.00

Special Members' Allowances

Allowances	Annual Remuneration
Official Opposition House Leader	\$13,596.00
Third Party House Leader*	\$10,872.00
Chief Government Whip	\$10,872.00
Assistant Government Whip	\$8,136.00
Chief Opposition Whip	\$8,136.00
Assistant Opposition Whip	\$6,792.00
Third Party Whip*	\$6,792.00

* Recognized opposition party

**Committee Allowances
(Committees of the Assembly)**

Category A Committees:

- Standing Committee on the Alberta Heritage Savings Trust Fund Act
- Standing Committee on Private Bills
- Standing Committee on Public Accounts
- Standing Committee on Legislative Offices
- Special Standing Committee on Members' Services
- Standing Committee on Privileges and Elections, Standing Orders and Printing
- Any other committee designated as a Category A Committee by resolution of the Assembly

Category B Committees:

(none at this time)

Category C Committees:

- Standing Committee on Community Services
- Standing Committee on Economy
- Standing Committee on Health
- Standing Committee on Public Safety and Services
- Standing Committee on Resources and Environment

Allowances	Remuneration
Committee Allowances (Category A and C)	
Chair	\$1500 per month

Deputy Chair	\$1250 per month
Member (not to exceed \$3500/maximum 3 committees)	\$1000 per month
Speaker and Opposition Leaders (in lieu of all committee activity)	\$3500 per month
Committee Member Allowance (Category B)	
Up to four hours long	\$135.90
Over four to eight hours	\$224.20
Longer than eight hours	\$353.00
Committee Chair Allowance (Category B) (per meeting, in addition to committee members' allowance noted above)	
Up to four hours long	\$47.70
Over four to eight hours	\$88.50
Longer than eight hours	\$142.70
Speaker and Opposition Leaders	\$3500 per month

**Committee Allowances
(Committees of the Government)**

Any other committee, board, commission, council or other body established

- a) by an Act of the Legislature,
- b) by the Lieutenant Governor in Council,
- c) by a Minister of the Crown, or
- d) by a regulation

but does not include a committee of the Legislative Assembly.

For detailed information refer to Order in Council numbered O.C. 606/2009 (amendment to MLA Remuneration Order, Order in Council numbered O.C. 240/2008).

* average weekly earnings (SEPH), unadjusted for seasonal variation, by type of employee for selected industries classified using the North American Industry Classification System (NAICS), monthly (Dollars) (281-0026)

- [2010-2011 MLA Remuneration Report](#)
- [2009-2010 MLA Remuneration Report](#)
- [2008-2009 MLA Remuneration Report](#)
- [2007-2008 MLA Remuneration Report](#)
- [2006-2007 MLA Remuneration Report](#)
- [2005-2006 MLA Remuneration Report](#)
- [2004-2005 MLA Remuneration Report](#)
- [2003-2004 MLA Remuneration Report](#)
- [2002-2003 MLA Remuneration Report](#)
- [2001-2002 MLA Remuneration Report](#)
- [2000-2001 MLA Remuneration Report](#)
- [1999-2000 MLA Remuneration Report](#)

[Alberta MLA Compensation Adjustments \(1989 to present\)
Member Indemnity and Expense Allowance Comparisons \(April 1, 2011\) - All Jurisdictions](#)

MLA Remuneration - Legislative Assembly of Alberta

Page 4 of 4

[First Ministers, Speakers and Cabinet Members Salary Comparisons \(April 1, 2011\) - All Jurisdictions](#)

Prepared under the Authority of
the Speaker of the Legislative Assembly of Alberta

Legislative Assembly of Alberta
For technical questions or comments concerning this website contact:
webmaster@assembly.ab.ca

Selected Payments to MLAs Treasury Board

EXHIBIT 2
Ms. Cheryl Scarlett
January 23, 2012
MLA Compensation Review

[Alberta.ca](#) > [Treasury Board](#) > [Our Business](#) > [Government Accountability](#) > MLA Payments

Selected Payments to MLAs

The Report of Selected Payments to the Members and Former Members of the Legislative Assembly and Persons Directly Associated with Members of the Legislative Assembly is provided below in electronic (PDF) format.

The report includes payments to MLAs such as remuneration, benefits, allowances, travel expenses, and pension payments to former MLAs.

Reports

[Selected Payments to MLAs - Year Ended March 31, 2011](#)

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Alberta

*Report of Selected Payments to the
Members and Former Members of the
Legislative Assembly and
Persons Directly Associated with
Members of the Legislative Assembly*

Year Ended March 31, 2011

Government of Alberta

appendix C

**Report of Selected Payments to Members and
Former Members of the Legislative Assembly
and Persons Directly Associated with
Members of the Legislative Assembly**

For the Year Ended March 31, 2011

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BASIS OF PREPARATION

This report is prepared on the basis of payments made during the year ended March 31, 2011. This basis differs from the accrual basis used in preparing financial statements whereby expenses are reported in the year they are incurred. The result of using the payments basis is that certain expenses incurred in 2010-11 are reported because they were paid in 2009-10, while certain expenses incurred in 2010-11 will not be reported until 2011-12 because they were paid after March 31, 2011.



INTRODUCTION

This report has been prepared, as required, pursuant to section 37(4) of the *Legislative Assembly Act* and section 16(1) of the *Conflicts of Interest Act*. In addition to payments required to be reported by legislation, the report includes other payments to Members of the Legislative Assembly such as remuneration, benefits, allowances, travel expenses, and payments to former Members of the Legislative Assembly under the Members of the Legislative Assembly Pension Plan and the Public Service Pension Plan.

Section 37(4) of the *Legislative Assembly Act* requires the reporting of:

- (a) the names of boards, commissions, committees or other bodies referred to in sections 37(1) and 37(3) of the *Legislative Assembly Act*, and the names of Members of the Assembly who served on those boards, commissions, committees or other bodies,
- (b) the amounts paid by the Crown during the year as fees and as travelling and living expenses under section 37 of the *Legislative Assembly Act* in respect of each Member of the Assembly; and the persons to whom and the time at which those amounts were paid, and
- (c) a description of the services and things provided to or for the use of each Member of the Assembly.

Section 16(1) of the *Conflicts of Interest Act* requires the reporting of:

- (a) the names of Members of the Legislative Assembly and the names of their Direct Associates, and the period of direct association as indicated by the returns furnished by the Members of the Legislative Assembly. The period of direct association is the year ended March 31, 2011 except as otherwise noted, and
- (b) the amounts paid by the Crown during the year to Members of the Legislative Assembly and their Direct Associates, except those payments which are excluded by virtue of section 16(4) of the *Conflicts of Interest Act*. Payments made jointly to the Member and his or her spouse are reported as payments to the Member.

Information on other payments to Members of the Legislative Assembly such as the MLA indemnity, statutory salary, benefits, allowances such as subsistence, RRSP, transition and expenses allowance, fees for serving on standing committees of the Legislative Assembly, and travel expenses while travelling on MLA or government business are provided under Section 17(c) of the *Government Accountability Act*.

All payments were made to the named Member of the Legislative Assembly in 2010-11 except where otherwise stated.

MLA Remuneration - Legislative Assembly of Alberta

EXHIBIT J
 Ms. Cheryl Scarlett
 January 23, 2012
 MLA Compensation Review

LEGISLATIVE ASSEMBLY OF ALBERTA

MEMBER - ELECTED MEMBER

COMPENSATION ADJUSTMENTS - MEMBERS OF THE LEGISLATIVE ASSEMBLY

Year	MLA Incentive	MLA Expense	Allowance Total
1989 (APRIL)	\$38,335.00	\$19,167.50	\$57,502.50
1991 (OCT)	\$38,335.00	\$19,167.50	\$57,502.50
1993 (MAR)	\$38,335.00	\$19,167.50	\$57,502.50
1994 (JAN) (-5%)	\$36,420.00	\$18,210.00	\$54,630.00
1998 (OCT) (+5%)	\$38,335.00	\$19,167.50	\$57,502.50
1998 (APRIL) (+2.44%)	\$39,278.00	\$19,639.00	\$58,917.00
2000 (APRIL) (+1.13%)	\$39,720.00	\$19,860.00	\$59,580.00
2001 (APRIL) (+3.34%)	\$41,052.00	\$20,526.00	\$61,578.00
2002 (APRIL) (+2.81%)	\$42,204.00	\$21,102.00	\$63,306.00
2003 (APRIL) (+2.25%)	\$43,152.00	\$21,576.00	\$64,728.00
2004 (APRIL) (+1.36%)	\$43,740.00	\$21,870.00	\$65,610.00
2005 (APRIL) (+3.17%)	\$45,132.00	\$22,566.00	\$67,698.00
2006 (APRIL) (+5.23%)	\$47,456.00	\$23,728.00	\$71,184.00
2007 (APRIL) (+4.92%)	\$49,836.00	\$24,918.00	\$74,754.00
2008 (APRIL) (+4.53%)	\$52,092.00	\$26,046.00	\$78,138.00
2009 (APRIL) (0%)*	\$52,092.00	\$26,046.00	\$78,138.00
2010 (APRIL) (0%)**	\$52,092.00	\$26,046.00	\$78,138.00
2011 (APRIL) (0%)**	\$52,092.00	\$26,046.00	\$78,138.00

* Based on an approved motion of the Special Standing Committee on Members' Services (MSC), there shall be no annual adjustment to the salaries for the fiscal year April 1, 2009 to March 31, 2010.
 ** Based on an approved motion of the Special Standing Committee on Members' Services (MSC), there shall be no annual adjustment to the salaries for the fiscal year April 1, 2010 to March 31, 2011.
 *** Based on an approved motion of the Special Standing Committee on Members' Services (MSC), there shall be no annual adjustment to the salaries for the fiscal year April 1, 2011 to March 31, 2012.

[Back to MLA Remuneration Page](#)

Legislative Assembly of Alberta
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Exempt from Income Tax Act (Canada) - Section 81

472 Chap. I [81(1)] Income Tax Part I

EXHIBIT 4
Ms. Cheryl Scarlett
January 23, 2012
MIA Compensation Review

MIA's
expense
allowance

(2) Where an elected member of a provincial legislative assembly has, under an Act of the provincial legislature, been paid an allowance in a taxation year for expenses incident to the discharge of the member's duties in that capacity, the allowance shall not be included in computing the member's income for the year unless it exceeds 1/2 of the maximum fixed amount provided by law as payable to the member by way of salary, indemnity and other remuneration as a member in respect of attendance at a session of the legislature, in which event there shall be included in computing the member's income for the year only the amount by which the allowance exceeds 1/2 of that maximum fixed amount

Members of
officers'
expense
allowance

- (3) Where a person who is
- (a) an elected officer of an incorporated municipality,
 - (b) an officer of a municipal utilities board, commission or corporation or any other similar body, the incumbent of whose office as such an officer is elected by popular vote, or
 - (c) a member of a public or separate school board or similar body governing a school district,

has been paid by the municipal corporation or the body of which the person was such an officer or member (in this subsection referred to as the person's "employer") an amount as an allowance in a taxation year for expenses incident to the discharge of the person's duties as such an officer or member, the allowance shall not be included in computing the person's income for the year unless it exceeds 1/2 of the amount that was paid to the person in the year by the person's employer as salary or other remuneration as such an officer or member, in which event there shall be included in computing the person's income for the year only the amount by which the allowance exceeds 1/2 of the amount so paid to the person by way of salary or remuneration.

p) un paiement d'aide aux études (au sens du paragraphe 146.1(1)), reçu par un bénéficiaire en vertu d'un régime d'épargne-études (au sens du paragraphe 146.1(1)) qui n'est pas enregistré ou dont l'enregistrement a été révoqué en application de l'article 146.1;

Paiement d'aide aux études

q) une somme versée à un particulier à titre d'indemnité en vertu d'une disposition, précisée par règlement, de la législation provinciale.

Indemnités provinciales

(2) Lorsqu'un député élu à une assemblée législative provinciale a reçu, en vertu d'une loi provinciale, une allocation, au cours d'une année d'imposition, pour les frais occasionnés par l'exercice de ses fonctions comme député, l'allocation n'est pas incluse dans le calcul de son revenu pour l'année; toutefois, si elle dépasse la moitié du montant maximal fixe que la loi prévoit de lui verser sous forme de traitement, indemnité ou autre rémunération comme député pour sa présence à une session de l'assemblée législative, seul est inclus dans le calcul de son revenu pour l'année, l'excédent de cette allocation sur la moitié de ce montant maximal fixe.

Allocation de frais aux membres d'assemblées législatives



(3) Lorsque l'une des personnes suivantes :

- a) un conseiller élu d'une administration municipale dotée de la personnalité morale;
- b) un conseiller d'une commission ou société municipale de services publics ou de tout autre organisme administratif similaire qui est élu par la population,
- c) un membre d'une commission scolaire publique ou séparée ou de tout organisme similaire administrant un district scolaire,

Allocation de dépenses aux conseillers municipaux

a reçu de la municipalité ou de l'organisme dont il est conseiller ou membre (appelé « employeur » au présent paragraphe) une allocation, au cours d'une année d'imposition, pour les dépenses occasionnées par l'exercice de ses fonctions comme conseiller ou membre, l'allocation n'est pas incluse dans le calcul de son revenu pour l'année; toutefois, si elle dépasse la moitié du montant qui lui a été versé au cours de l'année par son employeur à titre de traitement ou autre rémunération comme conseiller ou membre, seul est inclus, dans le calcul de son revenu pour l'année, l'excédent de cette allocation sur la moitié du montant ainsi versé à titre de traitement ou de rémunération.

Appendix C

EXHIBIT 5
 Ms. Cheryl Scarlett
 January 23, 2012
 MLA Compensation Review

MEMBER INDEMNITY AND EXPENSE ALLOWANCE COMPARISONS
 (BASED ON INFORMATION AVAILABLE AS OF NOVEMBER 1, 2011)

JURISDICTION	INDEMNITY	TAX FREE EXPENSE ALLOWANCE	TOTAL	EFFECTIVE DATE (OF LAST CHANGE)
HOUSE OF COMMONS	\$157,731.00		\$157,731.00	1 APRIL 2011*
SENATE	\$132,300.00		\$132,300.00	1 APRIL 2011*
ONTARIO	\$116,550.00		\$116,550.00	1 APRIL 2011*
NWT	\$96,615.00	\$6,962.00 ⁽¹⁾	\$103,577.00 ⁽¹⁾	1 APRIL 2011*
⁽¹⁾ WITHIN COMMUTING DISTANCE ⁽²⁾ BEYOND COMMUTING DISTANCE		\$13,924.00 ⁽²⁾	\$110,539.00 ⁽²⁾	
BRITISH COLUMBIA	\$101,859.00		\$101,859.00	1 APRIL 2011*
QUEBEC	\$85,388.00	\$15,538.00	\$100,371.00	1 APRIL 2011
NEWFOUNDLAND AND LABRADOR	\$95,357.00		\$95,357.00	1 APRIL 2011
NUNAVUT	\$90,396.00		\$90,396.00	1 APRIL 2011*
SASKATCHEWAN	\$89,300.00		\$89,300.00	1 APRIL 2011
NOVA SCOTIA	\$86,619.01		\$86,619.01	1 JAN 2011*
MANITOBA	\$85,564.00		\$85,564.00	1 APRIL 2011*
NEW BRUNSWICK	\$85,000.00		\$85,000.00	1 APRIL 2011*
YUKON	\$69,531.00	\$13,371.00	\$82,902.00	1 APRIL 2011
ALBERTA	\$52,092.00	\$26,046.00	\$78,138.00	1 APRIL 2011*
PRINCE EDWARD ISLAND	\$65,344.00		\$65,344.00	1 APRIL 2011*

* Salaries frozen, no change from previous survey





O.C. 450/2011

O.C. 450/2011
October 21, 2011

EXHIBIT 6
Ms. Cheryl Scarlett
January 23, 2012
MLA Compensation Review

The Lieutenant Governor in Council

- 1 makes the MIA Remuneration Order in the attached Appendix;
- 2 rescinds Orders in Council numbered O.C. 240/2008 and O.C. 606/2009.

For Information only

Recommended by: President of the Executive Council

Authority: Legislative Assembly Act
(section 37)

http://www.qp.alberta.ca/documents/orders/orders_in_council/2011/10/11/2011_450.html 10/25/2011

APPENDIX

MLA REMUNERATION ORDER

1 In this Order, "committee" means a committee, board, commission, council or other body established

- (a) by an Act of the Legislature,
- (b) by the Lieutenant Governor in Council,
- (c) by a Minister of the Crown, or
- (d) by a regulation

but does not include a committee of the Legislative Assembly.

2(1) A Member of the Legislative Assembly who is a Chair of a Cabinet Policy Committee or a Chair of a Secretariat shall be paid a fee of \$2500 per month but is not eligible to receive any other fees for serving on any other committee.

(2) A Member of the Legislative Assembly who is a Parliamentary Assistant, a member of the Treasury Board, a member of the Operations Committee or a member of the Agenda and Priorities Committee shall be paid a fee of \$1250 per month per appointment and a fee of \$1000 per month for serving as a member of a Cabinet Policy Committee, but is not eligible to receive any other fees for serving on any other committee.

(3) A Member of the Legislative Assembly who is a member of the Alberta Innovates - Government Liaison Committee established under section 7 of the *Government Organization Act* shall be paid a fee of \$1500 per month and a fee of \$1000 per month for serving as a member of a Cabinet Policy Committee, but is not eligible to receive any other fees for serving on any other committee.

(4) A Member of the Legislative Assembly who is a member of a Cabinet Policy Committee, but who is not a Chair of a Cabinet Policy Committee, a Parliamentary Assistant, a member of the Treasury Board, a member of the Agenda and Priorities Committee, a Chair of a Secretariat, a member of the Operations Committee, or a member of the Alberta Innovates - Government Liaison Committee,

- (a) shall be paid a fee of \$1000 per month, and
- (b) shall be paid a fee in accordance with section 1 or 2 of Schedule 1, Part A, of the Committee Remuneration Order to a total amount not exceeding \$500 per month for serving on any other committee or committees.

3(1) Section 2 does not apply to a Member of the Legislative Assembly who is a member of the Executive Council.

(2) A Member of the Legislative Assembly who is a member of the Executive Council, other than the President of the Executive Council, shall be paid a total fee of \$2967 per month for serving as a member of one or more of the following:

- (a) Cabinet Policy Committee;
- (b) Agenda and Priorities Committee;
- (c) Treasury Board;
- (d) Operations Committee;

O.C. 450/2011

Page 3 of 3

- (e) any other committee.
- (3) The President of the Executive Council, shall be paid a total fee of \$3483 per month for serving as a member of one or more of the following:
- (a) Cabinet Policy Committee;
 - (b) Agenda and Priorities Committee;
 - (c) Treasury Board;
 - (d) Operations Committee;
 - (e) any other committee.

O.C. 526/2011

Page 1 of 1

O.C. 526/2011

December 15, 2011

The Lieutenant Governor in Council amends the MLA Remuneration Order, Order in Council numbered O.C. 450/2011,

- 1 in section 2(1) by striking out "or a Chair of a Secretariat";
- 2 by adding the following after section 2(4):

(5) A Member of the Legislative Assembly who is a Chair of a Secretariat shall be paid a fee of \$2500 per month and a fee of \$1000 per month for serving as a member of a Cabinet Policy Committee, but is not eligible to receive any other fees for serving on any other committee.

For information only

Recommended by President of the Executive Council

Authority: Legislative Assembly Act
(section 37)



Alberta Government - Corporate Human Resources



Province of Alberta
Order in Council

**ORDER IN COUNCIL
466/2007**

The Lieutenant Governor in Council

Approved and ordered:

1. effective for the period October 15, 2007 to March 31, 2008 makes the Committee Remuneration Order set out in Appendix 1 (Schedules 1 and 2);

ORIGINAL SIGNED BY

2. effective for the period April 1, 2008 to March 31, 2009 makes the Committee Remuneration Order set out in Appendix 2 (Schedules 1 and 2) and rescinds Appendix 1;

Norman Kwong

Lieutenant Governor

3. effective April 1, 2009, makes the Committee Remuneration Order set out in Appendix 3 (Schedules 1 and 2) and rescinds Appendix 2;

ORIGINAL SIGNED BY

4. effective October 15, 2007, rescinds Order in Council numbered O.C. 103/2006.

Chair



For Information only

Recommended by:

Minister of Service Alberta

Authority:

Public Service Act
(section 29)

appendix C

Alberta Government - Corporate Human Resources

Schedule 1 Effective April 1, 2009

Part A

Part B

Part A

1. A member of a committee, other than the chairman, shall be paid
 - (a) \$164 for up to and including four hours in any day, or
 - (b) \$290 for over four hours and up to and including eight hours in any day, or
 - (c) \$427 for over eight hours in any day,
 spent on the business of the committee.

2. The chairman or person acting as the chairman of a committee shall be paid
 - (a) \$219 for up to and including four hours in any day, or
 - (b) \$383 for over four hours and up to and including eight hours in any day, or
 - (c) \$601 for over eight hours in any day,
 spent on the business of the committee.

3. The chairman and members of a committee are entitled to be paid travelling and living expenses in accordance with the Subsistence and Travel Allowance Regulation made by Ministerial Order 1/98, as amended, or any order made in substitution therefor, as though they were employees of the government.

4. Where the Minister responsible for the committee is satisfied that the chairman or a member of the committee suffers a loss of remuneration as a result of his service on the committee, the Minister, subject to the prior approval of the Minister charged with the administration of the Public Service Act, may increase the fees payable under this Part up to a maximum of double the appropriate rate determined under Section 1 or 2.

Part B

1. A member of a committee, other than the chairman, shall be paid
 - (a) \$115 for up to and including four hours in any day, or
 - (b) \$191 for over four hours and up to and including eight hours in any day, or
 - (c) \$306 for over eight hours in any day,


<http://www.chr.alberta.ca/Printer.cfm?file=agreements/payplans/order-in-council/sched-1-...> 1/23/2012

Schedule 1 - Part A and B

Page 2 of 2

spent on the business of the committee.

2. The chairman or person acting as the chairman of a committee shall be paid
 - (a) \$169 for up to and including four hours in any day, or
 - (b) \$290 for over four hours and up to and including eight hours in any day, or
 - (c) \$454 for over eight hours in any day,spent on the business of the committee.
3. The chairman and members of a committee are entitled to be paid travelling and living expenses in accordance with the Subsistence and Travel Allowance Regulation made by Ministerial Order 1/98, as amended, or any order made in substitution therefor, as though they were employees of the government.
4. Where the Minister responsible for the committee is satisfied that the chairman or a member of the committee suffers a loss of remuneration as a result of his service on the committee, the Minister, subject to the prior approval of the Minister charged with the administration of the Public Service Act, may increase the fees payable under this Part up to a maximum of double the appropriate rate determined under Section 1 or 2.



D Member cash compensation comparisons for provincial, territorial and federal legislators in Canada

APPENDIX D
MEMBER CASH COMPENSATION COMPARISONS
(based on information available as of March 1, 2012)

Jurisdiction	Indemnity	Tax Free Expense Allowance	* Committee Pay	RRSP Allowance	TOTAL	** Grossed up TOTAL
House of Commons	\$157,731.00				\$157,731.00	\$157,731.00
Alberta	\$52,092.00	\$26,046.00	\$36,000.00	\$11,225.00	\$125,363.00	\$137,933.00
Senate	\$132,300.00				\$132,300.00	\$132,300.00
NWT (2) beyond commuting distance	\$96,615.00	\$13,924.00			\$110,539.00	\$117,223.00
Ontario	\$116,550.00				\$116,550.00	\$116,550.00
Quebec	\$85,338.00	\$15,538.00			\$100,876.00	\$108,424.00
NWT (1) within commuting distance	\$96,615.00	\$6,962.00			\$103,577.00	\$106,919.00
British Columbia	\$101,859.00				\$101,859.00	\$101,859.00
Newfoundland/Labrador	\$95,357.00				\$95,357.00	\$95,357.00
Nunavut	\$90,396.00				\$90,396.00	\$90,396.00
Yukon	\$69,531.00	\$13,371.00			\$82,902.00	\$89,320.00
Saskatchewan	\$89,300.00				\$89,300.00	\$89,300.00
Nova Scotia	\$86,619.00				\$86,619.00	\$86,619.00
Manitoba	\$85,564.00				\$85,564.00	\$85,564.00
New Brunswick	\$85,000.00				\$85,000.00	\$85,500.00
Prince Edward Island	\$65,344.00				\$65,344.00	\$63,344.00
* Average Committee pay from all sources (Legislative and Government) excluding Chair and Deputy Chair pay						
** Tax Free Allowance amount is grossed-up to equivalent taxable amount						



E Member total compensation comparisons for provincial, territorial and federal legislators in Canada

Appendix B
MEMBER TOTAL COMPENSATION COMPARISONS
 (based on information available as of March 1, 2012)

Jurisdiction	Indemnity	Tax Free Expense Allowance	* Committee Pay	RHSP Allowance	TOTAL	** Grossed up TOTAL	Employer Contribution to Pension	% of Salary	TOTAL Compensation
House of Commons	\$157,731.00				\$157,731.00	\$157,731.00	\$70,033.00	44.4%	\$227,764.00
Senate	\$132,300.00				\$132,300.00	\$132,300.00	\$58,741.00	44.4%	\$191,041.00
AWT (2) beyond commuting distance	\$96,615.00	\$1,924.00			\$110,539.00	\$117,223.00	\$67,755.00	57.8%	\$184,978.00
AWT (1) within commuting distance	\$96,615.00	\$6,762.00			\$103,377.00	\$106,919.00	\$61,799.00	57.8%	\$168,718.00
Quebec	\$85,338.00	\$15,538.00			\$100,876.00	\$100,876.00	\$58,115.00	53.6%	\$166,539.00
New Brunswick	\$90,396.00				\$90,396.00	\$90,396.00	\$68,249.00	75.5%	\$158,645.00
Yukon	\$69,531.00	\$13,371.00			\$82,902.00	\$89,320.00	\$67,437.00	75.5%	\$156,757.00
British Columbia	\$101,859.00				\$101,859.00	\$95,357.00	\$38,143.00	40.0%	\$133,500.00
Newfoundland/Labrador	\$95,357.00				\$95,357.00	\$95,357.00	\$41,457.00	40.7%	\$143,316.00
Ontario	\$116,550.00				\$116,550.00	\$116,550.00	\$11,655.00	10.0%	\$128,205.00
Nova Scotia	\$86,619.00				\$86,619.00	\$86,619.00	\$39,198.00	45.6%	\$126,117.00
New Brunswick	\$85,000.00				\$85,000.00	\$85,500.00	\$32,045.00	37.7%	\$117,545.00
Manitoba	\$85,564.00				\$85,564.00	\$85,564.00	\$20,108.00	23.5%	\$105,672.00
Saskatchewan	\$89,300.00				\$89,300.00	\$89,300.00	\$9,823.00	11.0%	\$99,123.00
Prince Edward Island	\$65,344.00				\$65,344.00	\$63,344.00	\$32,672.00	50.0%	\$96,016.00

* Average Committee pay from all sources (Legislative and Government) excluding Chair and Deputy Chair pay

** Tax Free Allowance amount is grossed-up to equivalent taxable amount

*** Value of transition allowance as calculated by Hay Group

F Dr. Allan Tupper's written submission

EXHIBIT 14
Dr. Allan Tupper
February 2, 2012
MLA Compensation Review

Legislatures in Democracies: Roles, Influence and Importance
Allan Tupper
Professor and Head
Department of Political Science
University of British Columbia

A Submission to the Alberta MLA Compensation Review
Calgary, Alberta
February 2, 2012

This submission addresses the roles and importance of democratic legislatures with special attention to the Canadian provinces generally and Alberta specifically. It begins with a brief discussion of the transition from "direct democracy" where citizens governed themselves in small communities to the modern system of "representative democracy" where citizens elect others to govern on their behalf.

The discussion then moves to the roles of democratic assemblies. Legislatures do such important things as public education through debate, the approval of legislation and the representation of community and local interests. Equally, legislatures check the political executive, hold governments to account and, in various ways, weaken majoritarian pressures. These are impressive activities without which a functioning democracy is almost unimaginable.

The discussion then moves to the role of Canadian provincial governments with particular reference to modern Alberta. The point is simple – a democratic legislature is an important institution in principle and, given the important activities undertaken by the Government of Alberta, Alberta's Legislative Assembly is particularly important for the well being of Albertans.

The paper concludes with a discussion of several issues confronting modern legislatures. It argues that legislatures will probably become more influential for two reasons. First, many Canadians are now uneasy with executive dominated government especially when combined with a parliamentary majority. Stronger

two reasons. First, many Canadians are now uneasy with executive dominated government especially when combined with a parliamentary majority. Stronger legislatures are the best antidote to executive dominance. Second, Canadian democracy requires revitalization. Citizens, as discussed below, are often cynical, indifferent and even hostile to democratic politics. Legislatures, especially reformed ones, will play a major role in democratic renewal.

Several themes dominate the analysis. First, the democratic world in 2012 yields an irony. Citizens struggle, and often die, for the cause of democracy in autocratic countries like Syria, Libya, Egypt to cite a few examples. At the same time, citizens of the established democracies like Canada, United States, Great Britain and Australia frequently show disdain for, or indifference to, democratic politics, politicians and civil servants. (Howe, 2010) Citizens of affluent democracies, in other words, now take democratic government for granted. Worse still they see it as an unaffordable luxury or an impediment to their version of a good society. Such attitudes are worrisome. Very few countries enjoy the freedom, economic well-being and personal autonomy that flow from living in a genuine democracy. Democratic government far from being a luxury is at the heart of the western world's success and influence.

A second theme relates to the first. Democracy with its compromises and debates is a messy, often unpredictable and sometimes slow system of government. Moreover, by their very nature, the value of democracy and democratic institutions are hard to measure. On the cost side, government salaries and expenditures can easily be totaled and condemned as excessive. On the other hand, the benefits of genuine political equality that flows from a broad electoral franchise, from freedom of speech and association and from the ability to communicate freely with members of government are impressive but hard to measure. In short, financial costs are easy to measure. Substantial, but hard to

measure, benefits are easily discounted. Narrow concepts of efficiency do not help much.

Finally, this essay does not comment in detail on the controversial subject of remuneration for Alberta MLAs. It argues clearly, however, that legislatures are very important to the quality of politics and society. Members require remuneration that reflects their many contributions, that allows them to serve without financial penalty and that recognizes the impact of public service on their personal lives.

From Direct Democracy to Representative Democracy

Observers of democracy remain influenced by visions of ancient Athenian democracy where citizens actively governed themselves. For members of small, relatively cohesive communities, “direct democracy” was feasible.

Modern democracy has required major modifications. Direct democracy has proven impossible in geographically large countries with substantial populations of diverse peoples. In such jurisdictions, modern Canada and Alberta being good examples, citizens now elect others to govern on their behalf. They “delegate” the task of government to others. Equally, the activities of modern governments are often technically complex. Governments need expertise to manage complex resource-based economies, to make effective foreign and national defense policies and to preside over social security systems that provide health care, employment assistance and pensions. Such complexity requires more delegation because politicians require expert civil servants to assist them in governing.

Another major change is the rise and impact of disciplined, mass political parties. Parties are now central to the operation of legislatures. Members of legislatures, with rare exceptions, are members of disciplined political parties. A major

tradeoff occurs. Members lose some personal autonomy. On the other hand, political parties provide coherence and organization to complex political debates and events.

The shift from direct to representative government raises hard questions that are at the heart of the contemporary democratic experience. First, when citizens “delegate” democratic governance to others through elections, how do they then control their delegates? How do citizens ensure that their elected officials represent their views? In other words, how is responsive government maintained? Equally, how much independent judgement should members exercise? Should they have “carte blanche” to judge matters as they see fit? Second, how do elected representatives control civil servants they nominally preside over? Third, how are majority and minority rights reconciled? Fourth, how often should elections be undertaken? How broad should the franchise be?

Such questions are inherent to representative government. Citizens and governments often have different answers to them. As a result, representative democracy is a dynamic system that is always subtly changing and adapting. Occasionally, the changes are profound and result in constitutional change but such is the exception not the rule.

The Roles of Democratic Legislatures

The renowned democratic theorist, Robert A. Dahl, sees representative institutions where members are elected through free, frequent and fair elections as essential features of a genuine democracy. (Dahl: 1998, 83-99) Without them and freedom of speech and association, democracy is either a sham or not democracy at all. In other words, elected legislatures are at the heart of modern democracy.

Two points require emphasis. First, legislatures have common characteristics and roles. Equally, they are also diverse. Some legislatures, the British House of Commons and the American Congress for example, are now among the senior citizens of legislatures. They have been in existence for several centuries. In contrast, the present legislature of South Africa, for example, is new. In the Middle East, legislatures in countries like Afghanistan are even newer. The struggle for democracy in the “Arab Spring” will generate more legislatures as Arab countries establish effective democratic institutions.

Legislatures differ in many other ways. For example, the constitutions of the United Kingdom and Canada have parliamentary government while the United States is governed by a “separation of powers” system. Their legislatures differ accordingly. Legislatures in different countries are elected in different ways, follow different procedures and have different powers. Even in broadly similar systems, take Canada and Australia, substantial differences are noted. In Australia, most state governments have “bicameral” legislatures (an upper and lower house). Moreover, the upper houses are elected normally by variations of proportional representation electoral systems. Australian state legislatures are contrasts to Alberta’s that has a single house elected by a “first past the post” system.

The second major point is that my analysis does not judge how well the Alberta legislature, or any other legislature, is performing. As almost all authors on this subject note, democracy rests on various ideal formations. How different countries fare and how a legislature performs in a particular country are questions of fact that require research and reflection. For example, Alberta’s legislature, elected by a ‘first past the post’ electoral system, routinely gives the Progressive Conservatives a substantial seat bonus. That is, the first party receives a much greater share of legislative seats than warranted by its popular

vote. This mechanical impact may allow the Alberta legislature to perform better in some areas than other legislatures and less well in others. That said, legislatures should be constantly assessing their effectiveness, their resources (both material and political) and their performance.

Modern legislatures perform common roles. The major roles are:

- The representation of citizens' interests, views and policy preferences. In short, **representation**.
- The passage and careful consideration of legislation. In short, the **legislative** function.
- The control and accountability of governments. In short, the **control** function.
- The education of public opinion. In short, the **educative** function.
- The resolution, by individual members, of constituents' problems. In short, **constituency service**.

Each of these activities is important to society. Seen together, they comprise a formidable list.

Representation: Legislatures represent the views, ideas and preferences of citizens and groups of citizens to government and do so in an open public forum. In many ways, legislatures are organized around representation. They invariably have more members than the other two main branches of governments, the courts and the cabinet. And in Canada members are organized into constituencies that give each member a certain number of citizens to represent.

The representational role of legislatures is so important and so omnipresent that its importance is easily overlooked. In his elegant recent analysis of the Canadian House of Commons, David E. Smith persuasively argues that the House is Canada's preeminent national institution. (Smith: 2007) Interestingly, his book is

titled “The People’s House of Commons”. His main argument is that the House is the sole Canadian institution that represents all citizens and residents and has the capacity to speak to their concerns. Moreover, it rests on a broad franchise, represents all provinces and territories and both official languages. Likewise the provincial legislatures are the preeminent provincial institution because they represent all provincial residents and speak to their needs, their views and their ideals.

In Canada, members of legislatures play a particularly important role as intermediaries between political parties, governments and citizens. Members balance their party’s obligation speak to broad provincial issues with the need to reflect local needs. R.K. Carty has argued that Canadian political parties, like many contemporary businesses, operate like franchises. (Carty: 2002) The national, or provincial party, establishes the party’s overall platform, ideology and organization. The local organization, anchored by the member, constantly communicates local needs to the provincial or national party and adjusts the party’s general message to local needs. A delicate, always shifting balance is thus struck between local and provincial.

Legislation and Deliberation: Modern legislatures debate and amend legislation. As John M. Carey puts it: “The most fundamental policy decisions – budgets, treaties and trade agreements, economic, environmental and social regulation, elaboration of individual and collective rights – all must be approved by legislatures.” (Carey: 2006, 431) Admittedly, governments now dominate the timing and content of the legislative agenda. But elected assemblies remain deeply involved. They refine and improve legislation, hear and reflect citizens’ views about the quality of legislation and communicate the content of legislation to constituents. In some legislatures, members, especially long serving ones,

become experts in particular policy areas. They are often very important in policy-making.

Some legislatures have strong committees where small groups of members examine bills in great detail, receive citizen and group representation and often make important changes. The Canadian House of Commons and the Senate have robust committee systems that serve the public interest well. Such committees often stress policy areas that are being ignored and thereby put important issues on the public agenda.

In Alberta, legislative committees are underdeveloped. In the 1990s, the Klein government established standing policy committees (SPCs) that comprised only government MLAs. The SPCs were thus government committees not legislative committees. Their very existence undercut the normal parliamentary practice of having legislative committees with members from all parties. Alberta's legislature, which has only 83 members currently, should have a small number of committees. Such committees should be structured, however, to ensure that they have the capacity to review the expenditures, policy-making and regulations of the Government of Alberta.

An essential characteristic of legislative debate is its public character. Legislatures, with very few exceptions, operate in full public view. Their debates are recorded and made parts of the public record. Members of the public can listen to debates in the legislative chamber. In some provinces, debates are televised and now "streamed" on Internet for immediate access.

The public character of legislative debate is significant. Public debate disciplines participants. It causes them to avoid extremes, to abandon or moderate self -

interested positions and to consider opposing views. Legislatures are the most open and public of institutions. Their public character serves the public interest.

Controlling Governments: Legislatures discipline governments, bring maladministration to public attention and advocate minority rights. As J.A. Corry and J.E. Hodgetts put it many years ago: “In democratic theory, the legislature represents the people, or the community, and is supposed to exercise surveillance over the executive to see that, in its actual administration, government is for the people not against them.” (Corry and Hodgetts: 1959, 178).

The legislature’s role in controlling governments has several dimensions. Opposition parties, especially the “official” opposition, the party with the second largest number of seats, discipline governments in several ways. They seek out and publicize government failures but cannot overplay that role. To be effective, an opposition party must go beyond criticism and advance an alternative to the government that suggests to electors that it is worthy of power. A viable electoral threat from an opposition party can discipline a government that is arrogant or out of touch.

Members of legislatures also expose maladministration where governments abuse citizens’ rights, treat similar cases differently, favour government supporters or administer laws poorly. In Canada and Alberta, the principle of ministerial responsibility identifies a cabinet minister as the person with ultimate responsibility for policy and administration in a department. The precise meaning of the principle is much debated in modern Parliamentary government. (Sutherland: 1991; Stone: 1995). Minimally, the principle means that ministers must **answer** in the legislature about cases of maladministration. Ministers may avoid precise answers and accountability for a while. But inflamed public opinion, as manifest by persistent questioning in the legislature, ultimately

disciplines evasive ministers. Legislatures expose government administrative failures.

Educating Public Opinion – In his classic text on Canadian government, R. Macgregor Dawson reminds us that the House of Commons undertakes “the grand inquest of the nation.” (Dawson: 1970, 304). He means that legislatures probe significant matters and through deliberation educate public opinion.

Such education is obviously subtle and hard to assess. But it occurs. Citizens hear about legislative debate through media. They often learn of issues of which they were unaware. In some circumstances, they become very interested in the subject and take action. Interest groups learn of opposition or government positions that they had not heard previously. Accordingly, they may amend their positions. In an interdependent federation, the provincial governments monitor Parliamentary debate to understand better Ottawa’s ambitions and vice versa. The process is always a two way street. Citizens learn about government activity, and through elected members, communicate their views to government.

Constituency Work – Members of Canadian legislatures work extensively with their constituents in solving problems. This important role consumes a great deal of members’ time. Members’ constituency work ranges from sorting out routine problems and helping citizens apply for government programs to working on cases of serious injustice. Members work with community groups who want government funding for public works. They advise constituents how to work with other levels of government. Members explain public policies. They interact with local groups and speak to them in public gatherings. The list goes on. In a broader context, members’ constituency work is an extension of their representational role. It is a unique set of duties that requires patience, knowledge of government and a keen grasp of local sensitivities.

Two concluding comments are in order. First, members of Canadian legislatures live demanding lives. Their duties are broad, varied and unrelenting. They face limits on their private lives - their privacy is significantly restrained. They are constantly on public display and to a degree so are their families and associates. Members' personal and family lives often suffer from their public duties. They must travel a lot. Their workload is heavy. In their constituencies, they are, in reality, 'on call'. Moreover, in large provinces like Ontario, Alberta and British Columbia many members travel considerable distances to the provincial capital where most important public business is conducted. Such travel is often by personal motor vehicle given the absence of convenient, scheduled air service to many Canadian communities. Members often have two residences - one in their constituency and another in the provincial capital or Ottawa. Such stresses are undoubtedly complicated by current public opinion that is critical of politicians and public servants.

A second point, already mentioned, requires emphasis. The benefits of such legislative activities as representation, controlling governments, and improving legislation through public debate are large but hard to measure. How, for example, does one show the precise benefits of easy access to governments or freedom of speech? On the other hand, citizens can easily compute the "costs" of legislatures by a narrow focus on the salaries and other expenses related with representative government. Debate stresses the costs and ignores the benefits.

The Role of Provincial Governments: By all accounts, legislatures play major roles in modern government. What though do the legislatures of the Canadian provinces preside over? Do **provincial governments** do things that matter?

A useful starting point is the argument, dating back as long as the 1930s, that federalism was an outdated and ineffective form of government. Federalism by dividing power between a national and several provincial governments was said to provide weak government. Moreover, the forces of national and international commerce, national economic management and the welfare state allegedly doomed federalism and made provincial governments irrelevant.

Whatever the general merit of these claims, Canada is an obvious exception. The Canadian provincial governments are major forces that exercise policy-making power and influence far beyond those of the American or Australian state governments. Canada is a decentralized federation despite the intentions of the Fathers of Confederation who thought the 1867 constitution guaranteed a dominant federal government.

Many explanations have been advanced to explain the importance of Canadian provincial governments. Some argue that Canada, unlike the United States, is a series of loosely integrated regional economies. (Stevenson: 1977) For example, broadly speaking, Ontario now has an economy dominated by automobile production and financial services. Alberta's prosperity rests on oil and natural gas. BC has fisheries and mining while Saskatchewan's depends on wheat, potash and uranium. Provincial economic specialization combined with provincial ownership of natural resources means that resource corporations deal with provincial governments who control access to Crown resources. Other observers stress weaknesses in the federal political party system that, regardless of the party in power, often leaves out large parts of the country from the government caucus in Ottawa. Under these circumstances, provincial governments and legislatures are important outlets for provincial complaints. Provincial governments gain elevated status in citizens' eyes. Finally, several authors see provincial governments themselves as the primary building blocks of

provincial power and autonomy. (Cairns, 1977) Once established and armed with significant powers, provincial governments and their attendant bureaucratic machines become expansionist and powerful advocates of provincial authority. In other words, provincial governments build and nourish provincial societies.

Regardless of the reasons, Canadian provincial governments perform many significant activities. On the revenue side, they levy income taxes, corporate taxes and sales taxes as well as royalties on Crown resources. Provincial governments have access to gaming revenues that Ottawa lacks. On the expenditure side, provinces are front and centre in the provision of health care, education and social services to citizens, services that are at the heart of current Canadian concerns. The federal government is involved in these areas but primarily through its spending power. For example, Canada has ten provincial higher education systems that are supported by a federal government that provides research funding and some student financial assistance. The provinces are indisputably the locus of constitutional authority in this important area.

The provinces control labour relations within provincial borders. They have expanded their ambitions to undertake what some observers see as “foreign policy”, matters that are normally thought to be the domain of national governments. Alberta, for example, has offices in many foreign countries including the United States, Japan, Germany and Mexico. Provinces share the increasingly important area of environmental policy and regulation with the federal government. They interact with Aboriginal peoples in many ways even though the constitution implies that First Nations are primarily a federal responsibility. The list could easily be extended.

The purpose of this analysis is straightforward. It dovetails with the points already made about the importance of the provincial legislative assemblies. It also expands that point by noting that provincial governments undertake meaningful service delivery and policies. The combination is therefore potent. Put simply, provincial legislatures undertake important activities in governments that are central to citizens' concerns and needs. It follows that the wellbeing of many Canadians is heavily shaped by the decisions of provincial politicians. Canadians should care a great deal about the quality of people that represent them. Public policies should be undertaken that provide positive incentives for qualified persons to pursue elected public office in the provinces.

The Future of Democratic Legislatures

Legislatures will continue to play important roles in Canadian government. For two reasons they will likely become more important. First, stronger legislatures are required to tame the excesses of majority governments between elections. For many reasons, the Canadian political executive, as primarily manifest by the prime minister and premiers, has assumed particular prominence in post war politics. Many Canadians now think that executive dominance has gone too far and that greater responsiveness between elections is required. Stronger legislatures are essential to taming leader-dominated majority governments.

Legislatures may become more prominent for a second reason. As mentioned earlier, Canadians, and citizens of other established governments, are often cynical about government. Participation rates have dropped and politics are held in low regard. Young people are disconnected. Canadians' interest in politics must therefore be rekindled. More effective legislatures are key to that end.

Reforms are already occurring. For example, Prime Minister Martin felt strongly about Parliamentary reform. During his minority government in 2004-6, Martin

introduced measures that relaxed the confidence motion. (Aucoin and Turnbull, 2003) That is, he wanted votes on government bills in the House of Commons to be done by different procedures. Only a minority of government bills would be “confidence votes” that oblige members of the government party to vote with the government. Other government bills would only require ministers to support the government thereby allowing other government members to vote as they saw fit. More importantly, if defeated on such a bill, the government would not fall. Thirdly, more bills would be done as “free” votes where all members were removed from party discipline. The logic of these important procedural changes is to give MPs more autonomy, to allow them, if necessary, to better represent constituents’ interests and as noted, to weaken party discipline. Such reforms may lead to MPs who are more independent, who are also less partisan and who are more willing to collaborate with members of other parties.

Another desirable reform envisions the much earlier involvement of legislatures in the law making process. Under this procedure, important government bills would routinely be referred to legislative committees after first reading. Government bills would routinely be “white papers”. (Lovink, 1973) That is, they would define the problem and suggest several policy options. After first reading, a legislative committee would then examine the government’s proposed options, seek public input and then, having consulted citizens, report to the government that would then proceed to second reading with a revised bill. The idea is to involve legislatures and citizens earlier in law making and to provide options for discussion not a predetermined course of action. Such a system would give enhanced stature to legislative committees and would provide citizens with meaningful opportunities for participation. It would make legislatures more important parts in the policy process and would correspondingly lessen the role of civil servants and ministers.

Finally, a case can easily be made for larger Canadian provincial legislatures. (Carey, 2006) Such an argument runs counter to much current opinion that holds politicians and politics in low regard. In 2012, many citizens seem to want fewer politicians. Regardless, larger legislatures merit consideration. First, larger legislatures are required if members are to better control governments and hold them to account. In small legislatures, Alberta's being a good example, more than a quarter of the members are in cabinet. Other government members perform various roles for the government. Government backbenchers and opposition members are too few in number to examine properly multi-billion dollar health care budgets to cite an example. In other words, citizens who dislike and distrust governments and who want less government should really support larger legislatures. Their insistence on small legislatures, in the Alberta and Canadian contexts, gets them strong governments that legislate and spend in the face of little sustained opposition. Larger legislatures also allow greater specialization by members especially when members have long service. That effect is magnified when legislatures operate through strong, specialized policy committees.

Conclusion: This submission has reviewed the roles of legislative assemblies in modern democracies. It concludes that legislatures do things that really matter. They shape legislation, represent citizens' views, control governments, reveal maladministration, educate public opinion and solve constituents' problems. In short, legislatures are central to modern democratic government.

By the same token, Canadian provincial governments do important things. They preside over booming, resource economies. They provide such essential public services as health care and education. They build roads and other forms of infrastructure that make our lives easier and strengthen the economy.

It therefore follows that the quality of MLAs is a matter of consequence. It also follows that MLAs, who work hard, whose private lives are impacted by public service and who are well motivated in the main deserve compensation that reflects the importance of their contribution and their unique roles.

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G Dr. David Docherty's written submission

EXHIBIT 16
 Dr. David Docherty
 February 2, 2012
 MLA Compensation Review

Compensation for MLA's

David Docherty

Principles

1. Democracy is the foundational principle of modern representation. Democracy must be transparent, but it is not free. Saving money should not be a driver in establishing salary levels.
2. Salaries must be regarded as part of a larger recruitment and retention strategy for legislators.
3. The Alberta Legislative Assembly is a professional full time representative body and thus requires full time professional legislators.
4. The often volatile career longevity of elected officials means that transition packages must also be considered as part of the compensation package.
5. Pensions must be reasonable but must also recognize the opportunity cost of serving.
6. Ministers of the Crown must be compensated in a manner that reflects their increased responsibility, while recognizing that they will never be compensated to a degree comparable to many of those who report to the minister.
7. Salaries and allowances must be transparent. Changes to the allowance structure may require substantially higher salaries.
8. Salaries and allowances should not be used to compensate for a lack of legislative influence of the assembly.

Discussion

Principle 1. Democracy is the foundational principle of modern representation. Democracy must be transparent, but it is not free. Saving money should not be a driver in establishing compensation.

The Alberta legislative assembly is a representative body. Men and women are elected to represent citizens of the province. There are many types of representation, but in the Canadian context we have experienced three predominant types. First, members are seen to represent specific communities of interest that are geographically defined. Simply put, MLA's are meant to represent the interests and needs of distinct communities - such as rural areas, urban communities or northern Alberta. Members are also seen to represent ideological interests as defined by our political parties. Finally, members are also often expected to represent non-geographically defined communities of interest, occasionally whether or not they seek to do so. For example, an MLA who is a visible minority may be expected to be the voice of that particular minority community across the entire province, not just within the constituency.

Each of these three types of representation requires a critical mass of MLA's. The actual number may seem arbitrary (and to a certain degree it is) but there are

important considerations at work. Think of it this way, on one extreme we might simply choose to consider the entire province with only one representative. We would elect that person to govern and represent all of us for four years. At the other extreme we might assume direct democracy where all eligible voters represent their own particular interests via an unending set of referenda and initiatives. We recognize that neither of these extremes would work, the former being term limited dictatorship the latter mass chaos and confusion.

So instead we compromise and select a number that reflects an understanding of the population and the geography of the province. In Alberta the size of the assembly, 83 means one MLA for every 45,000 voters. Such a size means that members cannot all be in daily contact with all of their constituents, and thus require assistance in performing their representative duties. It also means that elections provide not only cabinet members who introduce and implement legislation, but also those MLA's who are tasked with keeping the cabinet accountable.

But we must also recognize that such an arrangement comes at a cost. A single representative would be the least expensive form of government, but the least democratic. Government via referenda would be less expensive than our present system but put too great an authority in unelected representatives. Indirect representative democracy is more expensive than either extreme yet far more democratic. We must understand that while there is a financial price to pay for democratic representation it is a price worth paying.

Principle 2. Salaries must be regarded as part of a larger recruitment and retention strategy for legislators.

There is a simple argument used in many fields of business that one gets what one pays for. This is as true for elected officials as it is for any other profession. In some jurisdictions in Canada we have seen the inevitable outcome of deliberate attempts to belittle the occupation of elected representatives. When members of council, or large school boards are given only honourarium for their services you wind up with individuals who either do not need the honourarium or those for whom the modest token is extremely important. Neither are truly reflective of the population.

In order to both attract and retain strong capable members of the legislature we need to compensate them appropriately. We must recognize that for many members of the legislature, and for others that might consider a stint in office, the salary of a member represents a fiscal sacrifice. Diverse and representative assemblies should also reflect a diversity of occupations. While salaries of elected members cannot compete with the highest salaries of the private (or even public) sector, neither should they be so low that they drive good individuals away before even contemplating public service.

Studies of income levels of public officials lack detailed knowledge of income prior to and post election. However, we do know that in many cases members take a salary cut when entering office and an additional cut upon leaving office. The salaries of Alberta MLA's are in the lower end of salaries across the country though much closer to the middle when the tax free allowances are included. It is recommended that

salaries be closer to the three larger provinces in terms of population, namely Ontario, Quebec and British Columbia. This would necessitate an increase in salaries.

Principle 3:

The Alberta Legislative Assembly is a full-time professional representative assembly and thus requires full professional legislators.

There was a time when provincial legislatures could at best be considered part-time amateur bodies. Members were not paid as full time legislatures, the Assembly did not sit for more than a few weeks per year, and the resources provided to members were minimal. Beginning in the 1970's provincial bodies began to sit longer, deal with more legislation, and as governments grew larger began to hold more responsibility for oversight. At the same time, more and more voters turned to their local MLA to assist in dealing with and increasingly large and complex government. Members saw demands on both their representative and scrutiny role increase dramatically. Likewise, members of cabinet were required to become greater policy experts within their areas of jurisdiction.

One of the outcome of this growth was the professionalization of the legislative assembly, and a realization that members were full time representatives that ran small offices. The demands facing cabinet ministers were even greater.

Of course different legislatures developed at different times and speeds. Quebec and Ontario were among the countries leaders in recognizing that in order to properly perform its collective task an assembly needed to appreciate the professional role played by members and the resources this required.

By contrast Alberta was slower to enter the era of professionalization. Among other things this meant that Alberta was: slower to have Hansard, had a weaker legislative committee system, and to this day retains an antiquated salary system that includes a tax free allowance. Some of these anomalies can be addressed by this commission, others lay outside its jurisdiction. Salaries fall within the purview of this commission and I would encourage the commissioner to include committee allowances as part of that salary structure.

Principle 4:

The often volatile career longevity of elected officials requires that transition packages must also be considered part of the compensation package.

Principle 5:

Pensions must be reasonable but must also recognize the opportunity cost of elected service.

If there is one area of member's compensation that draws more public ire than any other it is the financial exit packages that members are provided. Various and pejoratively referred to as golden parachutes and gold plated pensions, the exit packages include transition funds to assist former members in moving back to their pre-

elected careers. While the exit packages may be viewed by the public as overly generous, some transition fund and pension is a necessary part of a compensation package for members.

First, we must recognize that assembly members have very little control over their careers. They often begin their career at a later stage than individuals commence other careers. Typically, political careers start when members are in their late thirties. As mentioned above members often leave more lucrative positions to serve the public, positions that typically include pensions of some form. Members serve at the pleasure of the public. While their jobs are rarely up for a review on an annual basis, they are reviewed on a regular basis by every eligible voter in the constituency. And until recently members had little ability to control the date of their departure (fixed election periods will provide some greater opportunity for career planning).

Second, despite a perceived wisdom that departing members have unlimited opportunities for government sinecures, service on private boards, or invitations to step back into their previous careers as if the last four to twenty years did not matter, this is the exception not the rule. Such opportunities are rare and typically reserved for only the most senior members of the government. Private members on both the government and opposition side of the speaker rarely receive such invitations. As a result, the transition to non-elected life can be financially challenging.

Having noted this, it is also apparent that the present system of pensions and transitions allowances is not well understood nor appreciated by the public. Comparisons to the private sector abound and are not always relevant, given the generally higher salaries at senior levels in the private sector. Still, I would recommend that the commission give serious consideration to increasing the age at which members can collect pensions and limiting the maximum transition allowance to one year of salary.

Principle 6:

Ministers of the Crown must be compensated in a manner that reflects their level of responsibility but also in recognizing that they will not earn more than some individuals for whom they are responsible.

Ministers of the Crown have responsibilities in addition to those of private members. They are responsible for multi-million (and occasionally billion) dollar enterprises. In the private sector, CEO's of similar sized corporations would command commensurate salaries, well beyond the additional \$63,900.00 (approx) that Alberta cabinet ministers earn. We must recognize the anomaly that a Minister of Health will not earn more than many doctors, specialists and hospital administrators. The Minister of Advanced Education will earn less than some professors or senior College and University Administrators.

At the same time, we must also recognize that the position requirements for colleges and Universities and for health care, are very different than those for ministerial service. Ph.D's are the normal degree requirement for University Presidents. Doctors are, by definition MD's. Yet the Minister of Advanced Education may or may not possess a College or University designation and the Minister of Health does not require

a Medical degree or health designation and may well have never worked in the health care field (or spent any time in a hospital for that matter).

Thus is the anomaly of elected representation. The responsibility of Ministers is to initiate, implement and oversee the delivery of public policies. This requires a talent that is broader than any one policy field. The responsibility is vast, the skill set different. It is recommended that Ministers continue to receive additional compensation. Any changes to base pay should have equivalent increases in cabinet pay.

Principle 7:

Salaries and allowances must be transparent. Changes to the salary structure may require substantially higher salaries.

Alberta is one of the few provinces that retains a tax free allowance as part of the remuneration package for members of the legislative assembly. This anachronistic practice dates back to the time when members were responsible for many of the business expenses that are now covered by the Legislative Assembly. Further, like pensions and transition pay, it is the cause of some consternation among the public. Unlike pensions and transition pay, there is little legitimate reason to retain this practice. It is recommended that the Commission eliminate the tax free allowance. However, the elimination of tax free allowances must not be used to lower the overall compensation of members. It should be replaced with a taxable equivalent. This will result in substantially higher salaries. However, it would be a more honest and transparent practice and will keep Alberta in line with most other jurisdictions.

Principle 8:

Salaries and allowances should not be used to compensate for a lack of legislative influence of the legislative assembly.

In many jurisdictions, additional salaries are used to recognize the additional work that some members take on as public officials. Ministerial salaries are perhaps the best example of this. But there are many others. Parliamentary Assistants receive additional income, as do chairs of legislative committees. These additional salaries might also be used to make certain positions more attractive. While some members might be drawn to cabinet by the additional 63,000, it is more likely that the opportunity to influence public policy is a far greater draw. The same might not be said for parliamentary assistants and committee chairs.

I would urge the commission to recommend that committee chairs receive a substantial allowance that is considered additional salary to legislative committee chairs. I would further recommend that this salary be similar to that of Minister's without portfolio (approximately \$28,000). This would encourage many legislators to consider a parliamentary career over a cabinet career. The work of legislative committees has long been neglected in Alberta. As such members are paid a per diem rate to serve on

committees. I would urge the commission to eliminate the per diem for committee service. Members should see service on committees as part of their overall responsibilities as legislators. Further, stronger leadership by committee chairs, who are compensated at a rate similar to Ministers without portfolio should provide some incentive for members to follow this career path.

G

appendix
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H Raymond Speaker's written submission

MLA'S Salaries, Benefits and Pension-January 2012**EXHIBIT 7**

Mr. Raymond A. Speaker
 January 23, 2012
 MLA Compensation Review

Alberta MLA'S Salaries, Benefits, Severances, and Pensions Review
 Hon. Raymond A. Speaker PC., OC. January 23, 2012
 Presented to Honourable Jack Major, Commissioner

Thank you Your Honour for this opportunity.

I wish to make three points to assist you Mr. Major in your very important task.

1. My experience on the subject
2. What is a Member?
3. Comments on Compensation

Brief Resume:

I was elected to the Alberta Legislature on June 17, 1963 for the Little Bow constituency and after another 8 consecutive elections decided to resign my provincial seat in January of 1992 and seek a Federal seat in the Federal Constituency of Lethbridge as a member of the Reform Party. On October 25 of 1993 I was successful and sat in the House of Commons until deciding not to run in the federal election of June, 1997.

Following my return to private life I was asked by Prime Minister Chrétien to sit on the Blais Commission to review allowances of Members of Parliament and Senators. Some of the recommendations I give today reflect that report. Following that report the Prime Minister asked me to sit on a review body called the Security Intelligence Review Committee to review and make judgements on the actions of the Canadian Security and Intelligence Service from 1999 to 2009.

During my Alberta Legislature experience I held cabinet posts under Premier Manning, Premier Strom and Premier Getty. During Premier Lougheed's time I was on numerous legislative committee's and served as Leader of the Opposition from 1980 to 1982. For a number of years I was on the Special Standing Committee on Member services.

Changes since 1963:

My views on the proper compensation of MLAs are heavily influenced by some of my experiences with Members of the Legislature. I remember the first walk into the Alberta Legislative Building in 1964. The MLA from Lethbridge walked with me from our hotel to the Building. I was impressed with the front wooden door. Inside I was faced with a marble staircase, marble floor and floors above in grey green marble. At that moment I would have worked here for nothing after coming from a small town farm background at Enchant Alberta.

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My trance was broken by my older colleague who had served in the Legislature for over 20 years. He said, "Follow me, I will show you your privileges in this building". He took me up the marble staircase. We did a quick turn to the left [Bad Start for me!] and then after about ten steps we entered a split room. He said, "Over there is your coat hook. Put your name under it. If you need a bathroom that is over here, pointing to my right. You will be assigned a seat in the Legislative Assembly. Oh yes, if you are not absent from the Legislative Session you will be given a full cheque after the Press throw the paper from the Press Gallery signifying the end of a Session".

I survived the session with my new found mentor colleague as my seat mate. Session ended with a flurry of paper. I left the Assembly Room to find a long line up of Members down the hallway and into the Clerk's Office which was then located on the right side of the Assembly Room. I proceeded in line and after some time arrived at the Clerk. He handed me my cheque, \$4500.00 and a brown paper box with my years supply of office material consisting of 12 pencils, an eraser, six steel loose leaf rings, paper clips, one pack of legislative paper, and a pack of envelopes. The salary increased to \$7200.00 but the box practice continued until 1971.

During this period four ladies were hired for a secretarial pool. There was no office space or telephone number at the Legislature for the Member. The hotel operator took calls and gave you a list. You returned your calls from the hotel. AGT gave you a telephone pass for long distance calls. A Minister appointment at that time was considered a full time commitment.

The role of the backbencher was considered a part time assignment and the Member was expected to balance their legislative time with their profession, farm, business, teaching, or employee job.

Session started in February and usually ended in early spring. Most Members represented rural constituencies. The unsubstantiated story was told that the Premier had ordered Public Works to open Legislature windows wide and to spread fresh Sheep fertilizer on the flowers around the Legislative Building. The farm legislators smelled spring seeding and knew it was time to close the winter session and return to the farm. At this time there were few benefits for Members. The tax free portion of their pay was to look after expenses. In the late 1980's a \$10.00 per legislative day allowance was provided to compensate the cost of hotel for out of Edmonton Members.

Period of Change, 1971 to 1985:

After 1971 Alberta's economy boomed. The budget of Alberta increased

from \$1 billion in 1971 to nearly \$10 billion in 1985. Spending on many provincial government programs increased significantly. Legislative sessions increased in length with the introduction of a permanent fall session. Members were paid a monthly salary. Supplementary benefits were implemented in the form of increased health, life insurance, dental, car gasoline credit cards, mileage allowances, bus and flight allowances, temporary residence allowances, parking and taxi allowances, spousal travel, committee allowances and expenses, constituency office budgets, legislative office budgets, promotional budgets, telephones and electronic equipment supplied, severance allowances, and a changed defined benefit pension plan.

The early 1990's brought public criticism of the MLA Pension Plan. Alberta MLA's discontinued the Plan and replaced the Plan with a Taxable Allowance and a Transition Allowance. Again in 2011 and 2012 we hear the public cry of "Too Golden".

What is the role, the challenges, and the adequate compensation for an MLA?

The Role:

"A good MLA is one who knows how to listen, can create new ideas to meet constituent's and Albertan's needs, and is awake enough to know when and where to intercept the legislative process. The compensation and legislative privileges are there only to support and enhance this role."

The Challenge:

1. Members are full time and must multi task.

Required is preparation and attendance by all Members, including Ministers, for the meetings of the Legislative Assembly, Caucus, Committees of the Legislature and annual party conventions. In addition every MLA must manage their schedules for their Legislative Office, Constituency Office, Constituency functions, and attend obligatory meetings with other legislators and constituents at the Capital and in their home riding. Balancing family or private responsibilities with public ones is difficult. The family suffers in the trade off. My day-timer was filed for at least six weeks in advance. I could predict, barring illness, where I would be, who I would be talking to, and the subject of discussion. I am sure this has not changed for current Members.

2. Members outside of Edmonton must travel.

Travel to Edmonton can take hours of time. Travel inconvenience keeps the Member in a second residence away from their constituency or permanent home during the week days some five or six months of the calendar year. Family, private responsibilities and constituency

obligations are placed under extra pressures especially for those Members representing constituencies an hour or more from the Capital Building. Travel is a major factor in an MLA's job but it must be understood that this is also prevalent in today's private sector.

3. Members have many bosses.

The list includes the public, constituents, Legislative colleagues, Ministers, Premier, Party executives locally and provincially, Legislative staff, and most importantly the electorate every three to four years. They are the masters that can influence the MLA's public destiny. The Member must learn how to co-exist in this environment.

4. Members must prepare for their transition to private life.

Members often underestimate the transition back to private life after deciding not to run in an election, losing a nomination, or are being defeated at the polls. I have personally witnessed numerous cases of traumatic emotional anxiety stricken cases of ex MLAs or MP's, their wives, and family struggling with re-entry into the work force. Legislative experience is not always the best prerequisite for returning to the job market. Often the legislative experience is a detriment rather than an asset. I have often described the circumstance of the former Member as having the "plague". I have found telling the elected Member to place a high priority on family life and on personal finances most often falls on deaf ears. Despite these difficulties most MLAs make the transition successfully and continue to take on their life responsibilities. Some form of transition allowance is helpful.

5. Members have a major responsibility to Albertans.

Alberta has a major budget of income and expenditures. Alberta is blessed with major resources of oil and gas, agriculture, tourism, recreation, leading education and research institutions, medical facilities and professionals, skilled and professional leaders, a growing private economy, and a growing population to name a few. Management of our Province must be done well. If we expect good people to take on our public responsibility then we as taxpayers must compensate our Members adequately to do their job.

6. Members are given a special privilege to serve.

The people give a few of us the privilege to serve our Province. Serving provides special and varied experiences like no other opportunity affords. It is an honor to be elected. However, this privilege must be respected to protect our democratic process.

What is the proper compensation?

The answer is not easy and never was. No matter who makes the recommendation or decision the final responsibility rests with the legislators.

1. Salary:

[a]. The current indemnity should be retained but the tax free allowance should be terminated, and increased to take into consideration that the total income is taxed. The new indemnity or salary for Members under this format would be the sum of the current MLA indemnity of \$52,092.00 plus additional indemnity of \$28,048.00 adjusted for taxes to approximately \$38,000.00 equaling a total taxable salary or indemnity of about \$88,000.00.

[c]. The additional allowances for offices other than the MLA, such as Premier, Speaker, Minister's with Portfolio, Minister's without Portfolio, Leader of the Official Opposition, Deputy Speaker, and Leader of a recognized opposition party should be reflected in the pay to senior executive positions in the public service of Alberta, the persons they manage.

I find the Alberta Deputy Ministers salary rate under Order in Council 444/2011 to be \$264,576.00. Some 22 Deputies are included in this schedule 1, including the Deputy Minister of the Executive Council.

Senior Officials under schedule 2, Order in Council 444/2011 has four salary ranges. Salary range D has a range from \$196,812.00 to \$264,576.00, consisting of six positions including the Chief of Staff of the Premier. Salary range C is from \$144,060.00 to \$200,604.00. Salary range B is from \$113,028.00 to \$156,552.00. Salary range A is from \$101,640.00 to \$139,332.00.

With the adjusted indemnity of \$88,000.00 plus the current additional allowance for the Premier of \$81,312.00 total salary of the Premier is \$169,312.00. Added to this is a \$3500.00 per month committee allowance. This would bring the Premier's salary to about \$211,000.00 some \$50,000.00 less than the Deputy Ministers. I raise the question, "Is the salary proper?" Are senior public service salaries reasonable? Except for range A, B and C the Premier is paid less than senior personnel. Rational argument may conclude an increased salary but can the increase be argued politically?

2. Benefits:

[a]. Since the Member position is considered full time then the benefits

provided to the public service employee should be available to the Member. A very quick review on my part indicates that the benefits for the Senior public service and Deputies is comparable to current Member's benefits. I have no further recommendation here.

3. Severance Allowance:

- [a]. The current Transition Allowance Order should be terminated and replaced by a more acceptable transition severance allowance.
 [b] The new transition or severance allowance should not be less than 25% and not greater than 50% of the sum of the annual salary, additional salaries, and special Members' allowances of a Member. A one term Member would get 25% and any second or longer term Member would get 50%.

4. Pension:

- [a]. A new compulsory defined benefit pension plan should be the MLA Pension Plan.
 [b]. The MLA Pension Plan should have some of the following parameters:
1. MLA contribution rate should be in the range of twelve to fifteen percent of annual salary.
 2. Annual salary is considered as the three categories of MLA indemnity, Additional allowances for Offices other than MLA, and special Members' allowances. (See details of MLA positions in each category from MLA Remuneration Report, effective April 1, 2010, Alberta Members Services Committee report) Each category will require special terms for implementation.
 3. The annual MLA Pension Plan accrual rate should be in the range of 3 to 4% for twenty years of pensionable salary. Maximum pension accrual would be seventy percent.
 4. The Member must be a Member for six years for vesting of pension benefits.
 5. An MLA is eligible for pension entitlement at age 55 with an unreduced full pension at age 65.
 6. A Member who serves less than six years will have contributions returned with interest.
 7. Pensions should be adjusted for a cost of living index.
 8. For Members who have served in the Legislative Assembly before the next election and are re-elected a buy back program will be necessary.

I thank you for this opportunity to present my views. In the final discussion of compensation the Members will need to keep their focus on the

• **MLA'S Salaries, Benefits and Pension-January 2012**

Page 7 of 7

direction of the Provinces finances and decide accordingly.

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appendix H



I Dr. Herbert Grubel's written submission

EXHIBIT 15
Dr. Herbert Grubel
February 2, 2012
MLA Compensation Review

Alberta MLA Compensation in Perspective and Recommendations for Changes

by

Herbert Grubel, PhD
Professor of Economics (Emeritus), Simon Fraser University

**A Report prepared for the Hon. Jack Major, charged with the Independent
Review of Compensation and Benefits of Member of the Legislative Assembly
of Alberta**

Draft of January 31, 2012

The 2012 independent inquiry into the compensation of Alberta's MLA faces two problems common to all such inquiries:

- There are no market that establishes the productivity and correspondingly proper level of pay for legislators, as it does for workers in the private sector. Nor are there any objective criteria to select a group of private sector workers to which the pay of MLAs should be linked.
- The actual level of compensation is difficult to establish because it includes pensions and fringe benefits, the value of which is different for individual MLAs depending on their age, length of service, level of responsibility and other characteristics. This fact complicates making comparisons of the compensation of Alberta's MLAs with those of other provinces.

This study addresses the first of these problems by drawing on some basic ideas about economic and political processes that have historically determined the compensation of MLAs. These considerations lead to the conclusion that Alberta's conditions should be evaluated in the light of those existing in other provinces in Canada.

The second problem is addressed by comparing the different components of compensation across all provinces. The components are then added up into one index, which consists of the time-adjusted, present value of all forms of compensation newly elected MLAs can expect to receive during their work as legislators. This index is produced under a number of different assumptions about their length of service and their levels of responsibility in parliament.

I. Determining the Proper Level of Compensation

In the private sector the pay of workers is determined by their productivity as measured by the value, which their work adds to their employer's production, sales and ultimately, profits. This productivity generally is an increasing function of their education, training and work experience and is also influenced by personal characteristics like honesty, reliability, energy health and interpersonal relations skills.

The behaviour of individual workers and employers guided by market forces tends to create equality between workers' pay and productivity, as may be illustrated as follows.

Consider that the pay and productivity often diverge when workers are hired for the first time, mainly because employers have limited or uncertain information about the workers' potential performance. The reason is that while education, training and some obvious personal provide useful signals about workers' productivity, there is no record of performance in an actual work environment. This record develops gradually and generates incentives that lead to a match between pay and productivity.

Consider how these incentives work when workers are hired at a pay that is less than their productivity. As their performance record develops, such workers have incentives to ask for higher pay or seek alternative employment where their productivity is fully appreciated. Employers either raise their pay or lose them to a competitor. In either case, the pay and productivity of these workers become more equal. The process continues until there is equality between pay and productivity.

Analogous reasoning explains how workers whose pay exceeds their productivity find their pay lowered through time as employers find out about their true productivity. Often such workers do not suffer absolute decreases in pay or leave employment, but find themselves receiving smaller pay increases than their co-workers.

Of course, this adjustment process does not operate perfectly and requires time, but it offers the best explanation for the structure of wages in a market economy that economists can offer.

Legislators' Productivity

There is no labour market for legislators comparable to that for workers in the private sector. In principle, two alternative methods are available for the determination of their productivity and the corresponding, appropriate level of pay.

One such method involves linking their pay to that of a group of workers in the private sector, such as lawyers or managers. This approach raises questions about the choice of the proper reference group and who determines the relevant criteria used in this choice.

An important element entering this choice involves the fact that the quality and productivity of workers in the private sector tend to be an increasing function of

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their pay. Therefore, the higher is the pay of legislators, the higher is their productivity in parliament.

For example, if MLAs were paid the same wages as janitors or harbers, their skills and productivity would be much lower than if they were paid the wages of lawyers or managers. This fact raises questions about the public's view on the level of productivity and pay they consider being proper for its legislators? How can the public's views be discovered and translated into policy?

Because of the existence of these issues, no jurisdictions in Canada have linked the pay of their legislators to that of a select group of workers in the private sector.

Using the Democratic Political System

The second method for determining the pay of MLAs involves a process rooted in democracy and politics, which allows the public to have an indirect but nevertheless effective way of making its preferences put into effect.

This process is quite simple. It sees one political party pushing for higher pay but finding its efforts restrained by other parties that push for lower pay. Through the election of parties whose platform best reflects voters' preferences, the pay of legislators ultimately is determined by the public.

On the side pushing for higher pay for MLAs usually are parties in power. Cynics often argue that that these MLAs are motivated by the desire to feather their own nest. But it can also be argued that they are driven by a more benign motive. They want to keep or attract competent individuals who would otherwise leave for or stay in the private sector. The higher pay is in the public interest since it ensures the passage of high quality legislation and in the ruling parties' interest by raising the probability of future electoral success based on resultant good governance.

On the other side of the process are opposition and often newly formed parties that believe they can gain electoral support by making an election issue out of the alleged excessive compensation of MLAs. Alberta's Wildrose Party has made such an effort, which has resulted in the present inquiry (see Legislative Assembly of Alberta (2011c)). During the 1990s the Reform Party's platform contained demands for changes to the allegedly excessively generous compensation packages enjoyed by MPs in the federal parliament.

In addition, there are think tanks that keep a watchful eye on the merit government compensation policies. Thus, the CD Howe Institute has recently produced a study, which shows that the pension provisions for MPs in the federal parliament are excessively generous (Robson (2012)).

The electoral success of the Reform Party has undoubtedly played an important role in changes in the compensation received by MPs that took place during the 1990s. The efforts of the Wildrose Party in Alberta and of the CD Howe Institute have stimulated public debate and may lead to changes in present compensation levels related to pensions. There is a long history of such challenges to existing compensation policies in all provinces, many of which have been successful in leading to lower levels.

The publicity resulting from the efforts of the party favouring lower pay sometimes brings it to power and allows it to implement its policies. But it is important to realize that even without such an outright electoral success, the very threat of opposition or new parties seizing upon excessively high compensation levels as an election issue tends to constrain the inclination of the party in power to raise the pay of MLAs beyond what the public considers to be appropriate.

Implications for Study

The preceding analysis implies that the political process tends to result in levels of compensation for MLAs that reflect the will of the people and their desire to be governed by the resultant competence of legislators and quality of legislation.

Of course, this condition is not met at all times. Party platforms cover more than the pay of legislators, other issues may dominate the decisions of voters and for some time the pay of MLAs in a jurisdiction may be higher or lower than that desired by voters. However, in the longer run and on average, the political process just described will cause the will of the people to find expression in the pay received by MLAs.

Based on this proposition, it is proper to examine the compensation of Alberta's MLAs in relation to that of MLAs in otherwise similar provinces. This examination therefore should reveal whether the compensation of Alberta MLAs needs to be changed.

II. MLA Compensation in 2011

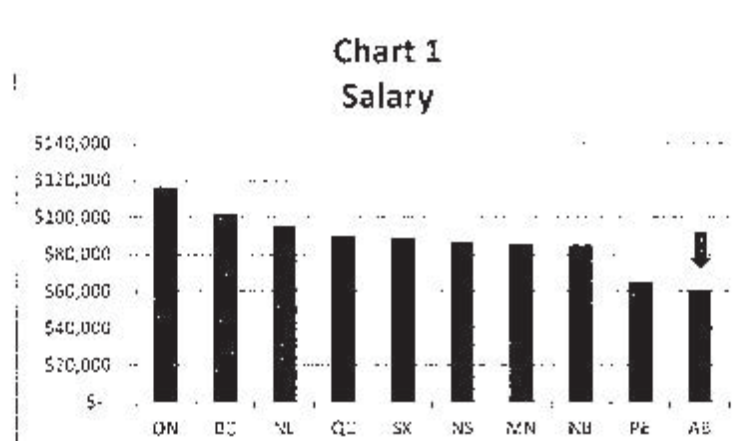
The compensation of MLAs has the following components:

- Basic Salary
- Tax-free Allowances
- Pensions
- Other (Fringe) Benefits
- Transition Allowances

Some of these components are related to the length of time MLAs are in office and the level of responsibility they have serving as officers of parliament such as Ministers. The following analysis considers the compensation received by MLAs serving eight years without holding any higher office. The compensation of such MLAs serving as Ministers is presented in the next section.

Basic Salary

MLAs receive a monthly pay check just like workers in the private sector. The annual salaries (called remuneration in the Alberta legislature literature) received in all Canadian provinces are shown in Chart 1.



Sources: Data provided by Clerk of Alberta Parliament and based on a survey of provincial governments in 2011 (see Legislative Assembly of Alberta 2011b). The full information is reproduced in Appendix A.

The chart shows that in terms of basic salary, Alberta MLAs are the lowest paid of all provinces. However, this result is misleading because in Alberta and Quebec MLAs also receive tax-free allowances.

Tax-free Allowances

Tax-free allowances for MLAs have historically been justified on the grounds that they compensate them for expenses that are specific to their work and that do not exist in the private sector, such as maintaining residences in the capital and home; travel between parliament and home residences; meals while away from home; clothing suitable for work and public appearances; and dealing with constituents.

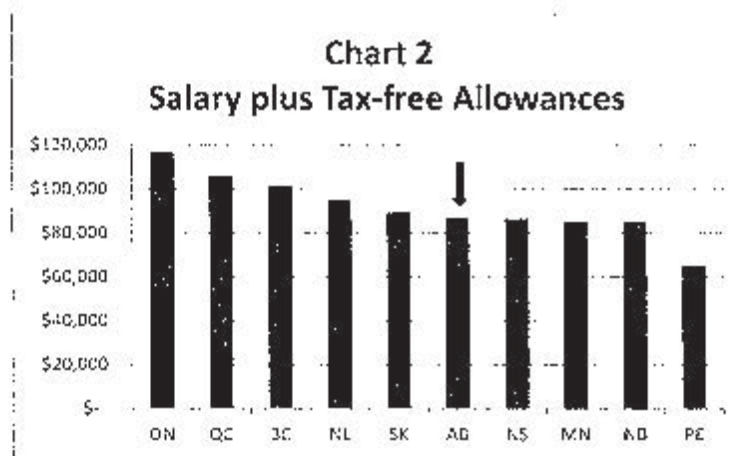
In recent years, these justifications for tax-free allowances have been subjected to much public scrutiny and it has been suggested that in fact the payment of tax-free allowances are designed by politicians to hide the true compensation of MLAs from the public.

Mainly as a result of such criticism and to make compensation levels more transparent, most provincial parliaments have eliminated the payment of tax-free allowances, as has the federal parliament. The elimination was accompanied by increases in basic salaries in amounts that leave unchanged the after-tax income of MLAs from what it had been when the tax free allowance was added to the taxable basic salary. At present tax-free allowances are still paid only to MLAs in Alberta and Quebec.

Alberta's tax-free allowance in 2011 was \$26,046. Its value to MLAs is equivalent \$34,641 if it were paid as a taxable salary, assuming a marginal tax rate of 33 percent. If the marginal tax rate is assumed to be 50 percent, the value equivalent of the allowance is \$36,069. In Chart 2 the \$34,641 figure is used. Quebec MLAs in 2011 received a tax-free allowance of \$15,538, which increased by one third comes to \$20,666.

Chart 2 shows the total pay of MLAs in all Canadian provinces, which in the case of Alberta and Quebec includes the tax-adjusted tax-free allowance. As can be seen, Alberta ranks right in the middle of the pack. Their MLAs receive about \$30,000 less pay annually than those in Ontario but virtually the same amount as those in the other Western provinces Saskatchewan and Manitoba and slightly less than those of British Columbia.

It might be noted here that one of the results of converting tax-free allowances into taxable income is that in effect the province loses to the federal government the amount of taxes paid by the MLAs. In the case of Alberta the amount is \$8,595 for each of its 83 MLAs or \$713,400 in total under the assumption that the rate of taxation is 33 percent. If tax rate is 50 percent, the total going to the federal government is \$1,080,909. There is no way of deciding objectively whether or not this extra cost to the province is worth the gain in the transparency of its MLA compensation system. The answer to this question requires consultation between politicians and voters.



Source: Same as Chart 1

Pensions and other Benefits

Most employers in the private sector provide their workers with so-called fringe benefits that typically involve contributions to pension plans, extended health care, dental care, basic life and disability insurance. Canada's parliaments provide MLAs with the same types of benefits.

The estimation of the value of these benefits provided MLAs is extremely difficult for the following reasons. Consider first pensions for which detailed properties have been published in Nova Scotia (2011), p. 36-37.

Some provinces have defined benefit pensions, the cost of which to the government is highly uncertain. It depends on the indexing of the benefits to

inflation, which varies in detail from province to province. It also depends on the age at which the beneficiaries start to receive payments, amounts going to survivors and on the amount the MLAs contribute to the plan, among other provisions.

Some provinces have defined contribution plans, which allow an easy and straightforward estimation of the cost incurred by government and. The simplest of those is found in Alberta, where the government pays one half of the maximum annual allowable contribution to the individual's Registered Retirement Savings Plan.

Similar problems are encountered in estimating the cost to government of providing MLAs with basic life insurance, extended health and disability insurance and other such benefits. In the case of life and disability insurance, the cost depends on the beneficiaries' age, gender and health, as well as the amount of benefits. The cost of extended health care depends on the size of the beneficiaries' marital status and age of children.

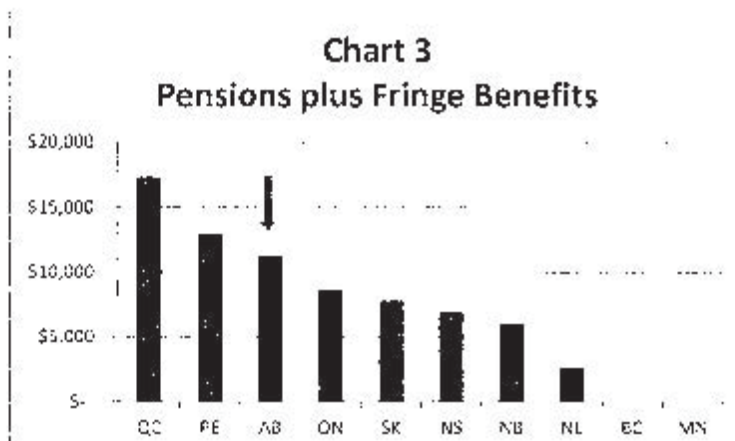
Fortunately for the analysis in this report, the firm Morneau Shepell has prepared a study, which is available in the Nova Scotia Report (2011). This study assembles the basic data on the different provincial pension, health, dental, life and other benefit plans (p. B24-28) and uses these data to make a difficult and involved estimation of the value of the contributions made by provincial parliament to the cost of these plans.

The comparison of provincial costs uses the concept of what is referred to as the *Equivalent Annual Contribution (EAC)*. This measure quantifies the annual amounts MLAs would have to pay if they bought in the private sector the benefits provided to them by their parliament. It is smaller than the total private costs of these benefits because typically MLAs contribute some share out of their own earnings.

The calculation of these sums has been made by actuaries and other experts who made many assumptions about the demographic characteristics of MLAs in different provinces and by taking account of the practices underlying the costing of such benefit plans in the private sector, actuarial tables and other considerations. The results of these calculations are found in the Nova Scotia (2011) report on page B41.

Chart 3 shows the dollars, which MLAs would have to pay annually to private market providers to receive the pension and fringe benefits the provincial governments actually provides to them. As can be seen, Alberta ranks third among all provinces. Its MLAs receive subsidies to their pensions and fringe benefits worth \$11,260 annually, much higher than the \$7,796 paid in the other Western provinces Saskatchewan and the zero paid in British Columbia and Manitoba.

The fact that these subsidies are zero in British Columbia may come as a surprise. It is explained by provisions that provide many of the benefits under consideration here only to MLAs who have served for more than eight years and held offices in parliament. For example, in the case of BC MLAs who have served for 16 years without working as officers of parliament, the government's contribution to their pension and other benefit plans comes to \$20,789 a year. In Manitoba MLAs with the equivalent characteristics the annual contribution is \$8,662. By contrast, Alberta MLAs with this record of service is the same \$11,260 as for those who serve only four or eight years. More detailed information involving MLAs with different demographic characteristics is found in the next section.



Source: Nova Scotia Report (2011), p. B41

Note: The table on page B41 shows EAC levels as percent of the annual salary of Nova Scotia MLAs. The figures shown are the dollar equivalent of those percentages for each province. For example, Alberta's EAC is 13 percent of the \$86,619 salary of NS MLAs, or \$11,260.

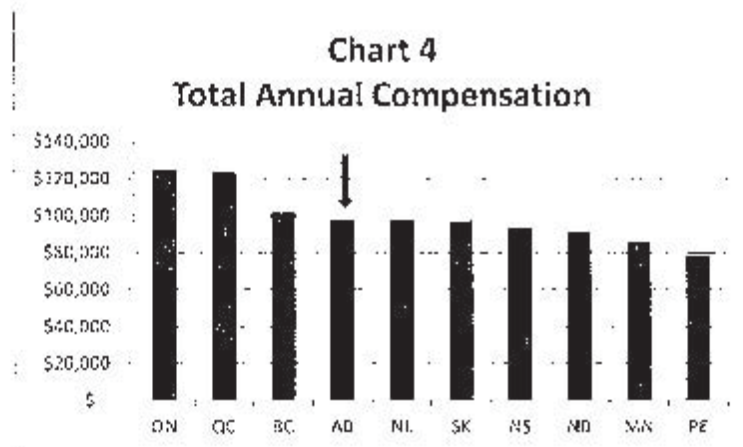
Total Annual Compensation

Chart 4 shows the value of the total compensation MLAs receive annually. This total consists of the basic salary, the adjusted tax-free allowance in Alberta and

Quebec and the amount the government contributes to pensions and fringe benefits.

As can be seen, by this measure, Alberta is in the middle of the pack. The outliers on the high end are the two largest Canadian provinces, Ontario and Quebec. At the low end is Prince Edward Island, the smallest of the provinces.

The data in this chart suggest that the annual compensation of Alberta MLAs is not out of line with that found in other provinces. However, this conclusion does not hold once these data on compensation are adjusted for the receipt of transition allowances paid to MLAs upon the termination of their public service.



Transition Allowances

Transition allowances, also known as Adjustment Allowances are paid as a taxable lump sum to MLAs after they leave parliament due to an election defeat or on their own will. They are designed to provide financial assistance to them during the time they seek private sector employment.

Ray Speaker, who has served many years as an Alberta MLA and federal MP, is consultant to the current Alberta Commission of Inquiry. In his report he provides narratives about the difficulties some MLAs encountered in their efforts to find employment in the private sector after their political careers had ended. These narratives are based on his personal involvement with his colleagues in parliament, which for some time saw him act as a Minister. His narrative provides strong

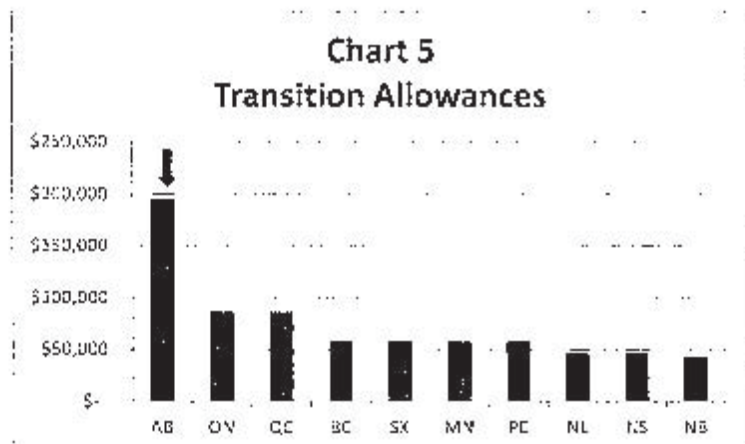
support for the need to provide retiring MLAs with transitional allowances that support them financially while they seek employment in the private sector.

The power of the arguments in favour of paying such allowances is evident from the fact that presently they are paid by all provincial parliaments, which in turn suggests that the public is satisfied basically with their existence as a fair and proper policy. However, the levels of the payments differ widely between provinces and in Alberta they have recently become under strong public scrutiny for reasons that will become obvious from the data presented below.

In practice, the transition allowances are calculated by considering the length of time MLAs have served in parliament and the compensation they have received during a specified part of this time. In the case of Alberta this compensation includes the tax-free allowance and other benefits, as well as extra compensation resulting from service parliamentary officers like premier, ministers and as chairs of committees.

According to the publication Legislative Assembly of Alberta (2011b), the transition allowances paid departing MLAs are equal to the value of three months' earnings (the highest during the member's service) multiplied by the number of years served. Similar, but not identical formulas are used to calculate transitional allowances in the other provinces.

Because the transition allowances are a function of time served, inter-provincial comparisons require that assumptions are made about the length of service of MLAs in all provinces. The data in Chart 5 assume that MLAs have served eight years and held no higher offices in parliament.



Source: *Nova Scotia MLA Pension Review Report* (2011), page B34 with details for individual provinces found on pages B28-B32. The tables were prepared by the consulting firm Morneau Shepell Limited and submitted in a letter signed by Mel Bartlett, Partner in the firm.

Note: The data are for MLAs who have served eight years and held no higher office in parliament.

As can be seen from Chart 5, the allowances for Alberta exceed those of all other provinces by a large margin. They are more than double (125 percent higher) than those in Ontario and Quebec. They are 3.4 times those paid in these other three Western provinces of British Columbia, Saskatchewan and Manitoba.

It is clear from these data that Alberta's allowances are very high in absolute value for MLAs who have served eight years and held no higher office. The calculation of the allowances paid to MLAs serving more than eight years and receiving supplementary pay for higher offices they have held (not shown here) reveals them to be in a range that attracts strong and angry attention from the media, opposition politicians and the public.

Thus, in the expectation of a spring 2012 election in Alberta, the high transition allowances for which retiring MLAs and former Ministers are entitled have attracted the attention of several observers. John Wood (2011) article published in the *Calgary Herald* (Wood 2011), which referred to calculations made by Scott Hennig of the Canadian Taxpayers Federation. Hennig had estimated that retiring former premier Ed Stelmach will receive a separation allowance of more than \$1 million while other former cabinet ministers will receive about \$700 thousand. This article in the *Calgary Herald* by early January 2012 had elicited 83 comments from the public critical of the existing formula used in calculating Alberta's transition allowances.

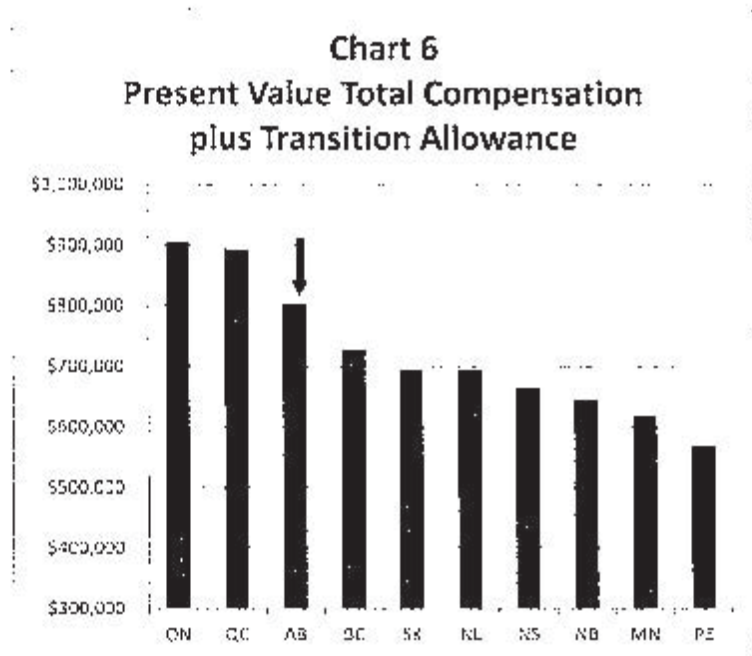
The Present Value of Compensation

The fact that Alberta pays the highest level of transition allowances does not establish that the total compensation of MLAs is also the highest of all provincial assemblies. It is possible that the higher transition allowances simply make up for lower salaries, pensions and fringe benefits.

Therefore, to make a case for reducing Alberta's transition allowances it is necessary to put them into an estimate of the present value of all forms of compensation, which awaits rookie MLAs on the day they are elected. Chart 6 presents such a calculation for MLAs who are assumed to serve eight years without receiving extra compensation for work as officers of parliament.

Taking the present value of future compensation in this calculation is essential to take account of the time value of money. For example, as noted above, Alberta MLAs serving eight years and without extra pay for holding higher office are entitled to a transition allowance worth \$195,688. But since this sum is paid only eight years after they started their work as MLAs, on the day they enter public service, it is worth only \$142,988, with the lump sum discounted at four percent over eight years.

In other words, this discounting would make the sum of \$142,988 invested at four percent worth \$195,688 at the end of eight years, assuming that the annual earnings are reinvested at the same interest rate. For the same reason, the present values of the salaries, pension and fringe benefits the MLAs receive have to be discounted. For example, the Alberta MLAs' annual pay of \$86,733 over 8 years is not equal to the simple sum of \$693,864, but only \$583,951.



Source: Same as for Chart 5

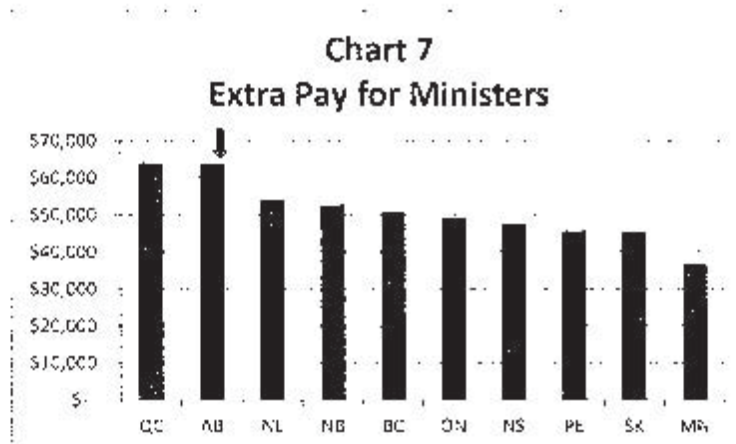
As can be seen, the present value of all forms of compensation finds Alberta MLAs ranked third among MLAs in all other provinces. Only MLAs in the much larger provinces of Ontario and Quebec have levels that are about \$100 thousand higher.

Alberta's figure might reasonably be compared with those of the other three Western provinces British Columbia, Saskatchewan and Manitoba. Thus, we find that these three provinces average a present value of \$680,726, which is \$122,023 less than Alberta's.

III. Compensation for MLAs serving as Ministers

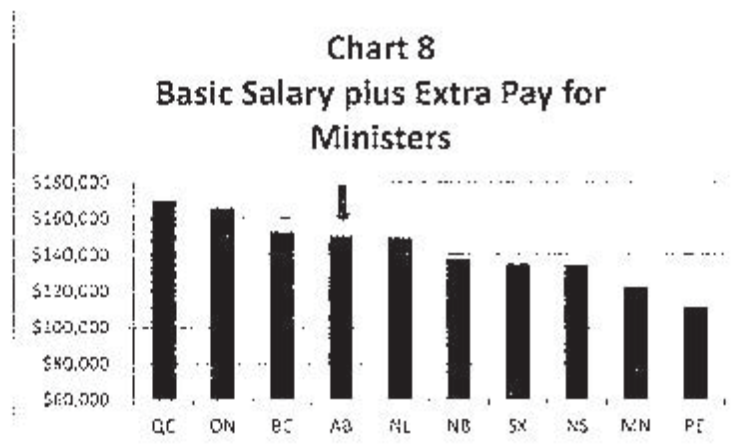
Chart 7 shows the additional salaries paid to MLAs while they serve as Ministers. As can be seen, Alberta ranks second behind Quebec and the level is considerably above that found in the remaining provinces.





Source: Same as Chart 1

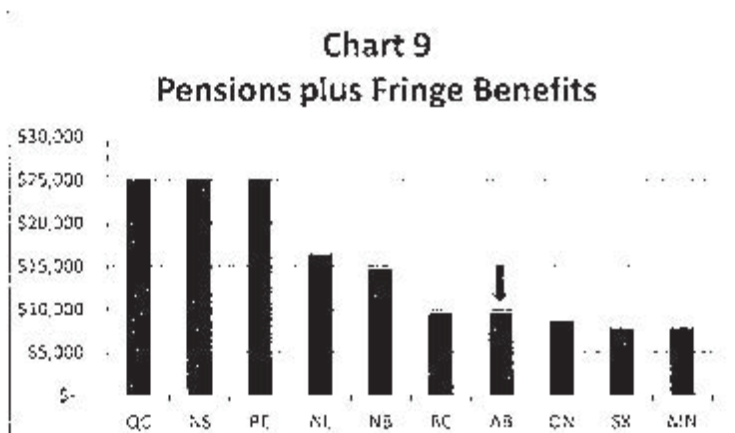
Chart 8 shows for Ministers the Basic Salary plus the Extra Pay they receive. On this chart, Albert ranks fourth behind Quebec, Ontario and British Columbia. Its level is \$16,000 above that of the other Western provinces, including British Columbia.



Source: Same as Chart 1

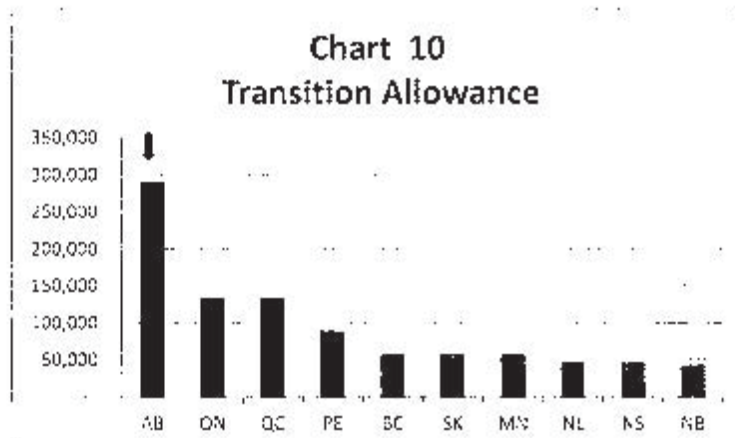
Chart 9 shows that Alberta MLAs receive the fourth-lowest level of pensions and fringe benefits among all of the provinces. It is noteworthy that MLAs in the two small provinces of Newfoundland-Labrador and Prince Edward Island have the same high benefits as those in Quebec at more than 2.5 times those received by

MLAs in the four provinces with the lowest levels. These figures illustrate the difficulties associated with comparing individual components of the compensation packages and the merit of considering the combined present value of all.



Source: Same as Chart 1

Chart 10 repeats the key information discovered in the analysis of MLAs who do not receive extra pay, which was presented above. Alberta pays its Ministers transition allowances that are more than twice those paid Ministers in Ontario and Quebec and nearly six times those paid in the six provinces with the lowest levels.



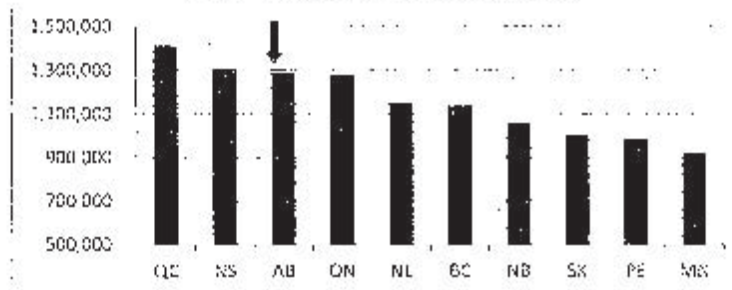
Source: Same as Chart 1

Chart 11 provides the most useful information on which views about the appropriateness of the compensation of MLAs in the different provinces should be based. Note that the scaling of the chart starts at \$500,000 to allow better focus on the differences between the provinces.

As can be seen, Quebec stands out with the highest level. It is followed by Nova Scotia, Alberta and Ontario. Important for the present purposes of analysis is the comparison of Alberta with the other Western provinces of British Columbia, Saskatchewan and Manitoba. It shows that the Alberta figure of \$1,290,966 is \$272,562 above that of the average of \$1,018,404 found in the other three Western provinces.

This finding is in line with that reported in the preceding section. Alberta MLAs without or with supplementary pay enjoy a package of compensation that is considerably higher than that existing in the other Western provinces. Chart 10 showing the value of transition allowances implies that these payments are the main cause of this superior position for Alberta MLAs.

Chart 11
Present Value of Total Compensation plus Transition Allowance



Source: Same as Chart 1

IV. Policy Recommendations

The preceding analysis and empirical findings lead me to make two recommendations for changes in the policies that determine the compensation of Alberta MLAs. The goal of these changes is to bring Alberta in line with the other

Western provinces and to make compensation now paid in the form of tax-free allowances more transparent.

1. Level of Compensation

The data in Chart 6 show that the total compensation of Alberta MLAs who do not receive extra pay as officers of parliament is out of line with that of MLAs in the other Western provinces, even though it is less than that found in the much larger provinces of Quebec and Ontario. Charts 1-5 show that this high level in Alberta is attributable mostly to the very generous payments made in the form of transition allowances.

The same basic conclusion can be derived by considering the relevant charts showing the compensation levels and the transition allowances paid to MLAs who have received extra pay serving as officers of parliament.

On the basis of these findings I recommend that the formula used to calculate the separation allowances paid to Alberta MLAs should be changed to bring the resulting present value of all forms of compensation in line with those paid in the other three Western provinces.

The specific changes to the formula should be worked out in consultation between experts and MLAs and by considering formulas used in other provinces. The goal of these consultations should be to come up with a formula that achieves the desired objective of bringing Alberta into line with other provinces while being fair to MLAs with different lengths of service and levels of extra compensation for serving as officers of parliament. Provisions should be made to give fair treatment to MLAs who entered service under the existing conditions.

2. Replacing Tax-free Allowances

In the light of the fact that Alberta and Quebec are the only two provinces still paying their MLAs tax-free allowances, I recommend that Alberta join the rest of the provinces and replace these allowances with an increase in taxable income at a level which preserves the after-tax total pay they received before the proposed change.

The exact increase in taxable income needs to be determined in consultation between tax experts and MLAs. The analysis above is based on an assumed marginal tax rate of 33 percent and is for illustration only.

Changing the calculation to a marginal tax rate of 40 percent or 50 percent does not affect materially the basic findings about present conditions presented above, but could influence details about the new formula used for the calculation of transition allowances.

My recommendation is based on the view that the public values highly transparency in the compensation packages paid their MLAs. An additional benefit would be that MLAs would no longer be forced to deal with the public's demand for such transparency. Presumably, the proposed change also would put pressures on Quebec to create a uniform and transparent treatment of salaries for MLAs and stop all debates about the issue in all provincial legislatures.

In my view, these benefits are worth the transfer to the federal government of the additional income taxes paid by the MLAs, especially since most of these funds are likely to be used by the federal government to finance benefits, a certain proportion of which accrue to the citizens of Alberta.

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J Hay Group Report



Members of the Legislative Assembly of Alberta
Compensation and Benefits Review

April 2012

Prepared by:

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01

About Hay Group

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Appendix

About Hay Group



Hay Group is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organize people to be more effective and motivate them to perform at their best. Our focus is on making change happen and helping people and organizations realize their potential.

We have over 2600 employees working in 86 offices in 49 countries. Our insight is supported by robust data from over 125 countries. Our clients are from the private, public and not-for-profit sectors, across every major industry, and represent diverse business challenges. For almost 70 years, we have been renowned for the quality of our research and the intellectual rigor of our work. We transform research into actionable insights. We give our clients breakthrough perspectives on their organization, and we do it in the most efficient way to achieve the desired results.



02

Background and Mandate

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Appendix

Background & Mandate



- Hay Group Limited (“Hay Group”) has been retained by the Honourable J. C. Major to provide comparative data in regards to the compensation and benefits for Members of the Legislative Assembly of Alberta (“MLAs”). This review includes:
 - Job evaluations for MLA roles
 - Competitive benchmarking of these positions and their compensation against the comparator groups
 - Benefits prevalence analysis to compare the MLAs’ benefit provisions with prevalent provisions within the comparator groups
- This report sets out our methodology and observations



03

Introduction and Methodology

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Appendix

Introduction and Methodology



Hay Group Limited uses a methodology known as the Hay Group Guide Chart Profile MethodSM to assess job size based on a set of universal criteria found in all jobs. In general terms the criteria are:

Know-how: Knowledge, skill and ability required, and includes practical, specialized, and technical skill; planning, organizing and integrating knowledge; and communicating and influencing skills.

Problem Solving: The application of know-how that is required to analyze and resolve problems; this factor measures the nature and complexity of the problems and challenges that jobs must face in the effort to achieve end results.

Accountability: Measures the output or end results of the job; specifically this factor measures decision making authority, accountability for actions and decisions taken, the size of the world influenced by the role, and the measured impact the role has on end results.



Introduction and Methodology (cont'd)

Hay Group's job evaluation methodology is the most widely used methodology in the world, and is used by more than 8,000 organizations in more than 40 countries. As Hay Group assesses jobs relative to these criteria quite consistently across jobs, organizations, industries and sectors, there is the ability to compare the compensation of jobs on the basis of job evaluation points to supplement more usual job match methods. For the majority of jobs, sourcing data by points is a more reliable and accurate approach than job matching. Sourcing data by points also provides the means to analyze market data for very unique jobs, which was of particular benefit in this study.

In overview terms, this approach allows for comparing compensation of jobs requiring similar levels of Know-How, Problem Solving and Accountability even where such jobs might be performing radically different work in very different industries. A considerable amount of pay variation is directly linked to job size – or stated in straightforward terms, “as jobs get bigger, pay goes up”.



Introduction and Methodology (cont'd)

A key feature of the MLA role is the breadth of issues that must be dealt with on an ongoing basis. The knowledge breadth comes from their serious advocacy responsibilities on behalf of their constituents. Constituents come to their MLA with problems that can originate from any provincial department as well as from outside government. While the MLA need not know all the details, they must know enough to understand the nature of the problem and who best to contact to resolve the issue. Their Assembly responsibilities also require considerable knowledge breadth as MLAs debate and vote on a wide range of proposed legislation.

Some overall themes and observations from our MLA interviews are provided in the Appendix A.



Introduction and Methodology (cont'd)

The MLA role was assessed as requiring high knowledge breadth, that is, having to know a little bit about a great many areas (as opposed to knowledge depth or having to know much about one area). Additionally, the MLA role requires skills to plan, organize, direct and control a constituency office as well as human relations skills. Problem Solving was assessed as strategic and autonomous to recognize its impact on the adoption of legislation. Accountability was assessed at executive tier decision making and supportive to a large population.

From the Private Member role, responsibilities tend to increase with the addition of greater managerial responsibility with a progression that includes chairing Committees to roles like the Party Whip, House Leader, then Minister and ultimately Premier. Management responsibility shifts the role towards a greater focus on planning, directing, organizing and control activities. A simple analogy is a shift from being a musician to becoming a conductor.

This managerial shift increases the requirement for managerial skills, deeper problem solving and additional accountability.



Introduction and Methodology (cont'd)

Hay Group developed 5 MLA groupings of jobs or bands based on job size. The following provides the recommended bands, along with example MLA jobs within each band, and reference-level jobs from other sectors.

Level	Example MLA Roles	Example Roles from Other Sectors
Band 1	Premier	CEO of a large organization with multiple lines of business and doing business in a number of provinces
Band 2	Minister with Portfolio, Speaker, Leader of the Official Opposition	Chief Operating Officer of a large organization; CEO of a moderate sized organization with one or two lines of business
Band 3	Deputy Speaker, Leader of a Recognized Opposition Party	Vice President of a large division or subsidiary; Deputy Minister of a large government department
Band 4	Official Opposition House Leader, Committee Chair (Assembly and/or Government)	Manager of a larger operation such as a Mine Manager or Retail General Manager; College Dean; Assistant Deputy Minister of a division within a government department
Band 5	MLA	School Principal; National Account Manager in a sales environment; Expert Solicitor; Human Resources Director in a large government department



Introduction and Methodology (cont'd)

As part of our quality assurance process and to ensure that the most appropriate reference evaluations were being made for this effort, Hay Group also compared the proposed MLA evaluation against Member of Parliament evaluations that were carried out in New Zealand a number of years ago. While the New Zealand project focused on evaluating nationally elected representatives, we believe this comparison holds merit for the Alberta context. New Zealand's population and GDP are similar to Alberta's and we believe New Zealand provides a reasonable comparator.



Introduction and Methodology (cont'd)

- The compensation review will evaluate the following compensation elements for MLAs:
 - Base Salary;
 - Target Short Term Incentives/ STI (% of Base Salary);
 - Target Total Cash Compensation (Base Salary *plus* Target Annual Bonus);
 - Long Term Incentives Opportunity/ LTI (The present value of LTI grants, expressed as a % of Base Salary);
 - Target Total Direct Compensation (Target Total Cash Compensation *plus* LTI Opportunity)
 - Non-Cash Benefit Value
 - Target Total Remuneration (Target Total Direct Compensation *plus* Non-Cash Benefit Value)
- For illustrative purpose, MLA compensation has been compared to market median.



Introduction and Methodology (cont'd)

- As mentioned earlier, we have developed 5 MLA groupings of jobs or bands based on job size. The following table details the recommended bands and Hay Points for each band.

Level	Hay Points	Example MLA Roles
Band 1	5872	Premier
Band 2	3000	Minister with Portfolio
		Speaker
		Leader of the Official Opposition
Band 3	2000	Deputy Speaker
		Leader of a Recognized Opposition Party
Band 4	1300	Official Opposition House Leader
		Committee Chair (Assembly and/or Government)
Band 5	1000	MLA



Introduction and Methodology (cont'd)

- As agreed by the Honourable J. C. Major, Hay Group has benchmarked selected MLA roles against 3 comparator groups. (Please see Appendix B, C & D for a list of organizations within these comparator groups)
 1. Government market – Selected organizations from the Broader Public Sector market that encompass 3 levels of Government
 2. Broader Public Sector market – Public sector and quasi-public sector organizations
 3. Private Sector Market – A broad market composed of privately owned and publicly traded organizations
- Hay Group believes using these comparator groups will provide a sense of MLA compensation levels across the three sectors and will serve as a reliable source of information for assessment of the appropriateness of compensation for MLAs.
- All Hay Group market data are as of May 2011
- Hay Group has gathered publicly available compensation data for MLAs in other jurisdictions and has examined the competitiveness of compensation for Alberta MLAs



Introduction and Methodology (cont'd)

- MLA compensation consists of MLA Indemnity and various allowances. For the purpose of this analysis, MLA indemnity, grossed up MLA tax-free allowance, RRSP allowance, Additional Indemnity, Special Members' Allowance, Committee (Assembly and /or Government) Allowances and allowance in lieu of Committee Allowances are included as part of base salary. The following table details the basis for MLAs' base salary we have used in our compensation analysis.

Sample MLA roles	Band 1		Band 2			Band 3		Band 4		Band 5
	Premier		Minister with Portfolio	Speaker	Leader of the Official Opposition	Deputy Speaker	Leader of a Recognized Opposition Party	Official Opposition House Leader	Committee Chair (Assembly and/or Government)	MLA
MLA Indemnity and Allowance (includes grossed up tax-free allowance)	\$90,708		\$90,708	\$90,708	\$90,708	\$90,708	\$90,708	\$90,708	\$90,708	\$90,708
RRSP Allowance	\$11,225		\$11,225	\$11,225	\$11,225	\$11,225	\$11,225	\$11,225	\$11,225	\$11,225
Additional Indemnity/ Special Members' Allowances	\$81,312		\$63,912	\$63,912	\$63,912	\$31,968	\$28,392	\$13,596	-	-
Committee Allowances/ In lieu Allowance	\$41,796		\$35,604	\$42,000	\$42,000	\$24,000	\$42,000	\$36,000	\$42,000	\$36,000
Base Salary	\$225,041		\$201,449	\$207,845	\$207,845	\$157,901	\$172,325	\$151,529	\$143,933	\$137,933

Data provided by the Legislative Assembly of Alberta



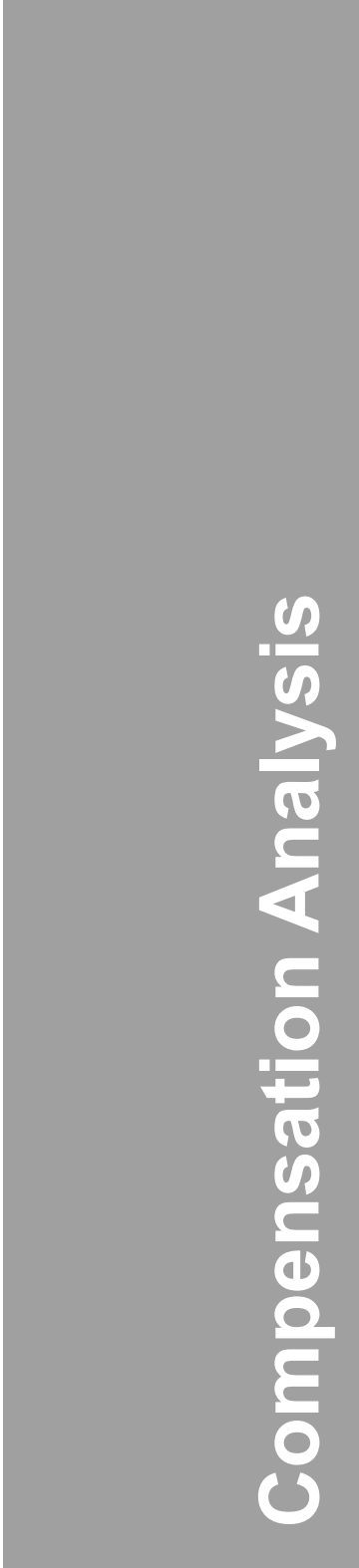
Introduction and Methodology (cont'd)

- MLAs also receive a transition allowance when they leave office, which is equal to 3 months salary for each year served. Average monthly salary includes MLA indemnity and tax-free allowance, RRSP allowance, remuneration for offices other than MLA, special Members' allowance and remuneration for Legislative and government committees. The average monthly salary is based on the three calendar years in which the person received their highest salary.
 - For purposes of compensation analysis, we have assumed a career span of 8 years for MLAs and the annualized transition allowance is included as a non-cash benefit to account for the impact of the transition allowance on their total remuneration.
 - This allowance is similar in nature to a severance payment; we have examined how the MLAs' transition allowance compared to market practices.



Introduction and Methodology (cont'd)

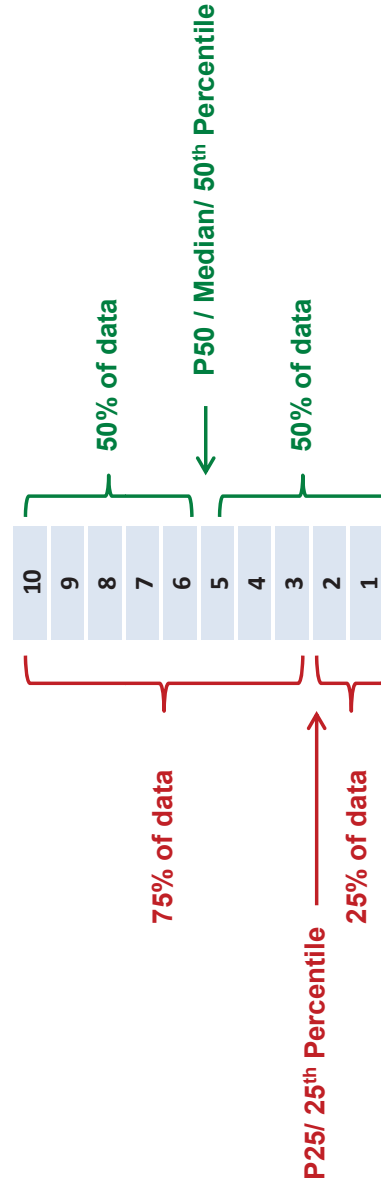
- Hay Group's Noncash Benefits Valuation Methodology was used to value noncash benefits in this report. In simple words, cash equivalent values of benefit programs (group benefits, retirement benefits and employment prerequisites) are calculated using Hay Group's methodology (Please refer to Appendix E for a more detailed explanation of the Noncash Benefits Valuation Methodology).
- Benefit prevalence for Government Organizations and the Broader Public sector is presented in Appendix F.
 - Hay Group believes that this provides a reliable source of information for assessment of the appropriateness of benefit provisions for MLAs.





Compensation Analysis

- The following section summarizes the results in Canadian dollars from the MLA compensation analysis
- Data is presented in tables and charts
- All compensation data in the tables is presented by average and quartile to reflect the 25th, 50th, and 75th percentiles of the market data, as well as the 10th and 90th percentiles, where available.
- *Note: Data is rank-ordered to calculate percentiles. P50 (Median) or 50th Percentile divides the top 50% and the lowest 50% values; it indicates the middle position of all data. P25 or 25th Percentile divides the top 75% and the lowest 25% values. “<P10” indicates the position within a given market. For example, <P10 indicates that more than 90% of the observations are above and less than 10% of the observations are below the MLA’s compensation*





Compensation Analysis (cont'd)

Band 1

Example MLA role: Premier

Cd/n\$	Base Salary ²	Target Compensation ¹				Total Remuneration
		STI % ³	Total Cash	LTI % ³	Total Direct	
Premier	225,041	*	225,041	*	225,041	287,469
Private Sector Organizations						
P90	1,169,000	179%	2,523,000	480%	6,756,000	7,244,000
P75	879,000	147%	2,170,000	408%	5,419,000	5,818,000
P50	815,000	110%	1,819,000	318%	4,854,000	5,188,000
P25	744,000	88%	1,497,000	229%	3,623,000	3,866,000
P10	709,000	66%	1,302,000	148%	1,848,000	2,027,000
Average	873,000	120%	1,897,000	314%	4,595,000	4,916,000
Variance from Median	-72%	*	-88%	*	-95%	-94%
Market Position	<P10	*	<P10	*	<P10	<P10

* Insufficient data

Notes:

- Hay Group market data as of May 2011
- Base salary for Members of the Legislative Assembly of Alberta includes MLA Indemnity, grossed up MLA tax-free allowance, RRSP allowance, Additional Indemnity, Special Members' Allowance, Committee (Assembly and/or Government) Allowances and allowance in lieu of Committee Allowances.
- Data include only those organizations which have a plan at this level
- An annualized transition allowance is included in the noncash value for Members of the Legislative Assembly of Alberta

*Band 1 positions in the Government sector and Broader Public sector that may be matched from Hay Group databases do not exist



Compensation Analysis (cont'd)

Band 2

Example MLA role: Minister with Portfolio

CdN\$	Base Salary ²	STI % ³	Total Cash	Target Compensation ¹			Total Remuneration
				LTI % ³	Total Direct	Noncash Value ⁴	
Minister with Portfolio	201,449	*	201,449	*	201,449	56,133	257,582
Broader Public Sector Organizations							
P90	439,000	94%	696,000	*	858,000	128,000	1,000,000
P75	363,000	46%	533,000	*	585,000	101,000	715,000
P50	322,000	33%	363,000	54%	363,000	76,000	441,000
P25	276,000	15%	290,000	*	290,000	51,000	351,000
P10	234,000	9%	241,000	*	241,000	37,000	295,000
Average	326,000	40%	436,000	72%	516,000	80,000	596,000
Variance from Median	-37%	*	-45%	*	-45%	-26%	-42%
Market Position	< P10	*	< P10	*	< P10	P30	< P10
Private Sector Organizations							
P90	575,000	118%	1,129,000	277%	2,241,000	209,000	2,451,000
P75	475,000	85%	860,000	216%	1,766,000	170,000	1,939,000
P50	417,000	67%	709,000	156%	1,225,000	136,000	1,367,000
P25	359,000	48%	597,000	85%	793,000	99,000	892,000
P10	329,000	41%	505,000	63%	610,000	72,000	682,000
Average	435,000	75%	769,000	159%	1,358,000	141,000	1,499,000
Variance from Median	-52%	*	-72%	*	-84%	-59%	-81%
Market Position	< P10	*	< P10	*	< P10	< P10	< P10

* Insufficient data

Notes:

- Hay Group market data as of May 2011
- Base salary for Members of the Legislative Assembly of Alberta includes MLA Indemnity, grossed up MLA tax-free allowance, RRSP allowance, Additional Indemnity, Special Members' Allowance, Committee (Assembly and/or Government) Allowances and allowance in lieu of Committee Allowances.
- Data include only those organizations which have a plan at this level
- An annualized transition allowance is included in the noncash value for Members of the Legislative Assembly of Alberta

* Band 2 positions in the Government sector that may be matched from Hay Group databases do not exist



Compensation Analysis (cont'd)

Band 2

Example MLA role: Speaker

Cd'n\$	Base Salary ²		Target Compensation ¹			Total Remuneration
	STI % ³	Total Cash	LTI % ³	Total Direct	Noncash Value ⁴	
Speaker	*	207,845	*	207,845	57,840	265,685
Broader Public Sector Organizations						
P90	94%	696,000	*	858,000	128,000	1,000,000
P75	46%	533,000	*	585,000	101,000	715,000
P50	33%	363,000	54%	363,000	76,000	441,000
P25	15%	290,000	*	290,000	51,000	351,000
P10	9%	241,000	*	241,000	37,000	295,000
Average	40%	436,000	72%	516,000	80,000	596,000
Variance from Median	* -35%	< P10	*	-43%	-24%	-40%
Market Position	*	< P10	*	< P10	P32	< P10
Private Sector Organizations						
P90	118%	1,129,000	277%	2,241,000	209,000	2,451,000
P75	85%	860,000	216%	1,766,000	170,000	1,939,000
P50	67%	709,000	156%	1,225,000	136,000	1,367,000
P25	48%	597,000	85%	793,000	99,000	892,000
P10	41%	505,000	63%	610,000	72,000	682,000
Average	75%	769,000	159%	1,358,000	141,000	1,499,000
Variance from Median	* -50%	-71%	*	-83%	-57%	-81%
Market Position	*	< P10	*	< P10	< P10	< P10

* Insufficient data

Notes:

1. Hay Group market data as of May 2011

2. Base salary for Members of the Legislative Assembly of Alberta includes MLA Indemnity, grossed up MLA tax-free allowance, RRSP allowance, Additional Indemnity, Special Members' Allowance, Committee (Assembly and/or Government) Allowances and allowance in lieu of Committee Allowances.

3. Data include only those organizations which have a plan at this level

4. An annualized transition allowance is included in the noncash value for Members of the Legislative Assembly of Alberta

* Band 2 positions in the Government sector that may be matched from Hay Group databases do not exist



Compensation Analysis (cont'd)

Band 2

Example MLA role: Leader of the Official Opposition

CdN\$	Base Salary ²		Target Compensation ¹			
	STI % ³	Total Cash	LTI % ³	Total Direct	Noncash Value ⁴	Total Remuneration
Leader of the Official Opposition	*	207,845	*	207,845	57,840	265,685
Broader Public Sector Organizations						
P90	94%	696,000	*	858,000	128,000	1,000,000
P75	46%	533,000	*	585,000	101,000	715,000
P50	33%	363,000	54%	363,000	76,000	441,000
P25	15%	290,000	*	290,000	51,000	351,000
P10	9%	234,000	*	241,000	37,000	295,000
Average	40%	436,000	72%	516,000	80,000	596,000
Variance from Median	*	-43%	*	-43%	-24%	-40%
Market Position	*	< P10	*	< P10	P32	< P10
Private Sector Organizations						
P90	118%	1,129,000	277%	2,241,000	209,000	2,451,000
P75	85%	860,000	216%	1,766,000	170,000	1,939,000
P50	67%	709,000	156%	1,225,000	136,000	1,367,000
P25	48%	597,000	85%	793,000	99,000	892,000
P10	41%	505,000	63%	610,000	72,000	682,000
Average	75%	769,000	159%	1,358,000	141,000	1,499,000
Variance from Median	*	-71%	*	-83%	-57%	-81%
Market Position	*	< P10	*	< P10	< P10	< P10

* Insufficient data

Notes:

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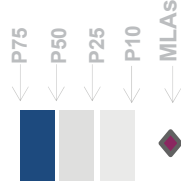
***Band 2 positions in the Government sector that may be matched from Hay Group databases do not exist**

Compensation Analysis (cont'd)

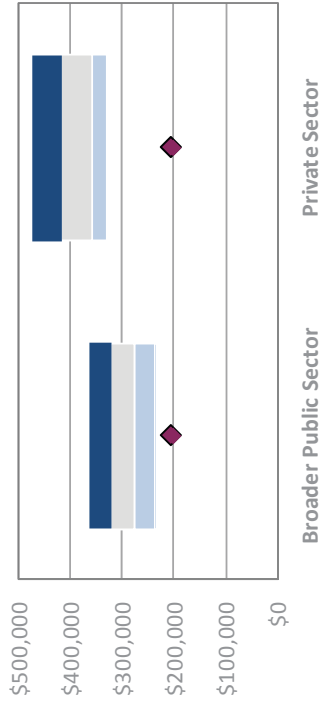
Band 2



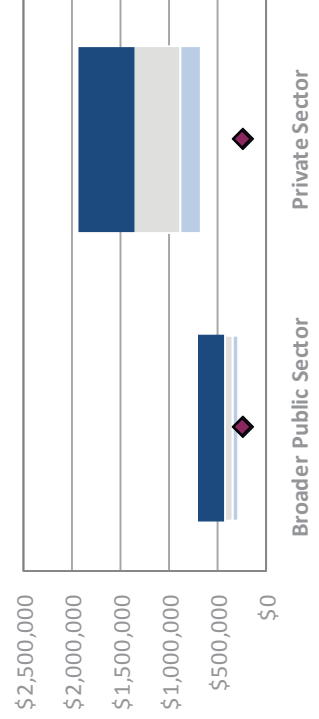
Example MLA roles: Minister with Portfolio, Speaker, Leader of the Official Opposition



Base Salary



Actual Total Remuneration





Compensation Analysis (cont'd)

Band 3

Example MLA role: Deputy Speaker

Cdn\$	Base Salary ²		Target Compensation ¹		Total Remuneration	
	Base Salary ²	STI % ³	Total Cash	LTI % ³	Total Direct	Noncash Value ⁴
Deputy Speaker	157,901	*	157,901	*	157,901	44,511
202,412						
Government Organizations						
P90	216,000	*	216,000	*	216,000	*
P75	190,000	*	204,000	*	204,000	38,000
P50	171,000	*	190,000	*	190,000	33,000
P25	168,000	*	180,000	*	180,000	21,000
P10	148,000	*	148,000	*	148,000	*
Average	185,000	*	196,000	*	196,000	32,000
Variance from Median	-8%	*	-17%	*	-17%	35%
Market Position	P17	*	P15	*	P15	>P75
Broader Public Sector Organizations						
P90	310,000	50%	435,000	*	461,000	93,000
P75	271,000	38%	347,000	58%	356,000	74,000
P50	237,000	21%	264,000	44%	264,000	50,000
P25	193,000	12%	203,000	20%	203,000	32,000
P10	169,000	10%	178,000	*	178,000	24,000
Average	241,000	28%	289,000	47%	305,000	56,000
Variance from Median	-33%	*	-40%	*	-40%	-11%
Market Position	<P10	*	<P10	*	<P10	P42
Private Sector Organizations						
P90	389,000	80%	635,000	167%	1,056,000	115,000
P75	337,000	61%	544,000	136%	859,000	94,000
P50	275,000	48%	415,000	89%	602,000	75,000
P25	244,000	37%	343,000	48%	391,000	58,000
P10	216,000	30%	298,000	30%	314,000	41,000
Average	296,000	54%	457,000	98%	679,000	77,000
Variance from Median	-43%	*	-62%	*	-74%	-41%
Market Position	<P10	*	<P10	*	<P10	P13

* Insufficient data

Notes:

1. Hay Group market data as of May 2011

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3. Data include only those organizations which have a plan at this level

4. An annualized transition allowance is included in the noncash value for Members of the Legislative Assembly of Alberta



Compensation Analysis (cont'd)

Band 3

Example MLA role: Leader of a Recognized Opposition Party

Cdn\$	Base Salary ²		Target Compensation ¹		Total Remuneration
	STI % ³	Total Cash	LTI % ³	Total Direct	
	171,325	171,325	*	171,325	220,686
Leader of a Recognized Opposition Party					
Government Organizations					
P90	216,000	216,000	*	216,000	*
P75	190,000	204,000	*	204,000	223,000
P50	171,000	190,000	*	190,000	218,000
P25	168,000	180,000	*	180,000	191,000
P10	148,000	148,000	*	148,000	*
Average	185,000	196,000	*	196,000	228,000
Variance from Median	1%	-9%	*	-9%	1%
Market Position	P52	P21	*	P21	P63
Broader Public Sector Organizations					
P90	310,000	435,000	50%	461,000	566,000
P75	271,000	347,000	38%	356,000	458,000
P50	237,000	264,000	21%	264,000	319,000
P25	193,000	203,000	12%	203,000	239,000
P10	169,000	178,000	10%	178,000	210,000
Average	241,000	289,000	28%	305,000	361,000
Variance from Median	-27%	-35%	*	-35%	-31%
Market Position	P12	<P10	*	<P10	P16
Private Sector Organizations					
P90	389,000	635,000	80%	1,056,000	1,170,000
P75	337,000	544,000	61%	859,000	963,000
P50	275,000	415,000	48%	602,000	675,000
P25	244,000	343,000	37%	391,000	460,000
P10	216,000	298,000	30%	314,000	378,000
Average	296,000	457,000	54%	679,000	756,000
Variance from Median	-37%	-58%	*	-71%	-67%
Market Position	<P10	<P10	*	<P10	P16

* Insufficient data

Notes:

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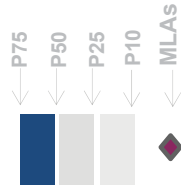
4. An annualized transition allowance is included in the noncash value for Members of the Legislative Assembly of Alberta



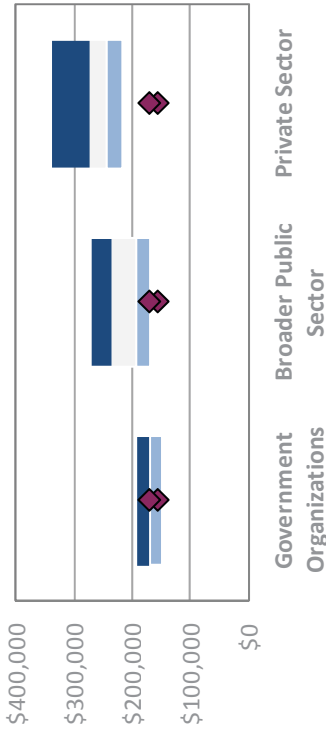
Compensation Analysis (cont'd)

Band 3

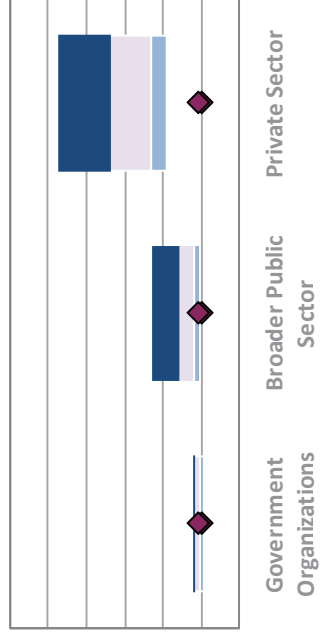
Sample MLA roles: Deputy Speaker, Leader of a Recognized Opposition Party



Base Salary



Actual Total Remuneration





Compensation Analysis (cont'd)

Band 4

Example MLA role: Official Opposition House Leader

Cdn\$	Base Salary ²		Target Compensation ¹		Total Remuneration
	STI % ³	Total Cash	LTI % ³	Total Direct	
	151,529	151,529	*	151,529	194,339
Official Opposition House Leader					
Government Organizations					
P90	178,000	181,000	*	181,000	219,000
P75	171,000	171,000	*	171,000	204,000
P50	145,000	153,000	*	153,000	180,000
P25	134,000	143,000	*	143,000	167,000
P10	116,000	117,000	*	117,000	135,000
Average	150,000	153,000	*	153,000	182,000
Variance from Median	5%	-1%	*	-1%	8%
Market Position	P56	P46	*	P46	P65
Broader Public Sector Organizations					
P90	219,000	277,000	37%	286,000	354,000
P75	193,000	231,000	31%	234,000	298,000
P50	171,000	184,000	23%	184,000	226,000
P25	143,000	149,000	11%	149,000	186,000
P10	132,000	135,000	10%	135,000	164,000
Average	173,000	196,000	23%	201,000	240,000
Variance from Median	-11%	-18%	*	-18%	-14%
Market Position	P33	P27	*	P27	P30
Private Sector Organizations					
P90	253,000	356,000	52%	464,000	531,000
P75	218,000	294,000	39%	357,000	401,000
P50	189,000	249,000	32%	286,000	325,000
P25	164,000	211,000	24%	224,000	262,000
P10	146,000	185,000	19%	193,000	224,000
Average	195,000	263,000	34%	319,000	364,000
Variance from Median	-20%	-39%	*	-47%	-40%
Market Position	P15	<P10	*	<P10	P45

* Insufficient data

Notes:

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Compensation Analysis (cont'd)

Band 4

Example MLA role: Committee Chair (Assembly and/or Government)

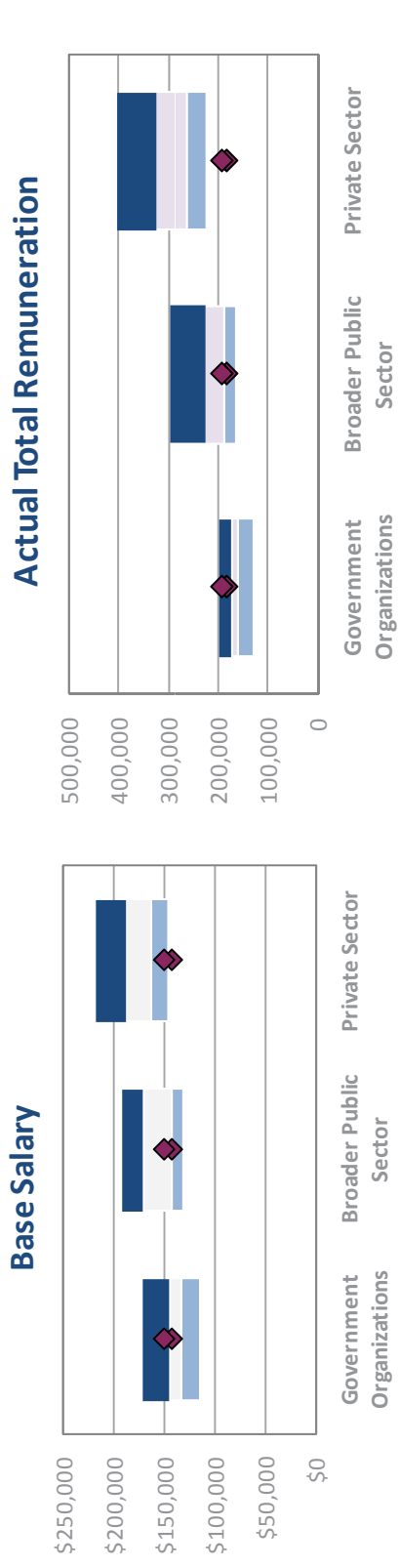
Cd/\$	Base Salary ²		Target Compensation ¹		Total Remuneration
	STI % ³	Total Cash	LTI % ³	Total Direct	
Committee Chair (Assembly and/or Government)	*	143,933	*	143,933	184,686
Government Organizations					
P90	*	178,000	*	181,000	219,000
P75	*	171,000	*	171,000	204,000
P50	*	145,000	*	153,000	180,000
P25	*	134,000	*	143,000	167,000
P10	*	116,000	*	117,000	135,000
Average	*	150,000	*	153,000	182,000
Variance from Median	-1%	-6%	*	-6%	3%
Market Position	P48	P27	*	P27	P55
Broader Public Sector Organizations					
P90	37%	219,000	*	286,000	354,000
P75	31%	193,000	*	231,000	298,000
P50	23%	171,000	32%	184,000	226,000
P25	11%	143,000	*	149,000	186,000
P10	10%	132,000	*	135,000	164,000
Average	23%	173,000	37%	201,000	240,000
Variance from Median	-16%	-22%	*	-22%	-18%
Market Position	P26	P20	*	P20	P24
Private Sector Organizations					
P90	52%	253,000	74%	464,000	531,000
P75	39%	218,000	53%	357,000	401,000
P50	32%	189,000	32%	286,000	325,000
P25	24%	164,000	21%	224,000	262,000
P10	19%	146,000	7%	193,000	224,000
Average	34%	195,000	43%	319,000	364,000
Variance from Median	-24%	-42%	*	-50%	-43%
Market Position	<P10	<P10	*	<P10	P41

* Insufficient data
 Notes:
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 3. Data include only those organizations which have a plan in this level
 4. An annualized transition allowance is included in the noncash value for Members of the Legislative Assembly of Alberta


Compensation Analysis (cont'd)
Band 4

Example MLA roles: Official Opposition House Leader, Committee Chair (Assembly and/or Government)

← P75
 ← P50
 ← P25
 ← P10
 ← MLAs





Compensation Analysis (cont'd)

Band 5

Example MLA role: MLA

Cdn\$	Base Salary ²		Target Compensation ¹		Total Remuneration	
	STI % ³	Total Cash	LTI % ³	Total Direct	Noncash Value ⁴	Total
MLA	*	137,933	*	137,933	39,056	176,989
Government Organizations						
P90	*	167,000	*	167,000	31,000	197,000
P75	*	141,000	*	144,000	29,000	163,000
P50	8%	131,000	*	132,000	26,000	158,000
P25	*	121,000	*	121,000	20,000	152,000
P10	*	108,000	*	108,000	16,000	127,000
Average	7%	134,000	*	136,000	24,000	160,000
Variance from Median	5%	4%	*	4%	50%	12%
Market Position	P67	P62	*	P62	>P90	P81
Broader Public Sector Organizations						
P90	27%	203,000	*	206,000	42,000	248,000
P75	22%	168,000	*	169,000	33,000	211,000
P50	16%	144,000	17%	145,000	27,000	178,000
P25	10%	122,000	*	122,000	21,000	157,000
P10	7%	112,000	*	112,000	16,000	138,000
Average	17%	139,000	32%	152,000	28,000	180,000
Variance from Median	1%	-4%	*	-5%	45%	-1%
Market Position	P53	P43	*	P42	P85	P49
Private Sector Organizations						
P90	40%	271,000	53%	306,000	48,000	356,000
P75	31%	220,000	32%	242,000	38,000	278,000
P50	25%	185,000	18%	195,000	30,000	221,000
P25	20%	161,000	11%	165,000	23,000	191,000
P10	16%	142,000	5%	145,000	18,000	167,000
Average	27%	197,000	28%	219,000	32,000	251,000
Variance from Median	-7%	-25%	*	-29%	30%	-20%
Market Position	P35	<P10	*	<P10	P77	P16

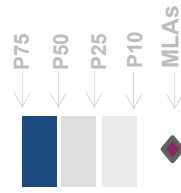
* Insufficient data
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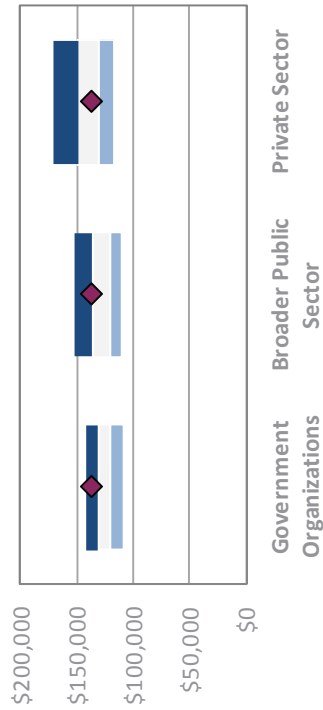
Compensation Analysis (cont'd)

Band 5

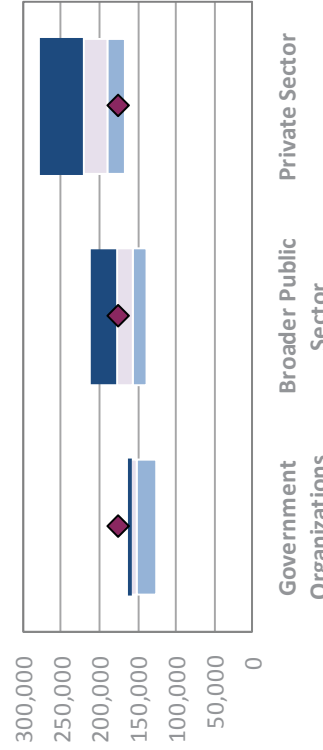
Example MLA role: MLA



Base Salary



Actual Total Remuneration





05

Observations and Key Findings

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Appendix



Observations and Key Findings

The Premier's compensation

- There are no comparable jobs from Hay Group databases in government organizations and the broader public sector.
- There is a significant differential in base salary and total remuneration when compared to the private sector comparator group.
 - This differential is largely due to short-term and long-term incentives and executive perquisites being more prevalent in the private sector for jobs at this level



Observations and Key Findings

MLAs' Compensation and Benefits

- Base Salary
 - Base salary for MLA roles in Band 2 is below the 10th percentile of the broader public sector and private sector market. There are no comparable roles in government organizations from Hay Group databases.
 - Base salary for MLA roles in Band 3 is below the 10th percentile of the broader public sector and private sector market in most cases; market positioning increases when compared to government organizations.
 - Base salary for MLA roles in Band 4 is close to or above the median of government organizations.
 - Base salary for MLA role in Band 5 is the most competitive of the 5 bands.
 - It is important to recognize the components included in MLAs' base salary for the purpose of analysis. The competitiveness of pay may differ when there is a change in the levels of allowances.



Observations and Key Findings

MLAs' Compensation and Benefits

- Base Salary (cont'd)
 - When comparing to other jurisdictions:
 - Alberta MLAs' indemnity is lowest when compared to MLAs in other jurisdictions
 - In addition to indemnity, Alberta MLAs also receive a non-taxable expense allowance. Three other jurisdictions provide such non-taxable expense allowance, including the North West Territories, Quebec and Yukon.
 - Taking the non-taxable expense allowance into account, indemnity for Alberta MLAs is competitive (above P50) compared to MLAs of other provinces.
 - Please refer to Appendix H for a summary of publicly disclosed data on MLA compensation



Observations and Key Findings (cont'd)

MLAs' Compensation and Benefits

- Noncash Benefits
 - For the purposes of compensation comparison, MLAs' transition allowance has been included as a proxy for retirement benefits.
 - Average MLAs' noncash benefits is positioned higher compared to the Government Organizations and Broader Public Sector comparator groups due to transition allowance for MLAs
 - In terms of benefit prevalence, MLAs' group benefits (e.g. health, dental, life, long term disability and accidental death & dismemberment) are in line with market practices. Note that MLAs receive minimal to no perquisites and no paid vacation days.
 - Other jurisdictions provide a pension plan to MLAs. For Alberta MLAs a RRSP allowance is provided, which can be seen as a payment in lieu of a pension plan.
 - Please see Appendix F for benefits prevalence analysis with detailed comparison of MLAs' benefit provisions to government organizations and the broader public sector



Observations and Key Findings

MLAs' Compensation and Benefits

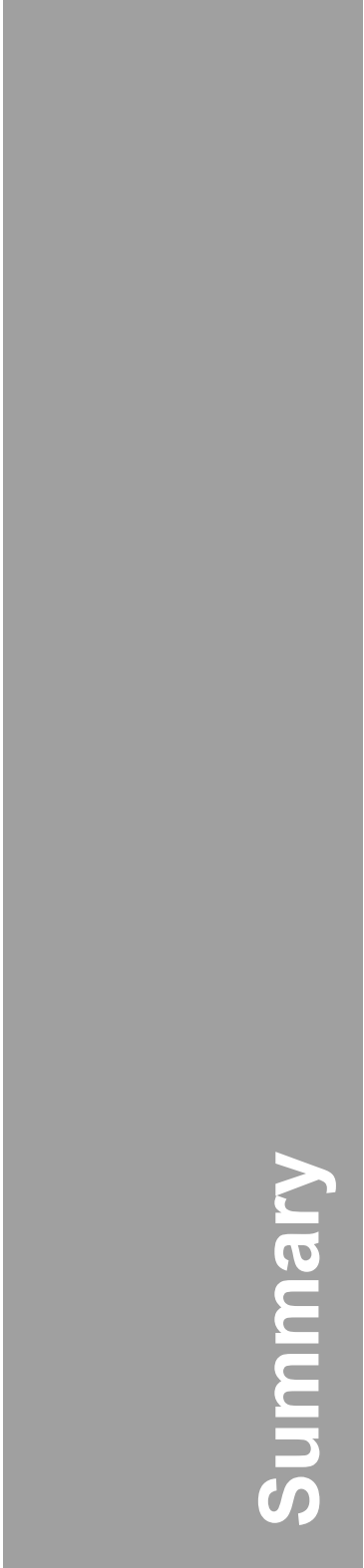
- Transition Allowance
 - MLAs receive a transition allowance when they leave office. Although quite a substantial allowance for the MLAs, this allowance is similar in nature to a severance payment . This allowance is given to all members once they leave office, whether they leave by choice or not. The allowance is a fairly large percentage of the MLAs' compensation, representing 3 months salary for each year of service.
 - Alberta MLAs' transition allowance is the highest when compared to transition allowance for MLAs in other jurisdictions
 - As a point of reference, the common severance multiples is 12 - 24 months of salary and bonuses amongst S&P/ TSX 60 organizations.
 - According to Institutional Shareholder Services' ("ISS") 2011 Canadian Proxy Voting Guidelines Summary defines excessive severance payment as greater than two times annual cash compensation, a change from three times annual cash compensation in the past.
 - In our view, there is an emerging trend in lowering the level of severance payments.



Observations and Key Findings

MLAs' Compensation and Benefits

- Total Remuneration
 - Similar to the market positioning of base salary, total remuneration for Band 4 and 5 is the most competitive. However, it is below the 10th percentile when compared to the private sector.
 - The low total remuneration position is driven by the following:
 - MLAs are not entitled to cash incentives; short-term, mid-term and long-term incentives are prevalent in the private sector.
 - Short-term incentives are also prevalent in the broader public sector.
 - Executive perquisites are prominent at senior levels in private organizations, whereas MLAs receive minimal to no perquisites.





Summary

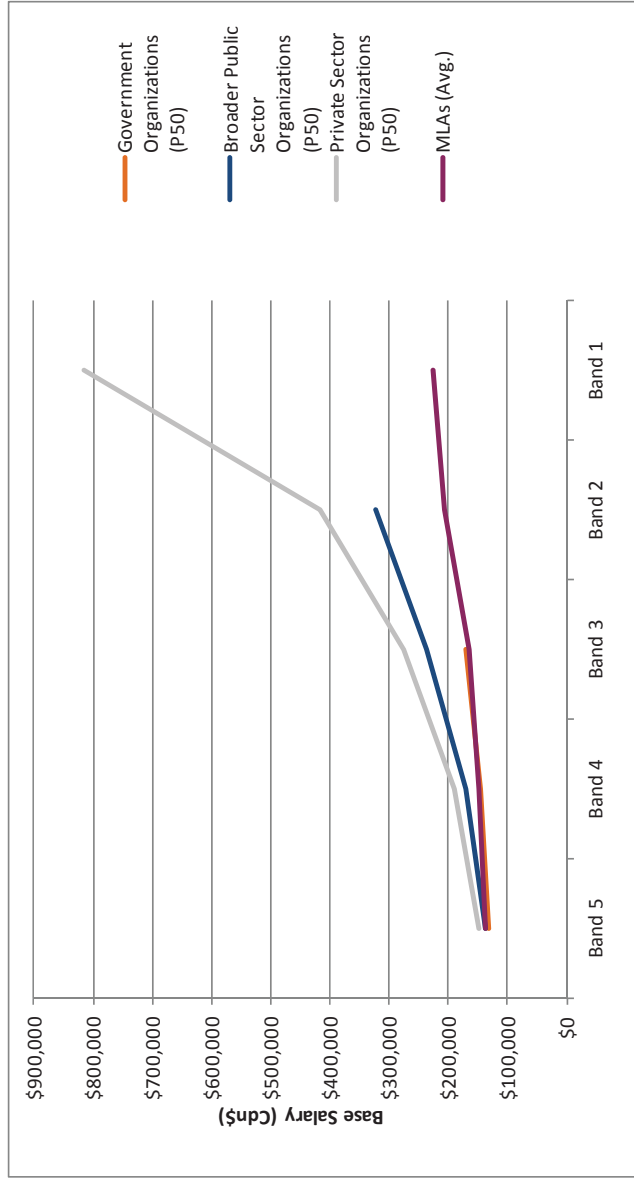
- MLA compensation is not positioned competitively for Band 1 and 2. However, starting at Band 3, positioning is most competitive when compared to other Government organizations. Clearly, there is a gap to higher private sector organizations' compensation.

Level	Example MLA roles	Base Salary			Target Total Remuneration		
		Government Organizations	Broader Public Sector Organizations	Private Sector Organizations	Government Organizations	Broader Public Sector Organizations	Private Sector Organizations
Band 1	Premier	*	*	<P10	*	*	<P10
Band 2	Minister with Portfolio	*	<P10	<P10	*	<P10	<P10
	Speaker	*	<P10	<P10	*	<P10	<P10
	Leader of the Official Opposition	*	<P10	<P10	*	<P10	<P10
Band 3	Deputy Speaker	P17	<P10	<P10	P36	<P10	<P10
	Leader of a Recognized Opposition Party	P52	P12	<P10	P63	P16	<P10
Band 4	Official Opposition House Leader	P56	P33	P15	P65	P30	<P10
	Committee Chair (Assembly and/or Government)	P48	P26	<P10	P55	P24	<P10
Band 5	MLA	P67	P53	P35	P81	P49	P16



Summary (cont'd)

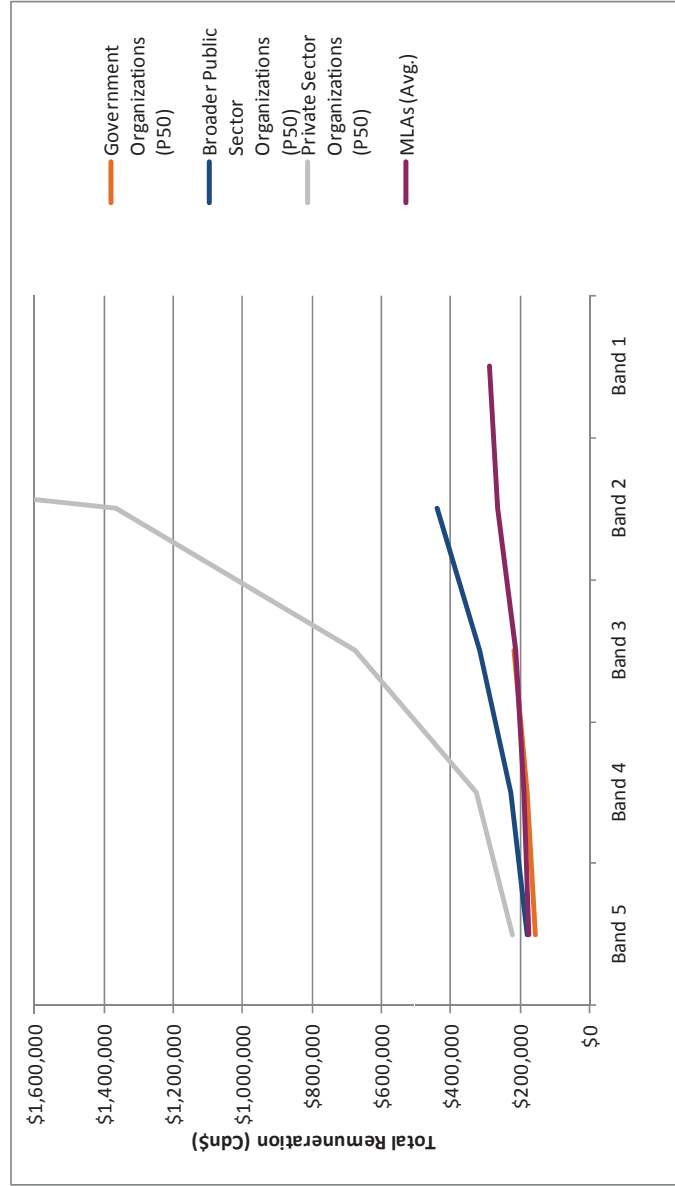
- The following chart shows the base salary progression of different bands (MLAs) against the 3 comparator groups. The base salary gap to broader public sector and private sector compensation continues to widen with increasing job size. Please note that at Band 1 and 2 positions that may be matched from our databases (except for Private Sector organizations) do not exist.

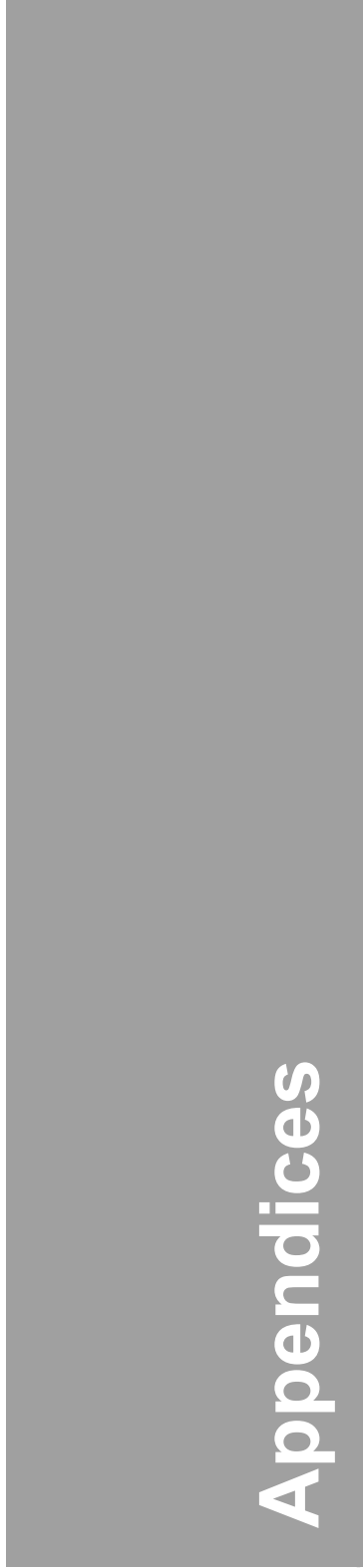




Summary (cont'd)

- The following chart shows the Total Remuneration progression of different bands (MLAs) against the 3 comparator groups. When comparing to the public and private sector, we commonly see a divergence in compensation typically driven by long-term incentive awards to increasingly senior private sector executives.





Appendix A – Interview with MLAs



Role Understanding – Process Overview

As part of the Compensation and Benefits review, Hay Group was asked to use its job sizing methodology to analyze and evaluate MLA roles. The relative size and complexity of the various MLA roles could be determined, and would provide a platform for making the most appropriate comparisons to market data for these roles. Job understanding is critical to conducting a fair and equitable job evaluation and to facilitate our understanding of the roles, we interviewed seventeen MLAs. These MLAs represented a cross-section from the perspective of:

- Having served in a number of different roles over their tenure as MLAs;
- Representing both government and opposition parties, and therefore, potentially having nuanced points of view to share on the role of an MLA;
- Representing different constituencies; again, providing a richer understanding of the role of MLA, and its inherent challenges;

Appendix A – Interview with MLAs (cont'd)



Interview Observations and Themes

At the Calgary Hearing, Dr. Allan Tupper offered his opinion of the major roles of a modern legislature. Dr. Tupper suggested that there are five distinct roles that the modern legislature fulfills:

- *Representation*: Of citizens' interests, views and policy preferences;
- *Legislative Function*: The passage and careful consideration of legislation;
- *Control Function*: Fostering the control and accountability of government;
- *Educative Function*: Development and education of public opinion; and
- *Constituency Service*: Attending to and resolving constituents' concerns.

We used this construct as a guide for our discussions with each of the MLAs interviewed. All MLAs interviewed felt that the list was a reasonable and comprehensive summary, which related well to the key responsibilities associated with their role. It was interesting to note that while Dr. Tupper may not have presented the list in any particular order of priority, without exception, most of the MLAs interviewed identified most strongly with the role and responsibility of constituency service.



Appendix A – Interview with MLAs (cont'd)

The information gathered during the course of the various interviews was thoughtful, rich and detailed and contributed well to our understanding of the role of MLA. A number of consistent observations and themes emerged from these discussions, which we share below. These observations are not intended to serve as a role profile; rather, we share them more to provide context to the role of MLA as we understood them:

- While all MLAs have the same core responsibilities, which were described to us as representing their constituents, and working on the review and adoption of legislation, some MLAs are asked to assume additional responsibilities. These additional responsibilities might include serving as a member of cabinet. Generally, the focus of the role of MLA appears to shift when the MLA is appointed to a cabinet position. A Minister is in the position of not only representing his or her constituents, but also serving as an executive having accountability for managing a portfolio that must deliver services to all Albertans.



Appendix A – Interview with MLAs (cont'd)

- In general terms, an MLA requires a broad knowledge base. The MLA must be prepared to speak to virtually any issue that a constituent chooses to bring to the elected representative. While it might appear on the surface that an MLA need only be knowledgeable on the diversity of issues within the scope of the Alberta Government – the provincial jurisdiction (which in itself is extremely wide), our interview findings suggested otherwise. The reality appears to be that an MLA receives inquiries from constituents well beyond provincial scope and is often called upon to initiate some resolution to the issue being raised. There appears to be a sense of responsibility or at the least, a willingness to direct the citizen to the appropriate resource. In some cases, particularly where a citizen may be an individual at risk (e.g.: health, social services), there appears to be an even greater willingness to set the constituent in the right direction, regardless of the jurisdictional matter.
- While most MLAs serve as members of a political party, ultimately they are only responsible to their constituents. As well, they study, debate and vote on proposed legislation. This level of independence is not typically found in roles other than elected officials or contractors.



Appendix A – Interview with MLAs (cont'd)

- A Minister serves as the senior executive for a department, a complex organization typically populated by a few hundred to a few thousand employees. For the purpose of considering comparable roles beyond the provincial government setting, it would be reasonable, in our opinion, to consider a Minister's responsibilities as being comparable to an executive responsible for a major operating division of a large organization.
- Members of the Official Opposition provide a shadow cabinet but because there are far fewer members, typically a member of the shadow cabinet will be responsible to understand in considerable depth the issues of a number of portfolios/issues/initiatives.
- In all cases, the MLAs interviewed were of the opinion that committee participation was a core responsibility for MLAs, and not an add-on responsibility. However, chairing an active committee (government or assembly) was perceived as being a noticeably larger responsibility.



Appendix A – Interview with MLAs (cont'd)

- Different constituencies provide MLAs with different challenges and issues can be quite different (urban versus rural for example).
- The majority of MLAs interviewed also commented on the demands of the role, long hours, lack of privacy associated with public life and the relative absence of work-life balance.



Appendix B – Government Organizations (N=26)

B.C. Public Service Agency
 City of Brantford
 City of Charlottetown
 City of Edmonton
 City of Fort Saskatchewan
 City of Kelowna
 City of Nanaimo
 City of Regina
 City of St. Albert
 The Corporation of the District of Peachland
 Gouvernement du Québec: Secrétariat du Conseil du trésor
 Government of Alberta
 Government of Manitoba
 Government of the Northwest Territories
 Government of Nova Scotia
 Government of Nunavut
 Government of Ontario
 Halifax Regional Municipality
 House of Commons
 Regional District of Central Okanagan
 Regional District of Nanaimo
 Regional Municipality of Wood Buffalo
 Strathcona County
 Tk'emlups Indian Band
 Town of Ladysmith
 Treasury Board of Canada Secretariat





Appendix C – Broader Public Sector Organizations (N=192)

AMAPCEO	Canada Foundation for Innovation	Delhousie University
ATB Financial	Canada Lands Company CLC Limited	Deposit Insurance Corporation of Ontario
The Agency for Co-operative Housing	Canada Mortgage and Housing Corporation	Edmonton Airports
Alberta Institute Purchasing Management Corporation	Canada Post Corporation	Edmonton Catholic School District
Alberta Investment Management Corporation	Canadian Bankers Association	Educators Financial Group Inc.
Alberta Local Authorities Pension Plan Corp.	Canadian Cancer Society - British Columbia & Yukon Division	Electricity Distributors Association
Alberta Pension Services Corporation	Canadian Centre on Substance Abuse	Enersource Hydro Mississauga
Alberta Securities Commission	Canadian Council of Christian Charities	Engineers Canada
Alcohol and Gaming Commission of Ontario	Canadian Institutes of Health Research	Evraz Place
Annapolis Valley District Health Authority	Canadian Life and Health Insurance Association Inc.	Farm Credit Canada
Association of Regina REALTORS Inc.	Canadian Payments Association	Financial Institutions Commission of British Columbia
Association of Saskatchewan Realtors	Cape Breton District Health Authority	Five Hills Regional Health Authority
Association of Universities and Colleges of Canada	Cape Breton University	The Good Samaritan Society
Assuris	Capital District Health Authority	Gouvernement du Québec: Secrétariat du Conseil du trésor
Autorité des Marchés Financiers du Québec	Centre Street Church	Government of Alberta
B.C. Public Service Agency	Certified Management Accountants of Saskatchewan	Government of Manitoba
Bank of Canada	Cratham-Kent Health Alliance	Government of the Northwest Territories
Blue Water Bridge Canada	Chicken Farmers of Ontario	Government of Nova Scotia
Bluewater District School Board	City of Brantford	Government of Nunavut
Bluewater Power Distribution Corporation	City of Charlottetown	Government of Ontario
Bow Valley College	City of Edmonton	Grant MacEwan University
Brantford Energy Group of Companies	City of Fort Saskatchewan	Greater Toronto Airports Authority
British Columbia Hydro and Power Authority	City of Kelowna	Guelph Hydro Electric Systems Inc.
British Columbia Safety Authority	City of Nanaimo	Guyborough Antigonish Strait District Health Authority
Build Toronto Inc.	City of Regina	Halifax Port Authority
Business Development Bank of Canada	City of St. Albert	Halifax Regional Municipality
CAAT Pension Plan	Colchester East Hants District Health Authority	Halifax Regional Water Commission
OPP Investment Board	Concordia University College of Alberta	The Hamilton-Wentworth District School Board
CSA Group	Construction Sector Council	Health Quality Council
Calgary Public Library	The Corporation of the District of Peachland	Healthcare of Ontario Pension Plan
The Calgary Stampede	Credit Union Deposit Guarantee Corporation - Saskatchewan	Hong Kong Trade Development Council
Calgary Zoo	Cumberland District Health Authority	Horizon Utilities Corporation
Canada Deposit Insurance Corporation	Cypress Regional Health Authority	House of Commons



Appendix C – Broader Public Sector Organizations (cont'd)

Hydro One Brampton	Prince Rupert Port Authority	Tk'emlúps Indian Band
Hydro One Inc.	Public Sector Pension Investment Board	Toronto Hydro-Electric System Limited
Hydro Ottawa Limited	Red Deer College	Toronto Transit Commission
WK Health Centre	Red River College	Town of Ladysmith
Immigrant Services Society of British Columbia	Regina Police Service	Treasury Board of Canada Secretariat
Industry Training Authority	Regina Qu'Appelle Regional Health Authority	Trillium Lakelands District School Board
International Development Research Centre	Regional District of Central Okanagan	USC Education Savings Plans Inc.
Keewatin Yatthe Regional Health Authority	Regional District of Nanaimo	Union of Northern Workers
Kelsey Trail Regional Health Authority	Regional Municipality of Wood Buffalo	The United Church of Canada
LOBO	Registered Nurses Association of Northwest Territories and N	United Way of the Alberta Capital Region
London Hydro	Royal Canadian Mint	University of Alberta
Mamawetan Churchill River Regional Health Authority	Royal Roads University	University of British Columbia
McMaster University	SPARC BC	University of New Brunswick
NB Power Holding Corporation	Safety Codes Council	University of Regina
National Energy Board	Saint John Police Force	University of Victoria
Natural Sciences and Engineering Research Council of Canada	St. Lawrence Seaway Management Corporation	University of Winnipeg
Newfoundland and Labrador Centre for Health Information	Saskatchewan Assessment Management Agency	Veridian Corporation
Northwest Territories Power Corporation	Saskatchewan Association of Health Organizations	VisitBritain
Nova Scotia Pension Agency	Saskatchewan Cancer Agency	Westario Power Inc.
Nunavut Tunngavik Incorporated	Saskatchewan Government Insurance	Westbank First Nation
OMERS Administration Corporation	Saskatchewan H-busing Authorities	Western Canadian District, Christian &
Office of the Superintendent of Financial Institutions	Saskatchewan Watershed Authority	Missionary Alliance
Ontario Association of Food Banks	Saskatchewan Workers' Compensation Board	Workers' Compensation Board - Alberta
Ontario Lottery and Gaming Corporation	Saskatoon Regional Health Authority	Workers Compensation Board of Manitoba
Ontario Pension Board	SaskEnergy Incorporated	Workplace Health, Safety and Compensation
Ontario Power Authority	SaskPower	Commission of N.B.
Ontario Power Generation Inc.	SaskTel	Yellowhead Regional Library
Ontario Teachers' Pension Plan Board	South Shore District Health Authority	York Manor Inc.
OPSEU Pension Trust	South West Nova District Health Authority	Yukon Energy Corporation
Pictou County District Health Authority	Strathcona County	
PowerStream Inc.	Sun Country Regional Health Authority	
Prairie North Regional Health Authority	Sunrise Regional Health Authority	
Prince Albert Parkland Regional Health Authority	TVOntario	



Appendix D – Private Sector Organizations (N=353)

1st Choice Savings and Credit Union Ltd.	Caterpillar of Canada Corporation	Eli Lilly Canada Inc.
3M Canada Company	Centerra Gold Inc.	Elkem Métal Canada Inc.
A&W Food Services of Canada Inc.	Chartis Insurance Company of Canada	Envision Financial, a division of First West Credit Union
ABB Inc.	Chemetics Inc. (a Jacobs company)	The Equitable Life Insurance Company of Canada
ACA Co-operative Limited	Christie Digital Systems Inc.	Essar Steel Algoma Inc.
ATCO Hek	The Churchill Corporation	Fédération des caisses Desjardins du Québec
AV Nackawic Inc.	Clitigroup Fund Services Canada Inc.	Ferero Canada Limited Commercial Division
Abbott Laboratories, Limited	Co-op Atlantic	Ferero Canada Limited Industrial Division
Affinity Credit Union	Coast Capital Savings Credit Union	Fidelity Investments Canada LLC
AGF Trust Company	Coastal Community Credit Union	Finning International Inc.
Agja Healthcare Canada	Cognis Canada Corporation	First Calgary Financial Credit Union Ltd.
Agja Inc.	Combined Insurance Company of America	First Canadian Title Company Ltd.
Air New Zealand	Comerica Bank Canada	First Nations Bank of Canada
Air Products Canada Ltd.	Compass Group Canada	First West Credit Union
Akzo Nobel Canada Inc.	Concentra Financial	FirstOntario Credit Union
Alamos Gold Inc.	Conexus Credit Union	Fisher & Paykel Healthcare Inc.
Alberta-Pacific Forest Industries Inc.	Country Ribbon Inc.	Forbo Lindeum Inc.
Alcon Canada Inc.	Crawford and Company (Canada) Inc.	Fortis Inc.
Allergan Canada Inc.	Credential Financial Inc.	Fortis Ontario Inc.
Alumina Alouette Inc.	Credit Union Central Alberta Limited	Fortis Properties Corporation
Ancoor Limited	Cytec Canada Inc.	FortisAlberta Inc.
Angen Canada Inc.	The D&B Companies of Canada Ltd.	FortisBC Energy Inc.
Anway Canada Corporation	DENSO Manufacturing Canada Inc.	FortisBC Inc.
Andrew Peller Limited	DSM Nutritional Products Canada Inc.	Franklin Templeton Investments
ArcelorMittal Dofasco Inc.	Dashow-Manubent International Ltd.	Gates Canada Inc.
ArcelorMittal Mines Canada	Danone Canada Inc.	General Kinetics Engineering Corporation
ArcelorMittal Tubular Products - Automotive Division	De Beers Canada Inc., Corporate Division	Gerdau Ameristeel
Arrow Transportation Systems Inc.	De Beers Canada Inc., Exploration Division	GlaxoSmithKline Inc.
Asiand Inc.	De Beers Canada Inc., Mining Division	Graceway Pharmaceuticals
Asiand Inc. - Global Chemicals	Deeley Harley-Davidson Canada	Graham & Brown
Asiand Inc. - Performance Materials	Direct Energy Marketing Ltd.	Grand & Toy
Asiand Inc. - Valve/line	Dow Chemical Canada Inc.	Great-West Life Assurance Company
Assiniboine Credit Union	Dow Corning Canada Inc.	Griffith Laboratories Limited
Assomption, Compagnie mutuelle d'assurance vie	Dr Pepper Snapple Group	Group SEB Canada Inc.
Astellas Pharma Canada Inc.	Dr. Oetiker Ltd.	Guardian Mutual Funds
AstraZeneca Canada Inc.	Drayden Insurance Ltd.	HSBC Bank Canada
Atlantic Packaging Products Ltd.	Durdee Precious Metals	Harvard Developments Inc.
Atotech Canada Ltd.	Dyno Nobel Canada Inc.	Hankel Canada Corporation
Autopro Automation Consultants Ltd.	EFW Radiology	Hilti (Canada) Ltd.
BASF Canada Inc.	E.I. du Pont Canada Company	Hobart Food Equipment Services Canada
BHP Billiton - Ekati Diamond Mines	EIMC Serono Canada Inc.	Hoffmann-La Roche Ltd.
	ERCO Worldwide	The Home Depot Canada
	EWOS Canada Ltd.	Hudson's Bay Company
BHP Billiton Canada Inc.		
BakerMark Ingredients Canada Ltd.		
Barkerville Gold Mines Ltd.		
Barrick Gold Corporation		
Basell Canada Inc.		
Baxter Corporation		
The Bay		
Bayer Inc.		
The Beer Store		
Black Cat Blades Ltd.		
Blue Mountain Resorts Limited		
Boehringer Ingelheim (Canada) Ltd.		
Bombardier Transportation Canada Inc.		
Brandes Investment Partners & Co.		
Brink's Canada Limited		
Bristol-Myers Squibb Canada Co.		
Britco Structures Inc.		
Brown-Root Canada Inc.		
Bruce Power		
Bunge North America		
CHEP Canada		
CIBC		
CKF Inc.		
CNH America, LLC.		
Cabot Canada Ltd.		
Campbell Company of Canada		
Canada Safeway Limited		
Canadelle Inc.		
The Canadian Depository for Securities Limited		
Canadian Forest Products Ltd.		
Canadian National Railway Company		
Canadian Pacific Railway		
Canadian Tire Financial Services		
Canexus Limited		
Canlor Pulp Limited Partnership		
Canon Canada Inc.		
Canpotex Limited		
La Capitale		
Cargill Limited		
Catalyst Paper Corporation		



Appendix D – Private Sector Organizations (cont'd)

HumanWare	Mainstream Canada Ltd.	PPG Canada Inc. - Performance Glazing Division	Silver Standard Resources Inc.
Hunter Dickinson Inc.	Manulife Financial	Pan American Silver Corporation	Sleeman Breweries Ltd.
Huntsman Polyurethane	Maritime Electric Company	Penske Truck Leasing	Société en Commandite Tafisa Canada Inc.
IA Clarington Investments Inc.	Mark Anthony Group	PepsiCo Canada	Sofina Foods Inc.
ICI Bank Canada	McCormick Canada Co.	Phantom Mfg. (Int'l) Ltd.	Sonoco Canada Corporation
ING Bank of Canada	McElhannay Consulting Services Ltd.	Pharmascience Inc.	Standard Life Assurance Company
INVESTA (Canada) Company	The McElhannay Group Ltd.	Phillips Electronics Ltd.	State Street Trust Company Canada
ITW Construction Products	McElhannay Land Surveys Ltd.	Pioneer H-Bred Limited	Sulftran Ltd.
Industrial Alliance, Insurance and Financial Services	Meridian Credit Union	Potash Corporation of Saskatchewan Inc.	Sun Life Financial Canada
Ingersoll-Rand Canada Inc.	Meridian Lightweight Technologies Inc.	Praxair Canada Inc.	Symcor Inc.
Inprotech Canada Inc.	Methanex Corporation	Procter & Gamble Inc.	TD Bank Financial Group
International Financial Data Services (Canada)	Michelin North America (Canada) Inc.	Prospera Credit Union	TELUUS Communications Inc.
Investors Group Inc.	Miras Basin Pulp & Power Co. Ltd.	Prudential	TVI Pacific, Inc.
Island Savings Credit Union	Mitsubishi Canada Limited	Puratos Canada Inc.	Tat Electronics Ltd.
Janssen Inc.	Momeris Solutions Corporation	RBC	Takeda Pharmaceuticals North America, Inc.
John Deere Credit Inc. - Canada	Mortishop Inc.	RBC Dexia Investor Services Trust	Taro Pharmaceuticals Inc.
John Deere Limited Canada	Morseau Shepell Inc.	Richmont Canada Inc.	Tech Data Canada Corporation
Johnson Inc.	Morningstar, Inc.	Rio Tinto - Diavik Diamond Mines	Tech Resources Limited
Jubilant Life Sciences Limited - Draximage	The Mosaic Company	Rio Tinto - Fer et Titane Inc.	Teck Resources Limited - Highland Valley Copper
Jubilant Life Sciences Limited - Draxis Pharma	Mustang Survival Corp.	Rio Tinto Iron Ore	Teck Resources Limited - Trail Operation
Katz Group Canada Ltd.	Nylon Pharmaceuticals LLC	Ritchie Bros. Auctioneers (Canada) Ltd.	Tembec Inc.
Kellogg Canada Inc.	NEI Investments	Rogers Communications Inc.	Thales Rail Signalling Solutions
Kennametal Ltd.	NOVA Chemicals Corporation	Rothmans, Benson & Hedges Inc.	Thompson Creek Metals Company
Kimberly-Clark Corporation	National Bank Financial Group	Russel Metals Inc.	Thrifty Foods Inc.
Kimross Gold Corporation	Navtech Systems Support Inc.	SABIC Innovative Plastics Canada Incorporated	TimberWest Forest Corp.
The Korea Exchange Bank of Canada	Neopost Canada	SEMAFO Inc.	Timmco Limited
Kruger Products	Newfoundland Power Inc.	SMS Equipment Inc.	Tolko Industries Ltd.
Kuehne + Nagel Ltd.	Newmont Mining Corporation of Canada Limited	Saint-Gobain Abrasives Canada Inc.	Toronto CAT, A Division of Toromont Industries Ltd.
LANXESS Inc.	Nordion	sand+aventis	Triane Canada Co.
LS Travel Retail North America	North Atlantic Refining	SaskCentral	Twin Rivers Paper Company
Labatt Breweries of Canada	North Shore Credit Union	Schneider Electric	Ultramar Ltée
Lake Shore Gold Corp.	Northern Pulp Nova Scotia Corp.	Sociabank	uniPHARM Wholesale Drugs Ltd.
Lantic Inc.	Nova Scotia Power Inc.	Sears Canada Inc.	Uranium One Inc.
Laurentian Bank of Canada	Novartis Pharmaceuticals Canada Inc.	Servus Credit Union Ltd.	Valley First Credit Union, a div. of First West Credit Uni
Lego Systems, Inc.	Novo Nordisk Canada	The Shaw Group Limited	Vancity Savings Credit Union
Lehigh Hanson	Nycomed Canada Inc.	Sheritt International Corporation	Vicwest Income Fund
Linde Canada Limited	Oakrun Farm Bakery Ltd.	Shire BioChem Inc.	Viterra Inc.
Lotus Bakeries	Onton	Shiseido (Canada) Inc.	Votorantim Cement North America
Low's Companies, Inc.	L'Oréal Canada Inc.	Shoppers Drug Mart Corporation	VPL Enterprises Ltd.
MDA	P & H MinePro Services	Shore Gold Inc.	Wal-Mart Canada Corp.
MCI Financial Inc.	PPG Canada Inc.	Siemens Canada Inc.	Wells Fargo Financial Corporation Canada
Mackenzie Financial Corporation	PPG Canada Inc. - Fine Chemicals Division	Siemens Canada Limited	
	PPG-Canada Inc. - Industrial Coatings Division		



Appendix D – Private Sector Organizations (cont'd)

Wescast Industries Inc.
West Fraser Timber Co. Ltd.
Westminster Savings Credit Union
Winners Merchants International L.P.
Xstrata Copper Canada
Yara Belle Plaine Inc.
Zellers
Zellstoff Celgar Partnership Limited
Zurich Canada



Appendix E - Noncash Benefits Valuation Methodology

- Cost is one of the most commonly used measures but not the most ideal. An organization's cost for a noncash program is affected by numerous variables, such as the composition of the group, claims experience, funding method, and accounting practices, etc. Thus, programs with identical formulae can have widely differing costs from one organization to another, or even between different units within the same organization
- Hay Group has developed a proprietary method based on standard demographics, premiums, actuarial assumptions and/or current replacement cost to determine a reasonable cash equivalent value for the respective benefit items — level of benefit received given the plan provisions
- For comparison purposes, pre-tax benefit cash equivalent values take into account the employer-paid portion only
- Only those noncash programs over and above minimum statutory requirements would be considered in the analysis



Appendix F – Benefits Prevalence Analysis

Benefits Prevalence Analysis

	Broader Public Sector	Government Organizations	MLA
Group Benefits			
<i>Basic Group Life</i>			
Eligibility	100% offer basic group life for which all employees are eligible.	100% of the employers offer basic life insurance.	Members' Choice Plan - Core Life Insurance.
Employer Paid Premium	68% are employer paid, 12% of plans the employer shares 50% of the premium cost.	53% of plans are employer paid and 47% require employees to share or pay the full premium.	Legislative Assembly shares 66% of the premium cost.
Definition of Earnings	89% use base salary for calculation of benefit.	88% of plans use base salary for calculation of benefit, 12% benefit not based on earnings.	MLA indemnity and tax-free allowance, RRSP allowance, remuneration for offices other than MLA, special Members' allowance and remuneration for Legislature and government committees ("Annual Salary").
Coverage	On average, the coverage is 200% of base salary.	The typical coverage is 200% of annual salary.	1x or 3x Annual Salary to a maximum of \$400,000
Retirement Coverage	53% terminate after normal retirement age, 45% have reduced coverage after retirement.	59% terminate the coverage upon retirement; the remaining plans reduce coverage after retirement.	Option to extend benefit up to five years after member resigns, is defeated, or chooses not to re-join at same premium split. After five years premium entirely paid by member.
<i>Optional Group Life</i>			
Eligibility	77% of the employers offer optional group life for which all employees are eligible.	76% of the employers offer optional group life insurance.	Yes, Enhanced Life Insurance.
Employer Paid Premium	3% of plans the employer shares the premium cost; 97% are employee paid.	92% of plans are employee paid.	100% Member paid.
<i>Basic Accidental Death & Dismemberment</i>			
Eligibility	83% of the employers offer basic AD&D for which all employees are eligible.	76% of the employers offer basic AD&D.	Coverage is automatic under Members' Choice Plan.
Employer Paid Premium	71% are employer paid; 12% of plans the employer shares 50% of the premium cost.	69% of plans are employer paid; 31% of plans require employees to share the premium cost.	Covered by Group Life Insurance.
Definition of Earnings	71% use base salary for calculation of benefit.	54% use base salary and 46% use a flat dollar amount.	Annual Salary.
Coverage	On average, the coverage is 200% of base salary.	The typical coverage is a flat dollar amount of \$100,000 or 200% of base salary.	Benefit is equal to the Member's amount of core life insurance to a maximum of \$400,000.
<i>Optional Accidental Death & Dismemberment</i>			
Eligibility	38% of the employers offer optional AD&D for which all employees are eligible.	35% of the employers offer optional AD&D benefits.	Not provided.
Employer Paid Premium	100% are employee paid.	83% are employee paid.	
<i>Dependent Life Insurance</i>			
Eligibility	84% of the employers offer dependent life insurance for which all employees are eligible.	76% of employers offer dependent life insurance.	Members' Choice Plan.
Employer Paid Premium	28% are employer paid; 55% are employee paid.	15% of plans are fully employer paid; 77% are employee paid.	100% Member paid.
Coverage	On average, the coverage is \$78,000 for spouse and \$7,000 for each child.	Typical spouse maximum coverage is \$10,000 and the typical child's maximum coverage is \$3,750.	\$15,000 for an eligible benefit recipient and \$7,500 for per child.

	Broader Public Sector	Government Organizations	MLA
Dependent Accident Insurance			
Eligibility	32% of the employers offer dependent accident insurance for which all employees are eligible.	29% of employers offer dependent accident insurance.	Not provided.
Employer Paid Premium	15% are employer paid; 72% are employee paid.	40% are employer paid, 40% are employee paid.	=
Coverage	On average, the coverage is \$130,000 for spouse and \$30,000 for each child.	Typical spouse coverage is 50% of employee life or a flat dollar maximum of \$5,000 and the typical child's coverage is 10% of employee life or a flat dollar maximum of \$2,500.	
Short Term Disability (STD)			
Eligibility	100% of employers offer short term disability for which all employees are eligible.	100% of employers offer short term disability.	Not provided.
Definitions of Earnings	Base salary is used in all plans for calculation of benefit.	Base salary is used by 100% for calculation of benefit.	
Coverage	<ul style="list-style-type: none"> • 33% of plans are based on accumulated sick days with an average of 14 days per year; • 43% of plans are based on uniform benefit regardless of service with an average of 14 weeks at 70% pay, followed by 12 weeks at full pay; • 21% of plans are based on service schedule; the benefit varies from 2 to 4 weeks at full pay after the first year of service and increasing to 26 weeks at full pay after 20 years of service. 	<ul style="list-style-type: none"> • 59% of plans are based on accumulative sick days with an average of 16.5 days per year. • 35% of plans are based on a uniform benefit averaging 4 weeks at full pay followed by 20 weeks at 75% pay. • 6% of plans are based on a service schedule. 	-
Long Term Disability (LTD)			
Eligibility	100% of employers offer long term disability for which 100% of employees are eligible.	100% of the employers offer long term disability.	Members' Choice Plan.
Employer Paid Premium	49% are employer paid; 11% of plans require the employee to share 50% of the premium cost. 33% of plans are employee paid.	29% are employer paid.	100% Legislative Assembly paid.
Definitions of Earnings	Base salary is used for calculation of benefit.	Base salary is used by 100% for calculation of benefit.	Annual Salary.
Waiting Period	10% of the plans start benefit payments after 91 days; 25% of the plans start benefit payments after 180 days; the average is 141 days.		Starts immediately after member resigns position. No return to work.
Coverage	68% of base salary up to a monthly maximum benefit of \$5,000 to \$15,000; the average is \$8,400. The benefits are typically reduced by CPP/QPP Disability Benefits.	Typical coverage is 68% of earnings with no monthly maximum.	70% of recurring Annual Salary. No maximum.
Cost of Living	34% offer cost of living increases based on 100% of the Consumer Price Index.	65% offer indexing. Of those that offer indexing, 82% based on CPI, 9% use a fixed percentage, and remainder use discretionary amount.	Not provided.

	Broader Public Sector	Government Organizations	MLA
Health Care Benefits			
Eligibility	97% of employers offer private health care benefits for which all employees are eligible.	100% of employers offer extended health care benefits.	Members' Choice Plan.
Employer Paid Premium	69% of employers pay the full premium for both employee and family coverage.	71% of employers pay the full premium for both employee and family coverage.	Legislative Assembly shares 50% of the premium cost.
Annual Deductible	37% indicated there is an annual deductible. On average, annual deductible is \$44 for single and \$82 for family.	65% have an annual deductible, the average annual deductible is \$47 for single and \$60 for family.	Not applicable.
Hospital Room and Board	91% offer semi-private and 47% offer private hospital coverage where 85% of plans reimburse at 100% of the cost and average reimbursement is 97%.	94% offer semi-private coverage with an average reimbursement of 96%. 82% offer private coverage with average reimbursement of 96%.	Private/Semi-private coverage reimbursed at 100%.
Drugs	98% of health care plans cover drug expenses of which 36% of the plans reimburse at 80% and 47% reimburse at 100%.	100% of health care plans cover drug expenses. The average reimbursement is 83%.	Reimbursed at 100%.
Vision Care	92% cover vision expenses of which 15% of the plans reimburse at 80% and 83% reimburse at 100%; the average reimbursement is at 97% up to \$240 every 2 years.	94% of employers offer vision care. Average reimbursement is 91% up to \$230 every 2 years.	Eye Examination - up to \$100 every 24 months; Vision - \$350 every 24 months.
Hearing Aids	94% cover hearing aids; the average reimbursement is 93% up to \$180 per year.	88% cover hearing aids; the average reimbursement is 87% up to \$220 per year.	\$2,000 every 4 years.
Paramedical	97% included paramedical services; the average reimbursement is 92% up to \$600 per year.	94% cover paramedical services; the average reimbursement is 89% up to \$580 per year per practitioner.	Combined maximum of \$1000 per year.
Ambulance	96% included ambulance transportation; the average reimbursement is 94%.	96% included ambulance transportation; the average reimbursement is 94%.	100% covered.
Out of Province Expenses	90% cover out of province expenses; the average reimbursement is 97%.	94% cover out of province expenses; the average reimbursement is 95%.	Reimbursed at AB rates.
Out of Country Expenses	93% cover out of country expenses; the average reimbursement is 98%.	88% cover out of country expenses; the average reimbursement is 96% up to \$660,000 lifetime maximum.	Reimbursed at 100% up to \$2,000,000.
Dental Care Benefits			
Eligibility	93% of employers offer dental care benefits for which all employees are eligible.	94% of employers offer dental care benefit.	Members' Choice Plan.
Employer Paid Premium	74% of employers pay the full premium for both employee and family coverage.	75% are employer paid for both employee and family coverage.	100% Legislative Assembly paid for Core coverage. Enhanced coverage 71% Legislative Assembly paid.
Annual Deductible	84% do not require an annual deductible. If required, the average annual deductible is \$34 for single and \$76 for family.	25% have an annual deductible; the average annual deductible is \$22.50 for single and \$45 for family.	Not applicable.
Provincial Fee Guide	88% of the plans use the current year dental fee guide for reimbursement.	88% of plans use the current year's dental fee guide for reimbursement.	Yes.
Basic Services	Services include preventative services, space maintainers, denture repairs, endodontics and periodontics of which 25% are reimbursed at 80% and 62% are reimbursed at 100%.	Typical reimbursement rate for basic services is 80% or 100%. The average reimbursement is 95%.	Reimbursement rate is 80% for Core coverage and 100% for Enhanced coverage.
Major Services	Services include bridges, dentures, implants, crowns and orthodontia of which 63% are reimbursed at 50%.	Average reimbursement is 60% for major restorative.	Reimbursement rate is 50% for Core coverage and 80% for Enhanced coverage.
Maximum Coverage	On average, the maximum is \$1,600 (annual) for major services, and \$2,300 (life time) for orthodontics.	On average, the maximum for major services is \$1,600 per year and \$2,500 lifetime for orthodontics.	\$2,000 for basic and major services and \$2,000 lifetime for orthodontics for Core coverage. No Maximum for Enhanced coverage.

	Broader Public Sector	Government Organizations	MLA
Retirement Benefits			
<i>Registered Pension Plan</i>			
Eligibility	63% have a defined benefits (DB) pension plan only, 28% have a defined contribution (DC) plan only, and 7% have a combination of both plans; all employees are eligible.	100% have a defined benefit (DB) pension plan only.	Not provided.
<i>Defined Benefit (DB) Plan</i>			
DB Pensionable earnings	79% of plans use base salary to calculate retirement benefits.	71% of DB plans use base salary to calculate retirement benefits, 29% of plans use base salary plus bonus to calculate the benefit.	Not provided.
DB Employee Contribution	98% of plans require employees to contribute 4% - 8% of earnings up to the YMPE, then 5% - 10% of the excess earnings.	All plans require employee contributions. Average contributions are 6.6% of earnings up to the YMPE, then 9.1% of the excess earnings.	
DB Benefit Formula	1.3% - 1.5% of earnings up to YMPE and 2.0% above.	Typical benefit level is 1.4% of earnings up to YMPE and 2.0% above, per year of service.	
DB Final Average Earnings Period	81% of plans are based on best five consecutive year earnings; 17% are based on best three years.	Typical final average period is 60 months.	
DB Cost of Living Adjustments	94% of plans have a cost of living adjustment typically equal to 60% or 100% of the CPI increase.	94% of the plans have cost of living adjustments. Typically equal to 100% of the CPI increase.	
DB Normal Retirement	Normal form of payment is typically 60% joint and survivor pension.	Normal form of payment is typically 55% joint and survivor pension.	
DB Early Retirement	Unreduced pension is available at age 60 or 62; age 55 or 60 plus 30 or 35 years of service; "magic" number 85 or 90.	Unreduced pension is available, on average at age 55 plus 25 years of service; "magic" number of 85.	
DB Benefit Maximum	CRA maximum for RPP and no maximum under SERP.	Canada Revenue Agency (CRA) maximum for registered Pension Plans.	
DB SERP	Of those that offer a DB plan, 74% offer a defined benefit type of SERP plan (same formula as below the CRA limit).	Of those that offer a DB plan, 65% offer a defined benefit type of SERP plan. Benefit formula is typically 2% of earnings per year of service in excess of CRA limit.	
<i>Defined Contribution (DC) Plan</i>			
DC Plan Type	53% are Money Purchase Pension plans; 40% are Group RRSP, and 7% are combination plans.	Not prevalent.	
DC Pensionable Earnings	86% of plans use base salary to calculate benefit.		While MLAs do not have a pension plan, each MLA who has served a minimum of three months in a fiscal year is entitled to receive a RRSP allowance equals to 50% of the maximum RRSP deduction limit as established by the Income Tax Act (Canada). This RRSP allowance can be seen as payment in lieu of a DC plan. For 2011, the RRSP allowance equals to \$11,225.
DC Employee Contribution	Employees typically contribute 3% - 7% of earnings.		
DC Employer Contribution	Employers typically contribute 5% - 10% of earnings.		
DC SERP	Of those that offer a DC plan, 25% offer a defined contribution type of SERP. Typically continuation of DC formula.		

	Broader Public Sector	Government Organizations	MLA																				
Retirement Allowance																							
Eligibility	29% of employers offer employees retiring allowances of which 89% have a service requirement (usually a 10 year service minimum).	41% have a retirement allowance. 100% of those with plan pay in lump sum.	+																				
Definition of earnings	Base salary is used for calculation of benefit.	100% based on percentage of earnings per year of service.	=																				
Benefit calculation	1% to 3% of earnings per year to a specified maximum, and payable in a lump sum.	Averages 1.34% of earnings per year of service up to a maximum of 37.95%.	+																				
Vacations																							
Holidays																							
Number of days	11 to 13 days	12 holidays per year on average.	-																				
Vacations																							
Vacations Granted	<table border="1"> <thead> <tr> <th>Service Year(s)</th> <th>Weeks</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>3 - 4</td> </tr> <tr> <td>10</td> <td>4</td> </tr> <tr> <td>20</td> <td>5</td> </tr> <tr> <td>25</td> <td>6</td> </tr> </tbody> </table>	Service Year(s)	Weeks	1	3 - 4	10	4	20	5	25	6	<table border="1"> <thead> <tr> <th>Service Year(s)</th> <th>Weeks</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>3</td> </tr> <tr> <td>10</td> <td>4</td> </tr> <tr> <td>20</td> <td>5</td> </tr> <tr> <td>25</td> <td>6</td> </tr> </tbody> </table>	Service Year(s)	Weeks	1	3	10	4	20	5	25	6	-
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Extended Vacation/Vacation Bonus																							
Eligibility	8% of employers offer employees extended vacations. The benefit typically requires a 2.5 year service minimum.	Not applicable.																					
Plan Details	Plans offer employees one additional week of vacation every 25 years, over the regular annual vacation.	Not applicable.																					
Perquisites and Other Benefits																							
Company Car/Car Allowances																							
Eligibility	36% of organizations offer a company car or car allowance to executives.	29% of organizations offer a company car or car allowance to executives.	Yes. Only for certain members.																				
Type of Plan	77% provide car allowances; 11% provide company owned cars; 13% provide company leased cars.	40% provide car allowances; 40% provide company owned cars; 20% provide company leased cars.	Government owned vehicles available to Ministers, Speaker, Deputy Speaker, and Deputy Chair.																				
Operating Cost	100% of employers pay for the employees' license, insurance, gas and repairs where applicable.	67% pay for insurance, gas, and repairs and maintenance. 33% also pay for licensing.	Business use is employer paid, personal use is employee paid.																				

	Broader Public Sector	Government Organizations	MLA
Parking			
Eligibility	65% provide parking facilities.	59% of employers offer parking facilities.	Yes.
Type of Facility	44% have a company-owned lot.	100% of these employers have a company owned lot or garage.	Company-owned lot.
Employer Paid cost	72% of employers cover 100% of the cost.	50% of these employers cover 100% of the cost.	100% Legislative Assembly paid.
Fitness Facility			
Eligibility	27% offer onsite fitness facilities for which all employees are eligible.	12% of employers offer onsite fitness facilities for which all employees are eligible.	Yes.
Type of Facility	83% of the facilities are onsite and owned by single employer.	50% of the facilities are onsite and owned by the employer.	Onsite fitness facility owned by employer.
Employer Paid Cost	68% of employers cover 100% of the cost; 11% of facilities are subsidized by the employer.	Typically, employers cover 75% of the cost.	100% paid by Legislative Assembly.
Club Memberships			
Eligibility	29% offer club memberships.	18% of employers offer club memberships.	Not provided.
Type of Memberships	29% offer country club/recreational club. 13% offer corporate dining.	33.3% offer country club/recreational club. 66.6% offer corporate dining.	
Employer Paid cost	Employer covers 100% of the cost.	66.6% of employers cover 75% of the cost up to an average maximum of \$500 annually.	
Financial Counselling/ Tax Preparation			
Eligibility	15% offer financial counselling/tax preparation	24% of employers offer financial counselling/tax preparation.	Not provided.
Type of Counselling	70% provide individual counselling.		
Employer Paid cost	90% are employer-paid.	75% of employers cover 100% of the cost.	
Frequency of Services	35% of counselling services are provided on an annual basis; 55% are provided "as needed"	25% of counselling services are provided on an annual basis; 75% are provided "as needed"	
Service Provider	80% are provided by an outside service advisor.	100% of the services are provided by an outside service advisor.	
Physical Examination			
Eligibility	17% offer physical examination.	Not provided.	Not provided.
Employer Paid Cost	Employer covers 100% of the cost.		



Appendix G – Member Indemnity & Expense Allowance; First Minister, Speaker, Cabinet and Other Role Salaries

Jurisdiction	Member		Total with Grossed-up Non Taxable Allowance ¹	First Minister	Minister with Portfolio
	Annual Base (Indemnity)	Non taxable Expense Allowance			
Alberta	\$52,092	\$26,046	\$90,708	\$81,312	\$63,912
House of Commons	\$157,731		\$157,731	\$157,731	\$75,516
British Columbia	\$101,859		\$101,859	\$91,673	\$50,930
Manitoba	\$85,564		\$85,564	\$55,944	\$36,745
New Brunswick	\$85,000		\$85,000	\$79,000	\$52,614
Newfoundland and Labrador	\$95,357		\$95,357	\$74,824	\$54,072
Northwest Territories	\$96,615	\$6,962	\$106,574	\$73,482	\$51,709
Nova Scotia	\$86,619		\$86,619	\$109,485	\$47,609
Nunavut	\$90,396		\$90,396	\$83,287	\$70,109
Ontario	\$116,550		\$116,550	\$92,424	\$49,301
PEI	\$65,344		\$65,344	\$71,094	\$45,688
Quebec	\$85,388	\$15,538	\$108,418	\$89,657	\$64,041
Saskatchewan	\$89,300		\$89,300	\$64,947	\$45,465
Yukon	\$69,531	\$13,371	\$88,571	\$53,485	\$37,439

(1) Non-taxable expense allowance grossed up based on the combined federal and provincial marginal income tax rate. For Alberta, amount as provided by the Legislative Assembly of Alberta.



Appendix G – Member Indemnity & Expense Allowance; First Minister, Speaker, Cabinet and Other Role Salaries

Jurisdiction	Speaker	Leader of the Official Opposition	Deputy Speaker	Leader of a Recognized Opposition Party	Official Opposition House Leader
Alberta	\$63,912	\$63,912	\$31,968	\$28,392	\$13,596
House of Commons	\$75,516	\$75,516	\$39,179	\$53,694	\$39,179
British Columbia	\$50,930	\$50,930	\$35,651	\$25,465	\$20,372
Manitoba	\$45,931	\$45,931	\$9,047	\$40,713	\$6,462
New Brunswick	\$52,614	\$55,300	\$26,307	\$19,750	\$8,000
Newfoundland and Labrador	\$54,072	\$54,072	\$27,033	\$18,918	\$27,033
Northwest Territories	\$42,053	\$0	\$6,804	\$0	\$0
Nova Scotia	\$47,609	\$47,609	\$23,804	\$23,804	\$10,300
Nunavut	\$70,109	\$0	\$18,079	\$0	\$0
Ontario	\$36,364	\$64,336	\$17,249	\$41,608	\$21,329
PEI	\$38,474	\$45,688	\$19,237	\$16,764	\$4,339
Quebec	\$64,041	\$64,041	\$29,886	\$29,886	\$29,886
Saskatchewan	\$45,465	\$45,465	\$13,287	\$22,732	\$13,287
Yukon	\$26,743	\$37,439	\$10,697	\$16,046	\$0



Appendix H – Member Transition Allowance, Other Jurisdictions

Jurisdiction	Transitional Allowance
Alberta	3/12 average monthly salary for each year of service without maximum. Average monthly salary based on three highest paid years of service.
House of Commons	50% of the basic annual sessional indemnity and any annual salary payable to Members occupying certain offices
British Columbia	1/12 annual indemnity per year of service for a minimum of 4 months up to 15 months
Manitoba	1/12 annual indemnity per consecutive year of service for a minimum of 6 months to a maximum of 12 months; a maximum of 6 months for members who choose to not run again or are defeated in the nomination process.
New Brunswick	1/12 annual indemnity per year of service for a minimum 1 month to a maximum of 6 months
Newfoundland and Labrador	1/12 of 81.2% of annual indemnity per year of service for a minimum of 3 months to a maximum of 12 months
Northwest Territories	1/12 annual indemnity for each consecutive year of service after December 6, 1999, for a minimum of 4 months to a maximum of 12 months
Nova Scotia	1/15 annual indemnity per year of service for a minimum of 3 months to a maximum of 12 months
Nunavut	Six weeks pay for each year of continuous service for a minimum of 1.5 months to a maximum of 12 months
Ontario	% of annual indemnity as determined by years of service for a minimum of 6 months to a maximum of 18 months; 6 months' average salary for less than 4 years of service, 12 months' average salary for 4 - 8 years of service and 18 months' average salary for more than 8 years of service. Average salary based on the highest paid consecutive 36 months of service.
PEI	1/12 annual indemnity per year of service for a minimum of 1 months to a maximum of 12 months. In addition to annual indemnity, special members' allowance and committee allowances are covered earnings.
Quebec	2/12 annual indemnity per year of service for a minimum of 4 months to a maximum of 12 months
Saskatchewan	1/12 annual indemnity per year of service for a minimum of 1 month to a maximum of 12 months
Yukon	3/12 annual salary and allowances

Reference:

Information provided by the Legislative Assembly Office of Alberta

House of Commons Procedure and Practice; <http://www.parl.gc.ca/marielaumontpetit/DocumentViewer.aspx?Lang=E&Sec=Ch04&Seq=13>

Nova Scotia MLA Pension Review Report; <http://nsl.legislature.ca/pdfs/people/pensionreview2011.pdf>



Appendix I – Member Pensions – Other Jurisdictions

Jurisdiction	Benefit Accrual %	Average Earnings Period	Member Contribution %	Comments
Alberta				
House of Commons	3%	5	7%	N/A
British Columbia	3.50%	3	11%	
Manitoba	2%	5	7%	
New Brunswick	3%	3	9%	
Newfoundland and Labrador	3.50%	3	9%	
Northwest Territories	4%	4	9%	
Nova Scotia	3.50%	3	10%	
Nunavut	5%	4	9%	
Ontario				Defined Contribution Plan: Employer Contribution = 10%, Member Contribution = 10%
PEI	4%	Career	8%	
Quebec	4%	Career	9%	
Saskatchewan				Defined Contribution Plan: Employer Contribution = 9%, Member Contribution = 9%
Yukon	5%	4	9%	



Appendix J - Long-Term Incentive (LTI) Valuation

- Long-term incentive plans reward individuals for corporate or unit performance, over a period of more than one year. They include stock options, performance shares, phantom share and stock options arrangements, cash based multi-year performance unit or bonus payments and similar arrangements
- A present or economic value is required to approximate the fair value at grant date. Ideally, it permits equitable comparison between the values of different types of long-term incentive instruments. Hay Group uses the binomial model to estimate such values related to share compensation arrangements (i.e. realized value is not considered)



K Aon Hewitt Report



April 20, 2012

BY EMAIL

PRIVATE & CONFIDENTIAL

Hon. J. C. Major C.C., Q.C.
4500 Bankers Hall East
855 2nd Street SW
Calgary, AB T2P 4K7

**RE: PENSION REVIEW FOR
MEMBERS OF THE LEGISLATIVE ASSEMBLY OF ALBERTA**

Dear Hon. J. C. Major:

The purpose of this letter is to examine a possible retirement plan for members of the Legislative Assembly of Alberta. In meeting this purpose, this letter:

- Provides commentary on retirement plan design and implementation questions;
- Reviews risk management in defined benefit pension plans; and
- Develops cost estimates of alternative retirement plan designs.

Plan Design and Implementation

The following paragraphs consider a number of issues with respect to design and implementation of a registered and supplementary retirement plan for members of the Legislative Assembly of Alberta.

Current Trends - The past few years have seen the reintroduction of defined benefit pension plans for MLAs in many jurisdictions after they were closed in the early to mid-1990s. BC and Manitoba are examples of provinces that have reintroduced defined benefit plans for their MLAs.

Recent media attention is starting once again to focus on differences in pension benefits provided to employees in the public and private sectors. While not directly applicable to MLAs, there is speculation that changes are in store for MP pensions as a precursor to the Federal Government opening up plan design discussions relating to the Federal public service pension plan.

The sustainability of current public sector pension arrangements is in question and there are initiatives underway to examine various solutions. As Canadians are living longer and defined benefit plans become far less common in the private sector, we expect to see public sector plans move to later retirement ages, less generous benefits, member contribution rates closer to 50% of the total cost and greater risk sharing between plan members and plan sponsors.

Viability of Past Service – It is permissible to introduce a defined benefit plan that also provides a pension in respect of service prior to the effective date. The main issues regarding the recognition of past service relate to the additional cost of recognizing past service, how that cost is shared between MLAs and the Assembly, determining how much past service should be recognized, and administration relating to the reporting of Past Service Pension Adjustments (PSPAs) under the

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Income Tax Act. Due to the complexity of these issues, the recognition of past service is not recommended.

Tax free allowance - Pensionable earnings for a registered pension plan would be the amount in respect of an individual's employment that is limited to their income under the *Income Tax Act*. In other words, the MLA's tax free allowance would not be pensionable earnings for a registered pension plan. Therefore, any tax free allowance would only be applicable to benefit calculations under a supplementary pension arrangement and a larger portion of the retirement benefit would be passed from the registered plan to the supplementary plan. The supplementary plan would have a higher cost, relative to the registered plan, if MLAs continued to receive a tax-free allowance.

If there was no tax free allowance, then all earnings up to the limits under the *Income Tax Act* would be applied to the registered plan. Benefits which exceed those permitted under the *Income Tax Act* would be provided by a supplementary plan and the supplementary plan would have a lower cost, relative to the registered plan.

Registered Plan versus Supplementary Plan – Most MLA defined benefit plans in Canada provide pensions in excess of those that are permissible under the *Income Tax Act*. Consequently, all jurisdictions providing defined benefit pensions to MLAs will have a registered and supplementary plan to provide the total pension.

The registered plan provides a pension up to the *Income Tax Act* limits and the supplementary plan provides the excess. MLAs do not pay any tax in respect of the pension they are earning while still a Member. It is only once they start to receive their MLA pension that they pay tax, and pension from the registered plan and supplementary plan is taxable as it is received.

Vesting Rules –The vesting period in a defined benefit plan for MLAs generally correspond to the length of a typical Assembly, (four or five years) to ensure that only Members who serve a full term qualify for a pension. For Members elected in a by-election, there may also be a four or five year vesting provision so that they don't have to wait to the end of their second Assembly to be vested. Shorter vesting periods often result in higher pension costs as more Members receive the MLA pension and also increase administration costs due to the higher volume of pension calculations.

Registration Process and Timing – There are two possibilities for registration of a retirement plan under the *Income Tax Act*.

First, we note that the *Members of the Legislative Assembly Pension Plan Act* is still in force. We have been advised that Schedule 1 to the Act is registered under the *Income Tax Act* as a registered pension plan, in which case there is no need to register a new plan or Act. Once the necessary amendments have been made to the Act and the amendments are in force the plan is "live". The amendments would need to be filed with the Canada Revenue Agency (CRA), but once they are in force the provisions can be assumed to be in effect and contribution withholdings and service calculations can commence.

If a new Act is contemplated, then the plan can commence operation, including contribution withholdings and service calculations after the necessary registration documents have been filed with



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CRA. A pension plan is deemed to be registered under the *Income Tax Act* when application for registration under the *Income Tax Act* is made and the plan complies with subsection 8501(1) of the *Income Tax Regulations*. Application would include completion of a prescribed form T510, and the provision of certified copies of the plan, funding documents, any agreements relating to the plan and all resolutions relating to the plan.

Defined contribution vs. defined benefit – Defined contribution plans deliver fixed costs and uncertain pension income, with members bearing all of the investment, longevity and interest rate risk. Defined benefit plans typically have volatile, less predictable costs in exchange for delivering predictable pensions more efficiently by pooling investment, interest rate and longevity risks which are assumed by the plan sponsor. Hybrid plans and target benefit plans are design alternatives which have characteristics of both defined contribution and defined benefit plans. Appendix B provides more information on the merits of defined contribution vs. defined benefit. Appendix C shows that two of the 14 MLA plans are defined contribution plans and the remaining 12 are defined benefit plans. Appendix E provides a comparison of DC vs. DB retirement pensions.

Service limits – Maximum service limits are typically included in defined benefit plans to avoid situations in which a member retires on a pension that is 100% or more of their pre-retirement income. This is particularly an issue in MLA plans that have accrual rates of 4% or 5% per year of service. A total retirement income target (from personal savings, employment plans and government programs) of 70% of pre-retirement earnings is often used as a rule of thumb when planning for retirement, though the actual target replacement issue will be lower at higher income levels. Having a service limit is consistent with this approach to retirement planning.

All of the defined benefit plans summarized in Appendix C have either a maximum service limit or a maximum overall pension limit.

Earnings formula – Defined benefit plans often have a formula that is based on best-average or career-average earnings. Career average plans provide a less expensive, more predictable cost than best average plans. As a plan's financial position improves, the career average formula may be updated or indexed to a more recent period of time. A career average formula that is indexed on a defined and consistent basis, could be referred to as a career average revalued earnings (CARE) formula. However, by tying increases in the career average earnings base to the plan's funded position, it is possible to ensure that plan costs are more predictable and sustainable in the long term. If plan experience is not sufficiently positive to generate career average earnings updates then the members' pensions will not be as high as they would have been with updates.

Of the 12 defined benefit plans listed in Appendix C, 2 have a career average earnings formula and 10 are based on best average earnings.

The length of the best average earnings period normally has only a small impact on costs, unless the pension formula is based on combined earnings of MLA indemnity plus Executive remuneration (see below). In that case, short periods of Executive service will have a greater impact on plan costs when the averaging period is also shorter. Also, for pensions based on combined earnings, using a best average earnings formula ensures that periods of Executive service are included in the pension calculation.



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Earnings Definition – Many MLA plans provide a separate, additional, pension in respect of any Executive remuneration (e.g. Minister, Speaker, Premier). In these cases, a Member with eight years of MLA service, including four years of Executive service, with an average MLA indemnity of say \$70,000 and Executive remuneration of \$60,000 would receive a pension based on average earnings of \$70,000 for eight years and \$60,000 for another four years rather than a pension based on \$130,000 earnings for eight years. In the latter case the pension will be higher as the pension is based on combined earnings for all eight years of service.

Plans which base their pension on combined earnings will generally have a higher share of the total costs accrue to Executive Members than if pensions are calculated separately for executive positions. As a result, plans that base the pension on combined earnings will be more costly, all other things being equal. Plans that base the pension on combined earnings will have simplified administration; however it will not be necessary to track service and earnings by position for each Member.

The preceding discussion pertains to a plan with a best average earnings formula. A career average earnings formula mitigates the situation of different earnings in different years, since under a career average earnings formula, each year of earnings is treated separately. See Appendix D, Example of CARE vs. BAE.

In preparing our analysis, we noted that of the ten defined benefit best average earnings MLA plans listed in Appendix C, six plans determine the pension based on combined earnings and the remaining four plans are based on separate pensions for indemnities and executive remuneration.

Comparison of MLA Plans

In Appendix C we have summarized the main provisions of MLA pension plans for all of the provinces and territories in Canada as well as the House of Commons and Senate, based on information provided to us by the Legislative Assembly of Alberta. Of the 14 jurisdictions summarized, two sponsor a defined contribution plan while the remainder are defined benefit plans.

Risk Management in Defined Benefit Plans

As described above, defined benefit plans are more efficient vehicles for providing retirement income due to the fact that the financial risks are pooled across all beneficiaries of the plan rather than being borne by each member individually. Risks in a defined benefit plan are held by the plan sponsor. Defined benefit plans are coming under increasing pressure as their costs have risen over the past decade due to extreme market volatility, a thirty year decline in interest rates and increasing longevity of plan members.

Organizations that are concerned about managing the risks that impact plan costs have a variety of tools at their disposal to ensure that plan costs remain sustainable. These tools fall into four categories: plan design, investment policy, funding policy and actuarial assumptions and methods.

Plan design obviously impacts plan cost, so the choice of vesting period, earnings formula and cost sharing with plan members will determine the cost of the plan. The design features that typically have



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the greatest impact on costs are cost of living protection, early retirement features, the earnings formula and of course the pension accrual formula itself. The choice of defined benefit versus defined contribution will impact cost volatility but not necessarily the level of cost, as costs can be scaled up or down by adjusting the plan design features.

Investment policy has an important impact on long term plan costs. The greater the returns are from plan investments the lower the level of contributions that are required from the plan members and sponsor. The difficulty that many defined benefit plans have run into is the volatility of investment returns; short term underperformance of plan assets often results in higher short term costs. The other problem has to do with the assumed rate of investment return, which we will discuss a little later. It is important that each plan adopt an investment policy that is consistent with the ability of plan members and the sponsor to withstand temporary periods of underperformance.

A funding policy identifies the factors that influence the level of contributions to a plan, and typically include such things as target funding levels for liabilities, cost sharing between members and the sponsor, the levels of surplus required before contribution holidays or plan improvements may be considered, and how contributions are determined when the actuary provides a range from a minimum level to a maximum level in the actuarial valuation report. Conservative funding policies that contemplate contributions which are greater than the minimum and target higher funding levels will result in more stable long term contribution requirements.

Finally, the level of conservatism in actuarial assumptions also has an impact on plan costs and their volatility. We described above the challenge that some plans are facing due to assuming returns from assets that are too high. To provide a simple example, assume that based on a given investment policy a pension fund is expected to return 7% per annum over the long term based on current capital market expectations. If the actuary uses an assumption of 7% returns and the fund only returns 2%, then contributions will have to increase to make up for the shortfall. However, if the actuary assumes a lower rate of return, then underperformance in the future will not have the same negative impact on costs as it would otherwise. Adopting more conservatism in the actuarial assumptions and methods is similar to adopting a funding policy that requires funding more than the minimum every year.

By combining the appropriate levels of risk control and funding margins in the various elements described above, it is possible to establish a plan with costs that are sustainable in the long term and also have a manageable level of short term volatility when future plan experience differs from what was expected.

Cost Estimates of Alternative Plan Designs

We have determined the cost of the alternative plan designs. Highlights of the various designs are summarized in the table below. Various designs are possible including designs that allow for greater sharing of risk/cost between members and employers. Primary defined benefit plan design features cover the normal retirement age, benefit accrual rate (i.e. 2%, 2.5%, 3%), the normal form of payment of the pension (i.e. life, joint and survivor), average earnings calculation and amount by which the pension will be indexed. Some additional features are member and plan sponsor cost sharing and early retirement eligibility to receive a pension.



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Separate pensions could be accrued for executive service given the large differential in remuneration for these positions. The resulting pension would be one that provides a pension based on executive service and another pension based on regular service.

Current Service Cost Estimates

In order to prepare the current service cost estimates, we have been provided with a summary of data for Alberta MLAs including age, gender, average salary and service as of January 1, 2011. A summary of the MLA data as of January 1 2011 is as follows:

Table 1

Number:	83
Average age:	55.7 years
Average service:	7.7 years
Average annual best 3-year average earnings:	\$153,435
Average annual non-taxable allowance	\$ 26,046
Estimated total contributory salary	\$13,642,000



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The main features of the alternative retirement plan designs are summarized as follows:

Table 2

	MLA Pension Plan at Suspension	Best Average Earnings for 5 years	CARE-P with 100% indexing	CARE-P with 60% indexing	CARE-W with 60% indexing
Normal Retirement Age	Age + Service = 55 years	60	65	65	65
Early pension reduction	3% per year	3% per year	3% per year	3% per year	3% per year
Vesting	5 years with 1 year for Ministerial service, if vested	5 years	5 years	5 years	5 years
Accrual rate	3%	2.5%	2.5%	2.5%	2.5%
Maximum Service	25 years	30 years	30 years	30 years	30 years
Average Earnings Formula	Best-3 year average earnings	Best-5 year average earnings (BAE-5)	Career average revalued earnings (CARE)	Career average revalued earnings (CARE)	Career average revalued earnings (CARE)
Surviving Spouse Pension	Joint and 75% survivor	Joint and 2/3 survivor	Joint and 2/3 survivor	Joint and 2/3 survivor	Joint and 2/3 survivor
Member Contributions	10% of pensionable earnings	11% of pensionable earnings	11% of pensionable earnings	11% of pensionable earnings	11% of pensionable earnings
Assembly Contributions	Balance of cost	Balance of cost	Balance of cost	Balance of cost	Balance of cost
Indexing of pre retirement pensions	60% of CPI (applied to deferred pension)	60% of CPI (applied to deferred pension)	100% of CPI	100% of CPI	100% of Wage Index
Indexing of post retirement pensions	60% of CPI	60% of CPI	100% of CPI	60% of CPI	60% of CPI
Earnings definition	Separate earnings by position	Separate earnings by position	Each year of earnings treated separately	Each year of earnings treated separately	Each year of earnings treated separately

appendix
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 April 20, 2012
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The estimated cost of benefits earned for future service (current service cost) for the group is summarized as follows:

Table 3

Plan	Estimated Current Service Costs (Tax-Free Allowance = \$26,046)		
	Total (\$)	Total (% of Contributory Payroll)	Employer (% of Contributory Payroll)
MLA Pension Plan	8,400,000	47.8%	39.4%
BAE-5	4,500,000	34.2%	25.0%
CARE-P, 100%	4,700,000	35.2%	26.0%
CARE-P, 60%	4,200,000	31.7%	22.5%
CARE-W, 60%	4,300,000	32.3%	23.1%

Table 4

Plan	Estimated Current Service Costs (Tax-Free Allowance = \$0, Gross-up Taxable Salary by \$12,570)		
	Total (\$)	Total (% of Contributory Payroll)	Employer (% of Contributory Payroll)
MLA Pension Plan	8,600,000	47.8%	37.8%
BAE-5	4,900,000	34.0%	23.1%
CARE-P, 100%	5,000,000	34.5%	23.8%
CARE-P, 60%	4,500,000	31.3%	20.3%
CARE-W, 60%	4,600,000	31.9%	20.9%

Yours truly,

Robert J. Thiessen, FSA, FCIA
 Associate Partner

RJT/ymm

- Appendix A – Actuarial Assumptions and Methods
- Appendix B – Defined Benefit vs Defined Contribution
- Appendix C – Comparison of MLA Pension Plans
- Appendix D – Example of CARE vs. BAE
- Appendix E – Example of Estimated Retirement Pension





Appendix A: Actuarial Assumptions and Methods

Actuarial Assumptions

Assumptions used to determine current service costs are as follows:

Economic	
Discount rate for funded registered plan:	6.0% per annum
Discount rate for non-funded supplementary plan:	4.5% per annum
Inflation rate:	2.25% per annum
Salary increase rates:	3.50% per annum
CARE benefit increase rates based on CPI	2.25% per annum
CARE benefit increase rates based on wage index	3.50% per annum
Maximum pension increases:	3.50% per annum
Demographic	
Termination rates:	none
Retirement rates:	age 55 or January 1, 2013 if current age 55 or more
Mortality rates:	
Pre-retirement:	none
Post-retirement:	UP94 at 2025
Marital status at retirement:	100% married
Spouse age difference:	Male spouse 3 years older than female spouse

The economic assumptions are based on Alberta public sector pension plan best estimate assumptions for the 2011-12 fiscal year. The discount rate of 6% per annum would assume an equity and fixed income asset mix policy. A lower risk investment/funding approach would result in a lower discount rate and higher costs. Members retiring at ages earlier/later than assumed would result in higher/lower costs.

Actuarial Cost Method

Pension costs were determined using the projected unit credit method, based on the projected pension determined as if the member had been in the particular plan since date of appointment. Under this method, for each active member, the pension cost for one year of service is determined as the actuarial present value of the projected pension payable with service up to the date of retirement, divided by the projected total service of the member at retirement.

Salaries were projected to the respective assumed retirement ages, pensions were determined based on those projected salaries, and the values of the pensions at the retirement ages were determined and discounted back to current age.



Appendix B: Defined Benefit vs Defined Contribution

	Defined Contribution Plan	Defined Benefit Plans
Who bears investment, interest rate and longevity risk	Plan Member	Plan Sponsor
Investments	Individually managed	Professionally managed
Plan Sponsor Costs	Known	Variable
Member Communication	Simpler	Difficult
Administration	Simpler, less Expensive	Complicated, Costly
Past Service Benefits	Difficult to Provide	Easier to Provide
Ancillary Benefits	Difficult to Provide	Common
Inflation Protection	Difficult to Provide	Ad Hoc or Contractual
Unfunded Liabilities	None	Can Occur



Appendix C: Comparison of MLA Pension Plans

The following table provides a comparison of the significant benefit provisions with defined benefit pension plans for which information was supplied to Aon Hewitt by the Legislative Assembly of Alberta. We rely on the Legislative Assembly of Alberta for the accuracy of this information. The costs are estimates and have been calculated using the assumptions, methods and member data summarized in this report. Member data is based on a tax-free allowance of \$26,046.

The results in the table below are for those jurisdictions with a defined benefit pension plan and are sorted from highest total cost to lowest total cost.

Jurisdiction	Benefit Accrual %	Average Earnings Period	Maximum Benefit %	Maximum Years of Service	Unreduced Early Retirement Age	Surviving Spouse Pension	Post Ret'm't Benefit Index	Mem Cost %**	Total Cost %	Gov't Cost %	Total Current Service Cost
YK	5.00%	4		15	60	66.67%	100%	9%	83.0%	75.5%	\$11,000,000
NJ	5.00%	4	75%	15	60	66.67%	100%	9%	83.0%	75.5%	\$11,000,000
NT	4.00%	4	75%		60	66.67%	100%	9%	65.3%	57.8%	\$8,700,000
QC CARE-P	4.00%	Career	100%	25	60	60.00%	50%	9%	61.1%	53.6%	\$8,100,000
PE CARE-P	4.00%	Career	100%	25	55	60.00%	CP1 - 2%	8%	56.7%	50.0%	\$7,500,000
NS	3.50%	3	70%	20	55	60.00%	50%	10%	54.0%	45.6%	\$7,200,000
HoC	3.00%	5	75%	25	55	60.00%	100%	7%	50.3%	44.4%	\$6,700,000
SN	3.00%	5	75%	25	55	60.00%	100%	7%	50.3%	44.4%	\$6,700,000
BC	3.50%	3	70%	20	65	60.00%	100%	11%	40.9%	40.7%	\$6,600,000
NF	3.50%	3	75%	20	55	60.00%	0%	9%	47.5%	40.0%	\$6,300,000
NB	3.00%	3	75%	25	60	60.00%	100%	9%	45.3%	37.7%	\$6,000,000
MB	2.00%	5	70%	35	55	66.67%	67%	7%	29.3%	23.5%	\$3,900,000

*BC = British Columbia; HoC = House of Commons; MB = Manitoba; NF = Newfoundland; NS = Nova Scotia; NB = New Brunswick; NT = Northwest Territories; NJ = Nunavut; QC CARE-P = Quebec Career Average Revalued Earnings with Price Index; PE CARE-P = Prince Edward Island Career Average Revalued Earnings with Price Index; SN = Senate; YK = Yukon

**Mem Cost % = Member Contribution % rate; only applied to taxable earnings

Saskatchewan and Ontario have defined contribution plans. Contributions for Saskatchewan are matched. The matching amount is increased by 2% for members aged 40 to 49 when first elected and by 4% for members aged 50+ when first elected. Pension contributions that exceed the maximum allowed under the Income Tax Act are allocated to the Supplementary Retirement Plan benefit account. In Ontario, the contribution is equal to 10% of the member's salary (base plus ministerial and additional).





Appendix D: Example of CARE vs. BAE

CAE = Career Average Earnings

Pension is earned based on a percentage of earnings for each year over a member's career

CARE = Career Average Revalued Earnings

Similar to CAE, except that past benefits earned are typically increased in the future

BAE = Best Average Earnings

Pension is based on average earnings over a specified number of years

Assumptions:

Earnings increase at 3.5% per annum

Price inflation is assumed to be 2.25% per annum

Member has eight years of service and retires January 1, 2020

Pension accrual is 2.5% for all plans (e.g. CAE accrual at 2.5% in 2012, $\$80,000 \times 2.5\% = \$2,000$)

CARE increase at 2.25% per annum at end of following year,

so in 2018, $\$98,300 \times 2.5\% \times 1.0225 = \$2,513$

Year	Earnings (\$)	Accrual (%)	CAE (\$)	CARE-P (with 2.25% increase) (\$)	CARE-W (with 3.5% increase) (\$)	BAE-5 (\$)
2012	80,000	2.50%	2,000	2,337	2,545	
2013	82,800	2.50%	2,070	2,366	2,545	
2014	85,700	2.50%	2,143	2,395	2,545	
2015	88,700	2.50%	2,218	2,424	2,545	
2016	91,800	2.50%	2,295	2,453	2,545	
2017	95,000	2.50%	2,375	2,483	2,545	
2018	98,300	2.50%	2,458	2,513	2,545	
2019	101,700	2.50%	2,543	2,543	2,545	
Annual Pension on 2020-01-01			18,102	19,514	20,360	19,020

BAE-5 = $\$19,020 = \$95,100 \times 2.5\% \times 8$ years,
 where $\$95,100 =$ average earnings for the years 2015 to 2019.



Appendix E: Example of Estimated Retirement Pension

DC = Defined Contribution

CAE = Career Average Earnings

Pension is earned based on a percentage of earnings for each year over a member's career

CARE = Career Average Revalued Earnings

Similar to CAE, except that past benefits earned are typically increased in the future

BAE = Best Average Earnings

Pension is based on average earnings over a specified number of years

Assumptions:

DC contributions are 9% for employee and 9% for employer and accumulate at interest = 6% per annum

Nominal discount rate for annuity purchase at retirement is 3% per annum

Earnings increase at 3.5% per annum

Price inflation is assumed to be 2.25% per annum and pension is indexed at 60% of CPI

Member is a male, has eight years of service and retires January 1, 2020

Defined benefit pension amounts are derived from Appendix D

Year	Earnings (\$)	Employee Contribution (\$)	Employer Contribution (\$)	Accumulated DC Contribution at End of Year
2012	80,000	7,200	7,200	14,800
2013	82,800	7,452	7,452	31,100
2014	85,700	7,713	7,713	48,800
2015	88,700	7,983	7,983	66,200
2016	91,800	8,262	8,262	89,300
2017	95,000	8,550	8,550	112,300
2018	98,300	8,847	8,847	137,200
2019	101,700	9,153	9,153	164,300

Based on the accumulated DC account of \$164,300 after eight years:

Estimated annual DC joint 66.67% pension for member age 47, retiring at age 55 = \$6,300

Estimated annual DC joint 66.67% pension for member age 52, retiring at age 60 = \$7,100

Estimated annual DC joint 66.67% pension for member age 57, retiring at age 65 = \$8,200

Comparison of annual DC pension to annual DB pensions from Appendix D

Plan	Retirement at age 55	Retirement at age 60	Retirement at age 65
DC	6,300	7,100	8,200
CAE	12,671	15,387	18,102
CARE-P	13,860	16,587	19,514
CARE-W	14,252	17,306	20,360
BAE-S	13,314	16,167	19,020

DB pensions are assumed to be reduced by 3% for each year that the retirement age is under age 65.

The DC pension is lower than the DB pensions for the following primary reasons:

(a) annual DC contribution rate total is 18%, whereas the average annual DB pension costs would be greater than 18%; and

(b) cost to purchase annuity at retirement for DC account is assumed to be more expensive than to maintain DB pension.



L Transcripts from the January 23rd, 2012,
public hearings in Edmonton



Legislative Assembly of Alberta

MLA Compensation and Benefits Review
Transcript of Public Meeting

Honourable John C. (Jack) Major, CC, QC

Edmonton

Monday, January 23, 2012
1:03 p.m.

Transcript 27-4-1

Witnesses

Cheryl Scarlett

Director, Human Resources, Information
Technology and Broadcast Services,
Legislative Assembly Office

Presenters

Grant Dorosh
Scott Hennig

Private Citizen
Alberta Director and National Communications
Manager, Canadian Taxpayers Federation

Dr. Dinesh Moonshiram
Ray Speaker

Private Citizen
Former Member of the Legislative Assembly of
Alberta and Former Alberta Member of
Parliament

January 23, 2012

MLA Compensation and Benefits Review – Edmonton

MLA-1

1:03 p.m.

Monday, January 23, 2012

[Justice Major in the chair]

Justice Major: Good afternoon, ladies and gentlemen, and thank you for being here. My name, as you may know, is Jack Major. I'm conducting an independent review of the compensation and benefits provided to Members of the Legislative Assembly at the request of the Speaker of that Assembly.

As far as my personal background is concerned, I've practised as a lawyer in Alberta since 1957. I then went to the Alberta Court of Appeal in '91 and to the Supreme Court of Canada in 1992, where I stayed until December of 2005. On my return to Calgary I joined the Alberta Securities Commission as an independent member. In May 2006 I was appointed as commissioner to conduct an inquiry into the crash of Air India flight 182 and published a report on that in 2010.

The task of this commission is to make recommendations to the Assembly of Alberta regarding compensation and benefits for Members of the Legislative Assembly. In trying to do so, we will encompass a number of factors, including current members' compensation, benefit levels, and crossjurisdictional comparisons.

After consideration of the wide range of factors I will report to the Speaker of the Legislative Assembly by April of 2012. That report will be tabled and its recommendations debated in the Legislative Assembly. Of course, any recommendation made by this committee is subject to the wishes of the Assembly, and they can vote it in or vote it down.

As part of this review I'm seeking input through a province-wide consultation process, giving the public the opportunity to express their views on what they think their elected representatives should be paid and under what circumstances that should be done.

I would now like to introduce to the group our first witness. Would you identify yourself, please, for the benefit of the audience?

**Cheryl Scarlett, Director, Human Resources, Information Technology, and Broadcast Services
Legislative Assembly Office**

Mrs. Scarlett: Thank you, Justice Major. My name is Cheryl Scarlett. I'm the director of human resources, information technology, and broadcast services with the Legislative Assembly of Alberta. The staff that work for the Legislative Assembly Office support the Speaker and the Members of the Legislative Assembly by providing nonpartisan procedural, administrative, and educational services. The responsibilities for the administration of members' pay and benefits rests with the human resource services branch of the Legislative Assembly.

The intent of today's presentation is to provide a brief overview of members' remuneration, benefits, and entitlements as they exist today. In the presentation today I'll be providing information with respect to members' pay, health benefits, MLA pension plan, and the transition allowance.

The authorities that govern members' pay and benefits are determined in accordance with the Legislative Assembly Act and, as delegated to the Members' Services Committee through the Assembly act, the Members' Services Committee orders. Members' pay is set in accordance with the authorities with the exception of remuneration that members may receive in recognition of their service on government committees. The authority for these appointments, the government committees, is determined by the

government of Alberta as detailed in appropriate orders in council or ministerial orders.

All members receive an MLA indemnity and tax-free allowance. In addition, members may be eligible for additional pay based on appointments for various roles in addition to the MLA indemnity and tax-free allowance. The Legislative Assembly is the paymaster for all remuneration, including those payments made on behalf of the government of Alberta. An example of these types of payments would include Premier, minister pay, and government committee remuneration. Payments processed by the Legislative Assembly on behalf of the government are charged back and reimbursed to the Legislative Assembly by the government.

Of note: all member remuneration is paid based on working 365 days per year. As a result, members do not have casual or general illness entitlements nor any vacation entitlements or other leave entitlements.

With respect to their remuneration all MLA remuneration, as I stated, except for payments for service on government committees is set pursuant to the Legislative Assembly Act and as authority delegated down to the Members' Services Committee. I will provide to you a current remuneration chart, and this chart is posted on our website, the Legislative Assembly, and will be on the MLA compensation review website as well as a link for reference as will all other tablings that I make today.

Justice Major: The material you're speaking to today will also be available at the back of the room when we're finished?

1:10

Mrs. Scarlett: Yes, it will.

In addition to the member remuneration chart, there's also a link to something called the Report of Selected Payments to the Members and Former Members, and it, too, is posted on our site. This report provides details of payments to all members, including remuneration, benefits, allowances, travel expenses, and payments that are made under the MLA pension plan and the public service pension plan.

Members' compensation decisions per the Members' Services Committee have varied throughout the years. However, the current formula for member compensation adjustments is in accordance with the decision of the committee made on October 5, 1998, whereby components of member remuneration are to be adjusted on April 1 of each year by the same percentage increase or decrease as the average weekly earnings for Alberta as reported by Statistics Canada's Survey of Employment, Payrolls, and Hours for the immediately preceding calendar year.

I have for you a summary of the historical adjustments back to 1989, and this, too, is posted on our website. I think it is important to note that it was the decision of the committee to freeze increases for member remuneration for the last three fiscal years.

I'd like at this point to table for you the MLA remuneration chart, the link to the selected payments, and the historical compensation adjustment.

Justice Major: Those will be marked as 1, 2, and 3. They're three separate subjects?

Mrs. Scarlett: Yes, they are.

When looking at the remuneration chart, one will see that there are various components of member remuneration. All members are eligible to receive an MLA indemnity and a tax-free allowance. The current MLA indemnity is \$52,092 per annum.

In addition, all members receive a tax-free allowance equivalent to 50 per cent of the indemnity in recognition of expenses incidental to their duties. That amount of money is \$26,046. The

authority for the tax-free allowance portion of remuneration is pursuant to section 81 of the Income Tax Act, Canada. Again, I have a copy for you of that excerpt.

Justice Major: On that subject, which causes a lot of confusion, the effect of the tax-free allowance is an exemption permitted under the Income Tax Act. In a manner of speaking you can describe that in another way as being a contribution to Alberta MLAs by the federal government. Is that not so? I'm correct on that?

Mrs. Scarlett: Yes. We have done a quick, rough calculation. Currently members receive a total of \$78,138 per annum. If we were to not have the tax-free allowance, based on our rough calculations member remuneration would need to be approximately \$90,700 to provide an equivalent net remuneration to the members. Of interest in that calculation is that the difference in the increased remuneration amount is also almost equivalent to the increase in the amount of income tax that that member would have to pay.

Justice Major: The province of Alberta would be sending how much to the federal government? More or less.

Mrs. Scarlett: If we were to take those assumptions and apply them across the board to all members for this fiscal year, it would be just over a million dollars of extra remuneration that we would be paying and that would be incurred to our budget, and subsequently all those members would be submitting approximately that same amount in additional income tax.

Justice Major: Do you see any particular benefit to the province for doing that? I mean, there's an argument that we see on transparency, and I think that what's important in this is the transparency that the federal government is making the payment, in effect, by forgoing the income tax. To exaggerate, isn't every citizen in Alberta better off with the tax-free allowance being absorbed by the federal government than being absorbed by the province?

Mrs. Scarlett: I don't believe I'm in a position to make that determination.

Justice Major: No. I think you can if you just reduce it to the simplest terms that I'm talking about. Right now the federal government says not only to Alberta but to all the provinces: you're entitled to be exempt from taxation up to a certain amount. If you're not exempt from taxation, then the Alberta MLAs would pay it, but in effect the province, the citizens – it would be one more expense to the province.

Mrs. Scarlett: You're correct.

In addition to the MLA remuneration and tax-free allowance, you will also see on the chart that members may be eligible for additional remuneration, and that has been broken into groups. One is referred to as office other than MLA, which includes additional remuneration for Premier, Speaker, ministers, Leader of the Official Opposition, Deputy Speaker and Chair of Committees, Deputy Chair of Committees, and leader of a recognized opposition party.

There's a third component called special members' allowances, which provides remuneration for House leaders and whips.

There's a fourth component that addresses remuneration for members that are appointed to Legislative Assembly committees. These are the all-party committees of the Legislative Assembly. On that chart it details that there is different remuneration for the three categories of committees: category A, category B, and

category C. Presently we do not have any category B committees, and the remuneration for categories A and C, as detailed on the chart, provides that any member can be paid for up to a maximum of three committees, not to exceed a maximum payment of \$3,500. So, as detailed, if appointed as chair to a Legislative Assembly committee, the chair would get \$1,500 per month, a deputy chair is eligible for \$1,250 per month, and a member would receive \$1,000 per month, not to exceed a payment of \$3,500 and not to be paid for any more than three committees.

In addition, the Speaker and opposition leaders receive \$3,500 per month in lieu of all committee participation.

As I referenced earlier, a member may also be entitled to remuneration pursuant to any appointments on government committees. However, the Legislative Assembly is not responsible for those appointments; rather, the remuneration for that is set by the government of Alberta. Presently the current authority for those payments is set pursuant to orders in council 450/2011 and 526/2011 as well as 466/2007. I have for you a copy of those orders in council.

The remuneration that any given member may receive is solely dependent upon which committees and how many committees they may be appointed to, but there are seven different subsections that detail how much a member may receive dependent upon the appointments to the various different government committees. Of note in that as well is that there is pay provided for members of Executive Council in lieu of participation on all government committees, and that amount is \$2,967. As well, there is pay provided to the President of Executive Council, that being the Premier, in the amount of \$3,483 per month in lieu of all participation on government committees. Ministers and the Premier are not eligible for any remuneration on Legislative Assembly committees. I failed to mention that.

Again, in summary, pursuant to the information provided, there are many different sources of income in addition to the MLA indemnity and tax-free allowance that a member may be eligible to receive.

1:20

One final point before I leave the MLA remuneration. I have also a final tabling for you. This tabling provides an updated chart, information as of November 1, 2011, of all jurisdictions across Canada with respect to strictly the member indemnity and expense allowance comparison. In that Alberta is still second last with respect to MLA indemnity and expense allowance. Again, of those only four jurisdictions still have the tax-free expense allowance. The others do not. So I table that for you, sir.

To ensure that all appropriate withholdings and benefit entitlements are calculated and administered appropriately, the Legislative Assembly is responsible, through our human resource services branch, for processing all payments to members and managing their health benefits and entitlements. As such, they work in conjunction with the appropriate entities to track all appointments and ensure that members receive the appropriate pay based on their multiple appointments. All payments are processed by the LAO. Again, anything processed on behalf of the government is charged back and reimbursed by the government to the LAO.

Now, in addition to member remuneration, members are eligible for other entitlements, and I'd like to spend some time highlighting those. Members are eligible to receive an RRSP allowance once per fiscal year, and per the order once in every fiscal year there shall be paid to every person who is a member and has served a minimum of three months in that fiscal year an allowance equal to one-half of the RRSP dollar limit for that year

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as established pursuant to the Income Tax Act of Canada. So the RRSP allowance for the 2012-13 fiscal year will be \$11,485. This allowance is paid as taxable remuneration; however, a member may request that the LAO transfer this payment directly to the member's financial institution to be applied against their RRSP account provided that the member has the required RRSP room that has been identified on their notice of assessment and that they have completed a declaration with us confirming that they have such.

In addition, members are eligible to participate in what we call the MLA health benefit plan, and it is named Members' Choice. Members are provided with a health benefit plan that's intended to parallel the benefits offered to management employees of the public service of Alberta. Members' Choice, like the management employees' plan, is a combined benefit plan offering members the flexibility to review and change coverage levels every two years. Coverage options are provided for the following health benefit plans: prescription coverage and extended medical coverage, including emergency out-of-Canada travel coverage; dental coverage; and life insurance coverage. Premiums for these plans are paid both by the Legislative Assembly and the member.

Members who participate are also eligible to receive an MLA long-term disability insurance coverage. The long-term disability insurance, LTDI, provides partial income for a member who becomes mentally or physically disabled during their term and, as a result, must resign their seat. The disability benefit is 70 per cent of their total eligible recurring annual salary at the time of their resignation. There is no minimum service requirement for this benefit, and the benefit would continue until such time as the individual is deemed fit to return to gainful employment or reaches the age of 65. However, this plan differs from a normal employee plan in that there is no option in this case for the member to return to work as a member as the member has had to resign to obtain this benefit.

Effective April 1, 2012, members will also be entitled to a health spending account. This account will be in the amount of \$950 per year, and this benefit parallels a plan being implemented also for the public service management employees as of April 1. Although the criteria for eligible expenditures are still being developed and our criteria will be consistent with the public service program, we know that the approval of all eligible claims will follow the Canada Revenue Agency guidelines for eligible medical expenses.

We also have an extended benefits option for former members. What this benefit provides is that members have the option of continuing participation in our health benefits plans when they resign, choose not to run for re-election, or are defeated. The coverage that we provide includes prescriptions and extended medical, dental, and life insurance coverage, and it's based on the level of the member's coverage at the time of their retirement as a member.

Justice Major: Does that medical plan differ much from what civil servants get?

Mrs. Scarlett: The MLA benefits plan parallels and is very similar to the benefits provided to management employees of the public service.

On the extended benefits option plan, the EBO plan, premiums continue to be paid by both the Legislative Assembly and the former member for the first five years. Thereafter they can stay on the plan, but the former member is responsible for paying the total cost of the premiums. The participation in the plan terminates at the age of 75, or in the case of the life insurance plan it ends at age

70, or it may end sooner if directed by the former member. Members can drop their coverage in whole or in part at any time; however, once they drop the coverage, they cannot recommence it at a later date.

MLA pension plan. The MLA pension plan was established originally in 1969. The service formulas and the contribution rates have changed periodically throughout the years; however, the MLA pension plan was suspended in June 1993. What that meant was that all members who were not vested at that time, meaning all members who did not have five years of pensionable service, received a refund of their contributions. As a result, all members who were elected in 1989 or thereafter do not or did not have a pension benefit pursuant to the MLA pension plan.

The MLA pension plan as at 1993 was based on a formula of 4 per cent of the highest average pensionable allowances for three consecutive years times the number of years of pensionable service in the office. However, there was a retroactive revision made to the plan that reduced the members' pension benefit from 4 per cent to 3 per cent on all service accrued after March 19, 1989. At that time, the time of suspension, both the Legislative Assembly and the member contributions were based on a rate of 10 per cent plus an additional 1 per cent that was set aside toward meeting the plan's unfunded liability.

The last benefit I'd like to speak about is the transition allowance. Historically, this allowance was initially approved in July 1988 and at that time was called a re-establishment allowance. The allowance provided members, if they those not to run or if they were defeated, with an amount based on the formula at their time of retirement.

1:30

Based on the initial formula, the re-establishment allowance in 1998, the formula was as follows. They received the amount of one month's indemnity in tax-free allowance at its highest level multiplied by the years or part years of service as a member, with a minimum payment of six months and a maximum payment of 12 months.

That allowance was renamed to a transition allowance in October of 1998 and the formula was amended. The formula then was a two-part formula, wherein the first part of the formula for all service prior to March 20, 1989, was based on multiplying the highest rate of the member's monthly indemnity and tax-free allowance by one month for every year of service to March 20, 1989, and subsequently two months for every year of service from March 20, 1989. In calculating the years of service, the most recent years of service shall be counted first, and there was a maximum of 12 years of service payment awarded.

No person shall be credited for any years of service as a member for which they had previously received a payment. So if they had been a member and retired and received a payment as a re-establishment allowance or transition allowance and then were re-elected, they would not get credit for that previous service.

Justice Major: But they could accumulate a new. . .

Mrs. Scarlett: Their formula would be based on their service only from . . .

Justice Major: From the date of their re-election.

Mrs. Scarlett: . . . the point in time that they return the second time. Correct.

The transition allowance was subsequently changed again in August of 2001, and this is the present formula. Again, the present formula is in two parts. For service before March 20, 1989, a

member would receive payment based on multiplying the highest rate of their indemnity and tax-free allowance by only one month for every year of service up to that date. However, for service on or after March 20, 1989, the calculation is based on total member remuneration, that being the indemnity, tax-free allowance, RRSP allowance, office other than special members' allowances, and remuneration for their legislature and government committees.

That formula for all service after March 20, 1989, uses a formula of A times B times 3, where A means the average monthly salary based on the three calendar years in which the person received their highest salary times B – the number of years that the person has service from the period of March 20 forward – times 3.

Again, no person shall receive credit for any service for which they have previously received a payment.

Justice Major: There is no limit on the number of years?

Mrs. Scarlett: There is no limit on that.

There is also a transition allowance order that provides a death benefit. That order says that when a person who is a member dies, there shall be paid an amount equivalent to the amount of the transition allowance that the deceased person would have been entitled to at the date of death. This death benefit payment would be administered in the form of a life insurance policy that has been established strictly for this purpose. Members designate a beneficiary on our files for that purpose.

Now, with respect to the options that members have at their time of retirement, under the present guidelines that are set out by the Canada Revenue Agency, CRA, a transition allowance is considered to be a retiring allowance. The term "retiring allowance" is an amount paid to officers or employees when or after they retire from an office or employment in recognition of long service or for the loss of office or employment.

As a retiring allowance there are some administrative provisions that a member can decide to exercise. One of them is a deferral option on the payment. Presently a person who is eligible to receive a retiring allowance may elect to defer the payment of the amount of that allowance over a period of years. However, the decision respecting the specifics of the deferred amounts to be paid is required immediately at their time of retirement or loss of office, and once they make those decisions, they cannot come back and ask us to change those decisions.

Justice Major: Is it any more expensive for the government, how they elect?

Mrs. Scarlett: No. On any deferred amount there is no interest paid.

Another option to the member because, again, this is a retiring allowance is with respect to a slightly reduced tax rate. Retiring allowances are treated as lump sum payments. Therefore, there is a slightly reduced tax rate. There is a chart that basically indicates that for all payments over \$15,000 tax can be collected or withheld at a rate of 30 per cent instead of full tax. So the member has the option to ask us to withhold at the reduced tax rate when we pay out any of those payments. However, it's very important that the member know that depending on all sources of taxable income throughout the year the member may still be required to pay additional tax at the end of the year when they file their income tax.

There is also an RRSP transfer provision as a retiring allowance. Again, in this there are two components to the RRSP transfer options. The first is for members who have service before 1996. Again, pursuant to Canada Revenue Agency's guidelines for retiring allowances, members who have years of service before 1996 are eligible to directly transfer a part of their retiring

allowance to an RRSP in their name only. The formula for that amount of transfer is \$2,000 for every year or part year of service before 1996. This eligible amount of RRSP transfer is over and above any normal RRSP room a member may have. But, in addition, any member may on the payout of their transition allowance direct us to send to their financial institution an amount of money that will be applied against an RRSP account in their name providing that they have the required room to do so and that they have signed a declaration with us saying so.

As I mentioned, any deferred money does not accrue interest, and I think it's important to note that the present accrued transition allowance liability is fully funded.

This, sir, concludes the overview of the MLA pay and benefits. I thank you very much for the opportunity.

Justice Major: Can I ask you one question? You filed exhibit 5 in which you outlined the comparators between the various provinces and Alberta on remuneration. The two factors you considered were the indemnity plus what's been called the tax-free allowance. It showed Alberta members being paid \$78,000, which put them near the bottom of the provinces. You then explained that they get additional revenue from serving on committees. We're just speaking not of whips and cabinet ministers but the regular, ordinary MLA. Have you got a number? It wouldn't be precise because different MLAs would be on different committees or different numbers. But on average what would an MLA's total remuneration in Alberta be, and how would it compare? Would they still be at the bottom of the pack or close to it, or would they be in a higher position? Do you know?

1:40

Mrs. Scarlett: I do not have an exact number for you. I have some averages. Based on my memory of that information, they would be higher, probably closer to the top, in and around Ontario. The third.

Justice Major: What would the top be, more or less?

Mrs. Scarlett: Averaging somewhere between – again, I'm sorry; this is from memory – \$120,000 and \$125,000 total remuneration.

Justice Major: So it would be, roughly speaking, about \$40,000 more than the total of the tax-free allowance and the indemnity. And that's just arithmetic and based on your memory subject to any correction that you may have?

Mrs. Scarlett: Correct.

Justice Major: Thank you very much.

Mrs. Scarlett: Thank you.

Justice Major: These exhibits are available if anybody in the audience wants copies. They're also, as you've heard, on the website.

Our next presenter is the Hon. Ray Speaker, who I think is familiar with this building.

Ray Speaker

**Former Member of the Alberta Legislative Assembly
and Former Alberta Member of Parliament**

Mr. Speaker: Thank you very much, Your Honour, for this opportunity. I hope that in the next few moments I can assist you in your major task that you have before you in dealing with the issue of compensation for Members of the Legislative Assembly.

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In making my presentation, I thought to possibly give you some assistance by doing three things: first of all, maybe talk about my experience in this building and my period of time here; secondly, try and define for you what I define as a member. You know, what is their role? What do they do? That may assist you some in whether they should be compensated more or compensated less or where the balance should be. Thirdly, I'll make some comments relative to compensation as to what might be some appropriate changes in that particular area.

As a bit of a background, I was elected to this Legislature . . .

Justice Major: Could I just interrupt you for a moment, Mr. Speaker?

Mr. Speaker: Sure.

Justice Major: You filed a seven-page summary, which you're going to say. I just want the audience to know that that's available to them as well. There will be copies at the back.

Go ahead.

Mr. Speaker: Right. Fine. Thank you very much. I was elected to the Alberta Legislature in June 1963, and eight elections after that I decided not to run in January 1992 and then to seek a federal seat in the constituency of Lethbridge. I was successful there in October 1993, and I was in the House of Commons until 1997. At that time I decided that some 30-plus years was long enough in politics and that I should do something else in life and resigned at that time. I decided not to run in the 1997 election.

In 1998 the Hon. Jean Chrétien asked me to sit on the Blais commission. The Blais commission was established to look at the allowances for Members of Parliament and the Senate. We put out a report in 1998. Some of the recommendations I have here for you today are a reflection of that report at that time.

During my Alberta legislative experience I worked with a number of Premiers. I started with Premier Manning, in his cabinet. I was in Premier Strom's cabinet and Premier Getty's cabinet. Then during the period of time with Premier Lougheed I was on numerous legislative committees and served as Leader of the Opposition from 1980 to '82. For a number of years I was on the Special Standing Committee on Members' Services, so I saw that side of the administration as well.

I remember my first time coming to this Legislature Building in 1964. I was accompanied by a 20-year member from Lethbridge from my hotel to the building. As we walked to the building – it was my first time here after being elected – I came to the front door and saw this giant hardwood door. Then after we opened the door and walked in, I saw all of this marble – marble floors, marble fountain, marble staircase, and marble floors above – and I thought to myself: I'm not worried about compensation; as a kid from Enchant I'm lucky to be here. So that was my first encounter.

My colleague that was with me decided that he should familiarize me with the Legislative Assembly. He said to me after we got through the door: "Follow me. I will show you the privileges of this building." So then we came up the marble staircase that's just down below us out of this Carillon Room and turned to the left. After taking 10 steps, we came to a door, walked through the door, and he said to me: "Over there in the corner is your coat hook. Put your name under it. That's where you hang your coat and hat." Then he put his hand to the right and said, "Over there is the washroom." That was my first introduction to Legislative Assembly privileges.

Then he went on to say: "If you don't miss a day in the Legislative Assembly room, you'll get a full cheque at the end of

the session. Then you'll maybe get some supplies." So I got my seat in the Legislature, and this member from Lethbridge was my seatmate for a three-and-a-half-year period. The other thing he said to me was: "Now, you'll know when session is over because there'll be a flurry of paper from the press gallery. That means we've prorogued, and the session is over." Anyway, that event happened.

Subsequent to that, I walked out of the Legislative Assembly room – and I can still remember this – and to the right of the staircase was a line of MLAs. Guys that had been there before knew that they had to line up when session was over. They were going into the Clerk's office. So I got in line and finally arrived at the Clerk, and the Clerk said to me: "Ray, here's your \$4,500 cheque, your payment for the year. You can go home now." He also said, "Here are your supplies for the year." And he gave me this cardboard box that they had gotten from some source of goods that came to the Clerk's office. In the box was about 12 pencils, an eraser, six loose-leaf rings, paper clips, one pack of legislative paper, and a pack of envelopes. That was our supplies for the year. Following that, our salary did increase to \$7,200, but the box practice continued into 1971.

We did have some other privileges, though. During that early session four ladies were hired in a secretarial pool. You had to stand up at their desk and dictate to them, and when you were finished, you left and came back and picked it up, and that was it. There was no office space. There was no telephone number in the Legislature for the members at that time. The hotel operator took all of our calls and gave us a list when we came back from the Legislature. You returned your calls from the hotel. The Alberta Government Telephones gave us a telephone pass for long-distance calls, and that was very, very helpful.

A minister at that time was appointed full-time. They were considered to be living in Edmonton on a full-time basis. A backbencher at that time was only a part-time participant in the legislative process. Once they had received their cardboard box, they were to head back to their business or whatever else they were doing in that part-time assignment and to balance their legislative time with their profession – their farm, their business, their teaching – or their employment or job, whatever it was. At that time sessions started in February and usually ended in the early spring. Most of the members represented rural constituencies, and they knew they had to get back to farming.

The tax-free portion – and Mrs. Scarlett and you have discussed that earlier – at that point in time was considered the expense allowance for the MLA. It was very clear at that time. That was your expense allowance, so you weren't really deserving of anything beyond that. That was it. But late in the 1960s we did get an extra \$10 per legislative day as compensation to pay for our hotel bill. In total that was it.

1:50

Now, the reason I point out this experience is not to give a history or because I have the opportunity of speaking about it but to show the contrast of what happened in that period of time and how the member was treated in contrast to maybe what happened after 1971, that period of 1971 to 1978. It was a period of time when Alberta's economy boomed. In 1971 the budget was a billion dollars in the province. At the end of 1985 it was nearly \$10 billion dollars. In that period we had a major increase in government expenditures, a major increase in sort of government involvement or responsibilities, and members were required to transition from being part-time to where it was more of a full-time assignment. You were away from your home more. You were away from your family more. You were away from your business

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more. We had a spring session, and then the fall session became part of the permanent process, and that took more time of the member.

There's a long list of the supplementary benefits that were implemented during that period of time – Cheryl outlined those earlier to you – because of the transition and sort of the definition of the member and the requirement of the member to be more of a part-time person in the Legislative Assembly. I don't know whether you want me to list those or not.

Justice Major: You can. They're helpful.

Mr. Speaker: I could do it very quickly. Supplementary benefits at that time. Well, members were, first of all, paid a monthly salary. You didn't have to wait until the end of the session to get your salary. You were put on a monthly salary.

Secondly, then supplementary benefits were increased in the form of increased health, life insurance, dental, gasoline credit cards, mileage allowances, bus and flight allowances, temporary residence allowances, parking and taxi allowances, spousal travel, committee allowances and expenses, constituency office budgets. There were legislative office budgets, promotional budgets, telephones and electronic equipment were supplied, severance allowances, and the change to a defined benefits pension plan. So there was a significant increase in supportive facilities for the members of the Legislature.

Justice Major: Remind me again: what year are you in now?

Mr. Speaker: Between 1971 and 1985.

Then if we go to the early 1990s, the MLA pension plan became very much of a public issue. Mrs. Scarlett has described the changes that occurred in terms of the pension plan. The pension plan was terminated in 1993 and other plans put in place: the taxable allowance and the transition allowance.

Again, now we're in 2011 and 2012, and what we hear from the general public is that all of these benefits are just too golden. I think that's why, you know, in terms of your commission hearings the public is saying that. There is this sort of conflict between what seemingly are the benefits that have been there for the members of the Legislature and what the general public sees as the right benefits that they should have. That's going to be the balance that you'll have to be able to accommodate in your report.

The questions, then, that I raise with this bit of background are: what is the current role, what are the challenges, and what is the adequate compensation for a member of the Legislature?

Justice Major: Mr. Speaker, before you get to that, it would be of interest, I think, to those of us here. We know what an MLA does more or less in Edmonton when they're in session, but take us back to your home constituency. What do the people who elect you expect from you when you're back home?

Mr. Speaker: Well, after spending five or six months of the year in a hotel here in Edmonton from Monday to Friday, when I'd arrive home on Friday night, there would be people at my door. I'd have a telephone list of 10 to 20 different people that had to be phoned and had to see me and had to talk to me on the weekend. Plus, in the summertime you had anywhere from eight to 12 parades you had to go to, multiple functions on the weekends that you had to attend when you went back to your constituency. They expected you to be there. You had to be there, so you tried to accommodate that to the sacrifice of your family or your business because often when someone would call and say, "Would you come to our meeting?" or "Would you come to our function?" you

agreed to it. As you look back, maybe there were times when I should have said: "No. I can't because I'm doing something with my family." But as a member normally you just didn't do that. So that was part of it.

The other part of the relationship between, say, my constituency of Little Bow and Edmonton was that travel question. Most of the time when air travel came out of Lethbridge, I was able to get up at four o'clock at the farm, drive into Lethbridge, get on the airplane, and be here at my office between 8:30 and 9 o'clock in the morning. But you had to get up and get started. Then there was a problem going back home. The Legislature went until 5:30 on Fridays. It was very difficult to get home on a Friday. Then we decided to have morning sessions, which assisted that quite a bit. Normally it was late afternoon by the time you got back to your farm or back to your home on Fridays.

Then, as I say, there was a whole set of obligations that were right there facing you after you did return home.

Justice Major: It's difficult to put a percentage on it, but would you think that 50 per cent of your time and other MLAs' time when they were home in their constituencies would be taken up with constituency matters?

Mr. Speaker: Oh, 75 or 80 per cent.

Justice Major: Seventy-five or 80?

Mr. Speaker: Much higher than 50. Oh, yes. It wasn't 50-50. No, no. It was much higher. Yeah.

You know, I say this in fairness. In rural constituencies your obligations were higher than, say, in urban constituencies. In urban constituencies you could control your time better than you could in rural constituencies.

Justice Major: Well, there would be very little travel within the urban constituencies.

Mr. Speaker: Right. Yeah. You could go to an event. I think one of my colleagues quite close to Edmonton could slip out to a turkey supper out of town, have his turkey, walk around, shake hands, and go home. He'd spend maybe an hour or an hour and a half doing it whereas for me to go to a turkey supper back in Little Bow, it was like a whole day of time to do that kind of thing and much different. Much different. Is that helpful?

Justice Major: It is helpful. I suppose the urban MLA would have more members in population. For instance, a constituency in Calgary or Edmonton would have a greater number of people than the smaller area.

Mr. Speaker: Right. They do have greater numbers, but people in the urban constituencies have the government facilities quite close to them. Because the government facilities are there, the offices are there, they short-circuit a lot of the constituency problems like welfare problems, let's say, land problems, health problems. The constituents are more apt to just on their own go to the local office and deal with their issues whereas out in the rural area with a welfare problem or a family problem or a social service problem or an agricultural problem they come to you. They say: can you help me go through to this office and solve my problem? There's much more contact between them.

I think that in terms of a balance, in terms of a workload I know I held what were called pre-session constituency meetings before I came to the Legislature. Every year I would take two weeks and walk the streets of every one of my towns. I would have anywhere

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from, oh, 200 and sometimes 500 items on my list when I came back to the Legislature of people that wanted me to deal with certain issues or do something whereas for some of my urban colleagues – and I want to say it in all fairness, and they can defend themselves – I didn't see the same list.

2:00

Justice Major: Did you see any problems that they had? I understand your problems. What would the headaches, if I can use that word, be for an urban representative? Can you think of any?

Mr. Speaker: Well, I think his biggest problem would be access to his constituents, to really on a personal basis be able to create this communication where they are the representative and can help them with some of their concerns and their problems. I think that is the biggest issue and most difficult thing and the biggest challenge for an urban constituency representative.

Justice Major: The personnel in your constituency would be more or less stable as compared to an urban one, where the turnover would be.

Mr. Speaker: That's a very good comment. Right.

Twice a year when I did this travel through my constituency at the street level, before I arrived in town, I would take the phone book out and refresh my mind as to who would be in town and where they would be standing. Year after year you'd drive into town and Mr. So-and-so would be standing at the front of his store doing this, and somebody at the garage would be standing there doing this. It was very predictable. With the reduced population in the rural areas, I would think it's still that same circumstance.

Justice Major: Continue. I didn't want to interrupt, but I did.

Mr. Speaker: No. That's helpful.

This is my own definition, Your Honour, with regard to the definition of an MLA. This is how I would describe it. A good MLA is one who knows how to listen – that's the first thing – secondly, can create new ideas to meet constituents' and Albertans' needs; thirdly, is awake enough to know when and where to intercept the legislative process. To me that is their core responsibility in their life as a member of the Alberta Legislature. The compensation and the legislative privileges that they may get after that are there only to support and enhance the role, to make sure they can take advantage of the opportunities of assisting the people that they represent.

Now, I say this. There are some challenges beyond that because of the way they associate with their colleagues, and I've listed six of them in this paper that I think are significant. First of all, a member of the Legislature is full-time now and must multitask. Required is preparation and attendance by all members, including ministers, at the meetings of the Legislative Assembly, the caucus, committees of the Legislature, and the annual party convention. That's quite an obvious thing.

In addition, since I started back in 1964, an MLA must manage their schedules for their legislative office, constituency office, and constituency functions and attend obligatory meetings of other legislators at the capital and, certainly, in their home riding. They must balance with this family and private responsibilities. The family suffers often in the trade-off, as I've already mentioned.

The other thing that I found during my period of time as an MLA or a minister was that my Day-timer was filled at least six weeks in advance. I knew who I would be talking to, where I would be, and what the subject would be in that discussion. I'm sure that with the current members of the Legislature, this really hasn't changed at all.

Now, we've already mentioned this a little bit. Members outside of Edmonton must travel. Travel to Edmonton can take hours of their time. Travel inconvenience keeps the member in a second residence away from their constituency or permanent home during the weekdays some five or six months of the calendar year. Family, private responsibilities, and constituency obligations are placed under extra pressures, especially for those members representing constituencies an hour or more from the capital city. Travel is a major factor for the MLA, but I think in today's society it should be understood that this is also prevalent in the private sector. I think it's common in the private sector that many of our people have to travel in their job assignments.

Members have many bosses, which they must learn how to deal with and coexist with. They have the public, the constituents, legislative colleagues, ministers, the Premier, party executives locally and provincially, legislative staff, and most importantly the electorate every three or four years. This group of people are the masters that can influence the MLA's public destiny as to what happens with them in that mix of people and bosses that they have.

Members must prepare for their transition to private life. I think one of the biggest responsibilities that a member has on their own and for themselves is that transition. Cheryl Scarlett has outlined a number of programs and the transitional allowances available to them now, and I think they are quite adequate.

What I have found is that there are very few members that prepare for this transition. Most of them feel that once they get elected, they will be elected for a long period of time, but we all know that that's not true because of various reasons. I've personally witnessed numerous cases where there has been sort of a traumatic emotional anxiety experience of ex-MLAs or ex-Members of Parliament. When I was in Parliament, as a House leader I saw many cases where there were very difficult circumstances, where the family and the ex-Member of Parliament struggled for re-entry into the workforce.

People often think that the legislative experience is a good one for their transition and that being an ex-MLA or an ex-Member of Parliament, they'll be able to walk out on the street and be very marketable and that there will be people ready to hire them very quickly. Not true. It isn't true in many cases. I have often said that after they've lost an election, a member has got the plague. The reason I've said that is that I've seen them go through very difficult circumstances in order to be re-employed or to get on with life and take on their responsibilities. Even with those difficulties most MLAs, after they go through maybe a difficult period or an easy period, are able to make a transition successfully to continue to take on their life experiences, which is good. Some form of transition, to me, is necessary for people at that stage of their lives.

The fifth point I make is that members have a major responsibility to Albertans. It is very obvious what has happened in Alberta back from 1971 till the current time. Our budget has increased nearly a billion dollars on average per year. The budget that's coming in this year is going to be around \$40 billion of expenditures. That's a huge amount of money in that 40-year period of time.

We really need good people to administer and take the responsibility of government. I guess that in terms of the management of our province we have to have good people so that it's well done, and we have to have adequate compensation so those kinds of people that can manage that amount of money and deal with it well are in the job. As taxpayers – and I say this as a private taxpayer – if the job is done well, then we should compensate these people well and not feel that they should live in poverty or

difficulty either when they're elected to the Legislature or after they have been either defeated or decided to quit the Legislature.

In all of this, I guess, I've got to say that it's certainly a privilege to be able to serve the general public and to serve our province. Very few people get that special elected opportunity, and when they do, it's certainly an honour to be elected and to be part of a government, whether it's in Alberta or in Ottawa.

Justice Major: Let me ask you, Mr. Speaker. The other side of the coin that you mentioned briefly is that when you're elected, you feel the honour, as you described when you first came to the building. You have received the majority of votes in your constituency, so you're feeling pretty well about yourself. Now, you've experienced members who have been defeated, and that message is that the majority of people in the constituency have lost faith in you or in the leader. You've seen people transition from defeat to try to rehabilitate themselves in the private sector. Is that more difficult than for someone who retires successfully?

2:10

Mr. Speaker: Very difficult, yeah. I saw this in Ottawa; I was House leader in Ottawa. The Progressive Conservative Party of Canada – I'd better say that for Joe Clark's benefit – was the government in Canada, and I think they had 157 or 160 members, something like that. After the election of 1993 there were only two members left. So the most difficult thing was that here were all of these people all of a sudden out of office, and they had not planned on their transition or their assignment in private life. I had a lineup of people into my office – husbands, wives, former members – with tears in their eyes, crying, saying: "I have no job. I can't get any employment. I can't get hired." A very difficult circumstance. I'm not sure whether that's helpful or not, but that is an actual situation that happens.

I would think that in Alberta when Social Credit was defeated in 1971, there were a number of people that had not prepared themselves for the transition. Some of them had been in government 20, 25 years, and there was no employment for them out there. There were a number of teachers. There were some farmers. There were medical doctors. You know, there were some very difficult stories at that point in time, and there was nothing in terms of transition. Some of them were not of pensionable age either, and they went through a difficult time. I think we have to be aware of that and try to deal with that issue. You know, it's not that the people weren't trying to do a good job under those circumstances; they were. Then all of a sudden the voters changed their minds about who should be administering the province.

Maybe just a few comments with regard to compensation, then. In terms of the tax-free allowance it's very clear to me that MLAs consider that part of their salary. I think that we should now do away with the tax-free allowance and add it to the indemnity with consideration for taxation. Cheryl has said that that would bring the amount up to \$97,000. In my paper here I have only allowed for \$88,000.

Justice Major: In any event, Mr. Speaker, the Income Tax Act, as you know, says to MLAs, "You can have this," and it is looked at in a certain sense as a contribution by the federal government to the operation of the MLA's office. While it may have been intended to compensate them for expenses that came from no other source, we know it has become part of their income, at least, say, treated as part of their income. Nonetheless, to do away with it would be a cost to the government of Alberta, but it would also make income, the source, more transparent. It wouldn't be called a tax-free allowance.

It's really something more than a tax-free allowance. Since it's permitted by the Income Tax Act, I'm curious . . .

Mr. Speaker: My response to that would be that when the tax-free allowance was created, circumstances were different. Example: the Hon. "Bud" Olson, who travelled from Medicine Hat to Ottawa, had to get on the train and spend two days at that point in time. There were no other expense allowances, no other supporting remuneration as such. That was it. When I started in the Legislature, that was it. They said that 50 per cent of my actual income is tax-free: "That's for your expenses. Now don't ask for any more."

Now the circumstances have changed. Mrs. Scarlett here has outlined a long list of other types of support services that the MLA has: \$3,500 per month for ministers, this committee allowance, expenses for your automobile, expenses for your telephone, expenses for your legislative office, expenses for your residence here. Those things have been looked after. I think that if that's being looked after and we go along with the benefits that are here, then to me this tax-free allowance is no longer valid. The general public, everybody else, has to pay taxes on 100 per cent of their income, and I think it's time that the MLA did the same thing.

I recommended that for the Members of Parliament and the Senators. They accepted it in 2001. We argued with them the very same way. They accepted that, and now their salary – at that time it went from around \$80,000 to somewhere up to \$131,000. Now it's at \$174,000, I think. In principle I think that that is an obsolete part of the tax act. I think it should be done away with. I don't think it applies anymore because there are other ways that the governments are compensating the members of the Legislatures and Members of Parliament rather than using the tax-free allowance to do it.

Justice Major: Let me ask you this. What you've outlined is the change in circumstances where MLAs are compensated more generously for expenses. The federal government is aware of that change, are they not?

Mr. Speaker: Yes, they are.

Justice Major: They could do away with the tax-free allowance by changing the Income Tax Act.

Mr. Speaker: Yes. Correct.

Justice Major: Do you have any idea why they haven't done that?

Mr. Speaker: I think it's more through neglect than it is any other reason. They just haven't focused on the issue. Internally they've changed the circumstances for the Members of Parliament through the members' services committee and through legislation. Other provinces, you know, have started to do the very same thing, change it on their own, because of the circumstances.

I think it's one of those things. They're allowing the provinces to do it if they want to continue to do it. Maybe they're just not making an intervention. I think it's more neglect than it is a focus on the subject.

Justice Major: I don't want to put words in your mouth, but I take it that you feel that the honourable thing to do is to look at the circumstances today and say on our own, that is as Albertans, that we should no longer take advantage of that exemption provided by the federal government some years ago, that it's incumbent on Alberta to take the lead even if it does cost us more money.

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Mr. Speaker: Yes. That's my position. Yes, it is. That's described very well. Right. I think it is time we did that.

I have this comment in terms of giving guidance to you as to what should happen to the salary of members of the Legislature: the Premier, ministers, and the other categories. They must reflect the general attitude at the present time in this province. I think that the attitude is that our members of the Legislature are being compensated adequately.

On a rational basis if I compared the Premier's salary – and I'll use my numbers here – if I changed the tax-free allowance and looked at the Premier's salary, her salary would be around \$211,000. I've said that the \$26,000 current indemnity that's tax-free would go up to about \$36,000, coming up to \$88,000. Now, Mrs. Scarlett has said \$97,000, so we're somewhere in that area. So the Premier's salary would be around \$211,000. Her Deputy Minister of Executive Council is getting \$264,000. Her chief of staff has a salary range between \$196,000 and \$264,000, in a sense more than she is getting, more than she is managing.

I think there should be some kind of a rule where the people that are governing the province, elected to govern it and manage it, should have salaries that are, you know, at least comparable to the people that they are managing, the deputy ministers and the senior executive positions in government. That's really not happening today. That's one thing.

2:20

On a rational basis, on that basis I would see the Premier's salary going up, but on a political basis, if you have to argue it politically, I don't think there's a strong enough argument at the present time to argue that the Premier's salary should be increased significantly, say, up to a deputy minister's salary. I don't think the public would buy that at the present time, so I can't make that recommendation at all.

Justice Major: You make a recommendation for some increase . . .

Mr. Speaker: I would see that, yes.

Justice Major: . . . that over time they would get?

Mr. Speaker: Right.

I think the index that is used to increase that salary, if it's set after your recommendations, must be a reasonable one. For example, the current average weekly earnings index is something like 5.35 per cent. That's too much. That is not acceptable to the general public. I think that if the Premier and the ministers and the MLAs got something like that as an increase right now, we would have the teachers, the health professionals, and the public service demanding at least that and more, and I don't think we're ready for that at the present time. So I think that in your recommendations you have to look at what kind of an index is more sensible and more acceptable in the general public.

Justice Major: What about the ministers? You spoke about the Premier and the responsibility she carries and that the gap between the Premier and her staff seems strange.

Mr. Speaker: Yeah. It's \$40,000 or \$50,000 a year.

Justice Major: A person, to use your expression, in charge of the province is paid less than those who work for her. You wouldn't see that in industry, but politics are different.

What about the ministers? They take on more responsibility than the MLAs. Would you make the same recommendation, that they should come closer, not immediately but eventually, to the deputy ministers that work for them?

Mr. Speaker: Yes, I would. Their \$63,000 of additional allowance with that tax benefit would increase some \$10,000 to \$15,000 immediately, so they'd have that to work into their tax management program. I would agree with you. Yes, that would be my recommendation to you.

Justice Major: Now, what about the MLAs who are not cabinet ministers? Would a corrected raise to the cabinet members and to the Premier but not to the MLAs be a cause of resentment, or would they understand, in your view, that the responsibilities of those in senior positions require more by way of compensation?

Mr. Speaker: Yeah. Back in about 1967 or '68 Premier Manning asked me to do the salary negotiations between the public service and government, and one of the guidelines he gave me at that time was that we should try and keep the deputy ministers' and senior staff's salaries a bit below what the Premier and ministers got. So that was my guideline in those negotiations, and I still feel that that was a responsible position to take.

Now, in terms of the MLAs what happened in that period of time from 1971 to '85 was that allowances were made, if you were chair of a committee or working on a committee, to get extra income, which also became pensionable. That was part of the pension base. That was one of the ways to sort of deal with that question that you're talking about. That gave them extra income by giving them extra responsibilities. The problem was that you still left people out. Everybody couldn't be a chair of a committee; everybody couldn't be on a certain committee. So you left people out, and I felt that there was a certain unfairness to that.

In terms of the MLAs if it goes up to \$88,000 or \$97,000 if you do away with the tax-free allowance, the question is: is it adequate to support their needs back home and what they're doing, and is it adequate to bring in good people that have to, say, quit their law practice for four or eight or 12 years or for a teacher to do the very same thing? You know, that would vary from person to person.

There's no definite answer, but I think we're pretty close to being adequate. I noticed in the presentation comparing salaries of MLAs in other provinces that if we did away with the tax-free allowance and brought that up, we'd be somewhat comparable or up to the top of the list. I would think we could leave the MLA compensation in terms of salary pretty close to where it is right now and still do a little bit for the ministers and the Premier.

That was a roundabout way to say that.

Justice Major: The whole subject is a little roundabout.

Mr. Speaker: Right. Exactly.

Very quickly, then, just to finish up in terms of benefits, I don't really have any comments on the benefits. There's a long list of them. I guess if they're comparable to the general public service, they should be acceptable as to what's there.

The severance allowance and the transition allowance was talked about. I think that the transition allowance should be terminated. With the open-ended formula as it is, there's a lot of public reaction to that, and I just don't think that's fair. Two, a member doesn't have to pay anything into that type of a transitional allowance, yet at the end of the term they take that one month or two months and multiply it by the number of years they were there, then by three, and they get a sum of money. Out of a \$32 million or a \$30 million budget that's kept somewhere here, either in the Legislative Assembly area or wherever, a hundred per cent is paid out by the government at that point in time. There's no contribution, and I just think that that's not a good formula.

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Justice Major: Are you opposed in principle to the transitional allowance or to what has existed in recent years in Alberta of no cap?

Mr. Speaker: Yes. I think that's what I'm against. Right. It's too open-ended, and it's just too lucrative.

Justice Major: Earlier in your testimony you spoke in response to a question about the difficulty involved in going back. So a transition allowance capped at, not opened-ended, let's pick a year as an example: would you find that acceptable?

Mr. Speaker: Yeah, more acceptable, certainly, than what's there.

Now, what I've recommended in my paper is that the transition allowance should be either 25 per cent of what the salary or what kind of income an MLA gets during a year's period or 50 per cent. In a number of other provinces they have formulas like that. For example, I think that in Nova Scotia they give a transition allowance of 12 months. With the federal government, for example, it's 50 per cent of the income of the Member of Parliament plus the minister and other committee work that they do. So they get 50 per cent. It's just 50 per cent for everybody, whether you serve one term, two terms, three terms, or whatever it is. I would rather see some kind of a formula like that in terms of transition.

2:30

What I recommended here is that we do away with this open-ended transition allowance and have one with a cap. Maybe it's a compromise – I'm not sure – but what I recommend goes in place is that we bring back the MLA pension plan, and the member of the Legislature should contribute a fair amount. I've said 12 to 15 per cent, but I think more like 15 per cent or maybe even a little more towards that pension plan. Then every member does it. They all do the very same thing. I think the public would accept that more than the current program.

Justice Major: One problem with the pension as a substitute is that the ability to draw on the pension is dictated in part by your age so that if you're defeated or if you left at 40, even though you've participated in the pension and worked presently for 15 years, it doesn't help the immediate problem of transition.

Mr. Speaker: No. That is true, but you still are at a young age where you can get back into a career.

Justice Major: You can, but borrowing from your testimony, it's...

Mr. Speaker: You've got 20 or 25 years of doing something different in your life as well.

Justice Major: That is true, but we're talking about the first six months or a little longer, where there's the shock of being defeated, wandering around the streets aimlessly before you finally decide that life is real, and you have to go back to work. That's what I envisage as a transition period or the doctor trying to notify his patients that he's back. You know, you can go on forever, but there does seem to be that period in which many of them are almost helpless until they come to their senses, if you can use that expression. A transition allowance with limits might serve a very useful purpose.

Mr. Speaker: Yeah. I think anything longer than, say, 12 months is starting to push the envelope. I think that on the outside it would be 12 months. The public would generally accept that. But we're

talking that under this current formula it could be from 1989 up to the present, all of those years. That's a lot of years. That's a huge sum of money.

Justice Major: I think we've seen some of the public reaction to that.

Mr. Speaker: Right. I just don't think that's right. I mean, you've got to ask the question: where else in the public does that kind of thing happen? Does it happen in the private sector? I'm not aware of oil executives or anyone that has that kind of a payout on that kind of a formula. Would that be correct?

Justice Major: Well, as near as I know, I think that is correct. It was the principle of the transition allowance as something to be done. Of course, I agree that there should be limits, but I think, too, that at the moment the transition allowance is a necessary bridge to get people back into the private sector.

Mr. Speaker: Definitely. Yes. I agree with that. We must have some kind of a transitional allowance to do that.

You know, in the public service, let's say, if you lose your job or something happens, there is an allowance made available to an employee so that they can make a transition to some other type of assignment. In the private sector I would think there are also so many weeks or months or so that you could consider as transition. So the principle is sound. To just put people out on the street after they've tried to serve the province is not right. That's not right.

We've sort of covered the pension thing, and I think you know the details that I've talked about here. I guess a general comment that I would make is that in your responsibilities you're going to make recommendations, and they go back to the Speaker of the Legislature. I think the political people have to understand that whether they feel the recommendations come from a third party or not, the legislators – the Premier, the cabinet, the caucus, and all members of the Legislature – are really the ones responsible in the end to establish their compensation in terms of salary and benefits and pension or whatever variables are here. They must take the responsibility.

Justice Major: I think that's clear from the mandate.

Mr. Speaker: Right. But I often hear people say: we have to get some third party to tell us what our benefits are, what our compensation is, and then we're going to be hands off. There is no way that the political person can be hands off. In the end the public expects them to take the responsibility. In terms of your report, in terms of what I'm saying, I think the legislator should know that and not forget that.

Justice Major: One of the open questions, of course, is: you've expressed your opinion on the fallacy of tying it to this weekly wage inflation, but is there some inflationary factor that's acceptable that would just click in?

Mr. Speaker: Yeah. I really didn't review that as well as I should have. It could be a cost-of-living index. It could be inflation.

Justice Major: Nonetheless, the Legislature would still have to accept it or not, and one Legislature can't bind the other. So what this present group may decide can be undecided by next year.

Mr. Speaker: Exactly.

Justice Major: Depending on what happens.

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Mr. Speaker: Yeah, what happens in an election. Very true.

I know that in Calgary, for example, you know, the mayor and the council have just accepted 5.35 per cent as an increase because they said: “Well, that was the formula that’s set there. We have to accept it.” The general public say: “Hey. Look. That’s a little bit too much. You know, your salaries are pretty good. What are you doing?”

Justice Major: You say: all right. The other side of the coin is that they say: well, that’s all right, but give it to us, too.

Mr. Speaker: Right. Exactly. I see this formula that’s here as having a sequence of events that are most difficult for government to manage.

I’d like to thank you for the opportunity, and I wish you the best in your endeavours and responsibilities.

Justice Major: On the contrary. Thank you, Mr. Speaker.

I should repeat again that your remarks are available to anyone that wants them later. We’ve made copies, and people are free to take them. They’re also, of course, on the web.

Mr. Speaker: Okay. Thank you very much.

Justice Major: Thank you.

Is this the first of your filings?

Mr. Hennig: That is my only filing.

Justice Major: Judging by the length, we won’t ask you to read it.

Mr. Hennig: No. I will skip through quite a bit of it so that we don’t have to be here into the evening.

Scott Hennig, Alberta Director and National Communications Manager Canadian Taxpayers Federation

Mr. Hennig: I’ll start by just introducing myself. I’m Scott Hennig with the Canadian Taxpayers Federation. We’re a nonprofit, nonpartisan citizens’ advocacy organization. We were founded in 1990 here in Alberta and Saskatchewan, and we have offices across the country, from B.C. to Halifax, with about 70,000 supporters. We’re not a charity; we’re a nonprofit organization, where we have voluntary donations that pay my salary and pay for the work that we’re able to do.

2:40

I’ll skip ahead a bit here. I have a summary of recommendations on page 3, in which there are 12 recommendations that we make. I’ll skip through the introduction and a bit of our long history, which we do have here in this province in regard to MLA compensation, going back as far as Jason Kenney’s infamous altercation with former Premier Klein in the halls of the Legislature over the MLA pension plan right up to the discovery of the 30 per cent pay hike, which essentially has landed us here today, albeit almost four years later, reviewing MLA compensation.

I do want to say a few words, though, about the mandate of your commission. Starting on page 6 and page 7, I go through some of it. I think it’s unfortunate that the mandate that you’ve been given is very prescriptive. I would have preferred, frankly, and our organization would have preferred that they gave you a very open-ended mandate, one as simple as: review and make recommendations on any and all issues related to MLA compensation.

The fact that you have been asked to and been required to make benchmarks, in particular, specifically to comparable Commonwealth parliaments, Queen’s Bench and Provincial Court judges, and senior public servants seems like an attempt to sway the way that decisions may be made. At least in comparison to those positions MLAs will appear to be much lower compensated than if they were asking you to compare them to barbers or bakers or mechanics. I think that was intentional.

In regard to Commonwealth parliaments I found it was interesting they picked that considering that the only Commonwealth parliaments within a million citizens of Alberta would be the province of B.C. and the country of New Zealand. Those are the only two Commonwealth countries or parliaments that would be remotely comparable.

They didn’t ask you to look at other ones necessarily although I would encourage that. In particular, there are 11 U.S. states within a million citizens of Alberta. I’ve provided a bit of information on page 8 as to what their compensation is for state legislators. I’ll make note that, in fact, there is no U.S. state Representative in the 50 U.S. states that gets paid higher than Alberta MLAs. They range from a high in California of a little over \$95,000 to a low, depending on how you want to look at it, in either New Mexico or New Hampshire. In New Mexico state legislators get paid zero although they do have a per diem rate when they’re in session of \$153 a day. In New Hampshire they’re paid \$200 for a two-year session, and there is no per diem, so essentially they get paid \$100 a year.

Now, we’re not suggesting that you make recommendations – and we’re not recommending that – that we pay our legislators zero although, just to point it out, it’s interesting that you were asked to not necessarily look at those but that you were asked to look at Commonwealth countries.

Justice Major: I didn’t take that mandate to preclude looking at anything, if that gives you any comfort.

Mr. Hennig: I trust that you will expand your view beyond what they’ve asked you to. I just found it to be disappointing that they did prescribe certain things that you had to look at. I think that your infinite wisdom in looking at any and all things related to compensation probably would have been a good enough mandate for you to do your job.

Justice Major: If it’s any comfort to you, I will write it as broadly as you suggest it should have been.

Mr. Hennig: That’s excellent. That does give me some comfort.

I want to touch on two overarching principles that our organization set when we were looking at compensation. This is now on page 9. Whenever we look at public-sector compensation, our first rule or overarching principle is that we want compensation to be transparent. The second one is that we believe that rules around compensation for elected officials should be equivalent to the private sector. In short, if they do it in the private sector, you can do it in the public sector; if they don’t, you shouldn’t either.

The big question of how much should an MLA make. I think there are sort of three rules of thought on this. You pay them very little, and it’s a part-time job, as Mr. Speaker talked about how it was in the 1960s. In fact, even a former Mayor of Calgary, Rod Sykes, suggested that when it was a part-time job to be an alderman in the city of Calgary, he believed that they got a better quality of candidate. I have some quotes in there as well related to that, but I won’t go through them all.

There are also those that believe you need to pay elected officials extremely high wages. In fact, if you look at Singapore, Singapore pays their Prime Minister the equivalent of about \$1.75 million a year – it's the highest in the world – and that was after it was recently reduced, just days ago, by 36 per cent. So it was considerably higher than that. They believe there that it's a required payment to ensure they get the absolute best and brightest out there.

We take sort of an opinion, I guess, that would be more in the middle in that we don't believe that you're going to have a shortage of good people seeking office regardless of what the pay is going to be. In 1993 when the pay was considerably less than this, you had people with jobs that were paying them considerably more. You had lawyers like Gary Mar, you had doctors like Lyle Oberg who were passing up those opportunities to take a pay cut and come work as an MLA. So we're not convinced that if you pay them a lot less or pay them a lot more, you're going to get a significant change in your quality of candidate. There will always be quality candidates willing to step up and serve the public.

I think it's important to note, just looking at the current situation we're in in terms of the way MLAs are compensated – it's certainly not her fault, but I think it's an indication looking at Mrs. Scarlett's half-hour presentation that it's not very simple how we pay our MLAs. It's extremely complicated. I trust that I could probably pick a few people in the crowd here and ask them how they're paid, and they could probably answer in 30 seconds whereas it takes someone who knows this file better than anyone, like Mrs. Scarlett, half an hour to explain the various intricacies of how we pay our MLAs. I think that's a great disservice to the public and also to those who might be interested in seeking public office because gaining access to this information and understanding just how much and how MLAs are compensated is an almost impossible task, frankly, unless you are a person who spends hours and hours studying this or are employed by the Legislative Assembly to administer it.

On page 11 I show a snapshot from the Assembly website that shows what the MLA indemnity and allowance are currently as well as the statutory allowances for other offices, including the Premier, Speaker, leaders of opposition. If you were to ask an average Albertan to quickly tell you how much an MLA makes, this is probably where they would look, and they would probably guess that their average MLA makes around \$78,000. It's interesting, the results of the comparison that was provided, you showing just the indemnity and tax-free allowance. I can tell you that I've tasked my staff in Ottawa to try and put together a comparison between all the various provinces' MLA actual compensation, not just their MLA indemnity and tax-free allowance, and they've been unable to do it so far because it is a nearly impossible task to figure out exactly how much MLAs are being paid in various provinces, with Alberta probably being the worst.

The truth about how much MLAs are actually being paid – and Mrs. Scarlett's numbers were correct based on our calculations. If you just take the MLA indemnity and the tax-free portion and gross that up to a fully taxable salary, we came out with a number within dollars of theirs: \$90,707. However, not even 1 of the 83 MLAs earned that amount, the base amount, in 2010-11. The lowest additional pay that was received was by four MLAs – Guy Boutillier, Paul Hinman, Rachel Notley, and Kevin Taft – and that was an additional \$36,000 over and above their MLA indemnity and tax-free allowance. So that would put the bare minimum pay for MLAs at a full-tax equivalent of around \$126,707.

However, that means 79 MLAs earned more, some very significantly more, obviously the Premier more. We have that

pegged at a full-tax equivalent of about \$217,897. It's little known that due to the 3 per cent rollback the cabinet ministers and the Premier took in 2009, the actual second highest and third highest paid MLAs are the Speaker and the Leader of the Opposition. They receive a full-tax equivalent pay of around \$200,000. The cabinet ministers are at a little over \$194,000. Then it gets more difficult. The highest paid backbencher was Len Mitzel, who collected an additional \$69,984. He served as the Deputy Chair of Committees as well as chairing four other committees and sitting on three others. His full-tax equivalent salary would be about \$164,000.

To answer a question you asked Mrs. Scarlett earlier – on average how much additional pay in terms of committee pay do MLAs get? – on average it's \$44,506.

2:50

Justice Major: I'm looking at your chart, page 13. I'm just curious. You speak of the backbench MLA (low). I take that to be the lowest for the period at \$114,000 or, depending on the tax equivalent, \$126,000?

Mr. Hennig: Yes.

Justice Major: In trying to follow your evidence, your number was higher.

Mr. Hennig: My number was higher for . . . ?

Justice Major: You just finished speaking about the lowest paid getting, I think, up to \$140,000 or something?

Mr. Hennig: No, sir. The lowest paid is \$126,000, the average is \$136,000, and the high is \$164,000.

Justice Major: This chart is . . .

Mr. Hennig: This chart is correct, yes, sir. If I misspoke, I apologize. This chart is correct.

The issue is that the pay increase that came in 2008 was only limited to committees. Prior to 2008 cabinet ministers and the Premier got paid zero dollars for sitting on any committees, and the committee pay for backbench MLAs varied. Opposition MLAs got virtually nothing. It was a couple thousand dollars. Backbench government MLAs got very little in terms of legislative committee pay but got more through government committee pay, averaging around – I'd have to look at the number again – \$28,000. I think the total overall pre-2008 in additional committee pay was around \$22,000; now it's \$44,000. So there has been a significant increase there in 2008. The problem with the committees is that it's far from transparent.

Actually, I'm going to skip ahead here to look at, in fact, an example on page 16 of how to look at and figure out how much an MLA is making. We took, just as an example, Calgary-Bow MLA Alana DeLong. If you want to know how much she is making currently, you would start by looking at the Legislative Assembly website. You would see she has her \$52,000 and \$26,000 indemnity and tax-free allowance. Then if you read her bio on the website, you'd be able to see that she serves as the parliamentary assistant for Seniors, chairs the Seniors Advisory Council. She is a member on the following committees: the Cabinet Policy Committee on Public Health and Safety; Standing Committee on Public Health and Safety; Standing Committee on the Alberta Heritage Savings Trust Fund; Standing Committee on Privileges and Elections, Standing Orders and Printing, which is a committee I will reference again later. She is also assigned to the Pacific NorthWest Economic Region Committee.

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If you happen to notice on the MLA remuneration website that there are additional payments for committees and notice that her committees fell within category A or C – of course, there are no category B committees anymore – you would be able to determine that she's in line for an additional \$3,000 per month, or \$36,000 per year. If you were still looking for more for pay, you'd be able to look and see that she's a parliamentary assistant and also chairing the Seniors Advisory Council as well as being on a CPC or cabinet policy committee. Unfortunately, no place on the Legislative Assembly MLA remuneration website does it include any information on how much MLAs are paid for serving on these additional committees. Unless you were miraculously able to find the Order in Council 450/2011, which I would challenge most people to be able to find unless they know what they're looking for, you would not be able to find out how much these extra duties such as being a parliamentary assistant or serving on a cabinet policy committee pay. They work out to \$27,000 a year for her.

Justice Major: Can I ask you – and you may come to this on your own. Looking at what Ms DeLong makes with the committees that she serves and the other activities she undertakes, while the indemnity and the tax-free allowance bring her somewhere around \$70,000, her income ends up on your calculations around \$156,000. Is there any value to the committee work that these MLAs do? Should she do all of this committee work as part of her responsibilities as an MLA, or if they enlarge their scope beyond what other MLAs are doing, are they entitled to more, without putting a figure on it?

Mr. Hennig: Yeah. I think actually one of the great disservices that has been done by creating this additional committee pay is that it has indicated that a higher value is placed on serving on a committee than meeting with your constituents. I think that being an MLA is not just a 9 to 5 job. A baker on a Sunday evening is not going to get stopped on the side of the street and asked to put a loaf of bread on for you, but you may get stopped as an MLA and be asked questions about the budget. As Mr. Speaker so diligently explained, it is a full-time job all the time. You are out in your constituency getting around to different places, meeting with people. That's part of the job, too.

By not compensating them for meeting with their constituents but compensating them for sitting in the Legislature – and sometimes not even sitting in the Legislature in committees, and I will get to this. I'm going to mention this as well. There are some committees that have not met in years, yet they get paid extra compensation for serving on them. By valuing that higher, I think it's done a great disservice to the role of MLA and has frankly encouraged more committee work and having them be here in Edmonton rather than in their constituency talking to their constituents. I think that's a bad thing for democracy.

Moving on to looking at the tax-free pay, which is what we would see as being one of the two, along with committee pay, parts of the compensation that are least transparent, I'm going to pre-empt your question that you're going to ask. You've asked it before in terms of the \$1 million cost to taxpayers to gross this up and get rid of the tax-free portion. I think that's a small price to pay to have a fully transparent salary for our MLAs. If we're worried about a million dollars, I've got recommendations in here that will find you your \$1 million. In fact, eliminating the transition allowance we would calculate right now would save taxpayers close to \$30 million. So if it's the million dollars, we've got a solution to that. I think that paying money for transparency is a good thing.

Justice Major: It's a free country. You're obviously entitled to your opinion. I'm just looking for a logical reason.

Mr. Hennig: Well, I think that if you're thinking about running for office and you go to look at the Legislative Assembly website and you're trying to figure out if you can afford to do this, seeing that it's \$78,000 and seeing that a third of that is tax free, unless you are able to figure out what that means plus knowing all the various places to look up your potential committee pay, I think may cause people to not want to run for office because they don't think they can afford it when in reality MLAs are making on average the equivalent of \$136,000. I think that the transparency of having a fully taxable all-rolled-in one pay for backbench MLAs is a good enough reason to forgo the million dollars.

Justice Major: That is a little inconsistent with what you quoted Rod Sykes as saying: that, in effect, the lower the pay, the better the volunteers.

Mr. Hennig: Well, I'm not saying that I agree with Mr. Sykes. I'm not saying that I agree with the way that they do it in Singapore. Those are just for your reference. There are those people that are on both those sides that believe that you'll get . . .

Justice Major: If Sykes were right, then the lower amounts that they can find would be more attractive to them perhaps than the higher amount they actually get.

Mr. Hennig: And if he's wrong, then . . .

Justice Major: Then we go the Singapore way and really get the price heated up.

Mr. Hennig: Yeah. I mean, there are fair arguments on both sides of what's the fair compensation level, whether it should be very high or very low, but I don't think it should be hard to know. I don't think it should be hard for someone to find out how much they would get paid if they run for office. Right now it is nearly impossible, and I think that needs to change. I think that alone, transparency and accountability, is worth the \$1 million we'll send to Ottawa. I think there are places that we can find that savings for taxpayers.

I go through in detail here the various allowances. I won't go through them here, but they've been mentioned various times as part of the argument opposing the need for a tax-free expense allowance, the fact there are car allowances and housing allowances. I won't go through all of them.

I will point out, though, that there must be a good reason. Even if you're unable to see one at this point, there must be a good reason that all other provinces with the exception of us and Quebec have got rid of this tax-free portion. Sorry. I should say that the Northwest Territories and Yukon still have it. But every other province has seen the transparency argument as overriding the additional costs for getting rid of this perk.

3:00

Justice Major: You're assuming that.

Mr. Hennig: I am assuming that.

I know for a fact that in the city of Calgary, that also got rid of this in 2006, as well as the Calgary board of education, that got rid of this perk in 2006 or '07, they cited transparency purposes as the reason for getting rid of it.

Justice Major: I understand that argument. I also understand the self-serving activity or steps taken by elected people to look good

to their constituents. For city council to say, “We’re waiving that, so please vote for us,” there is something hypocritical if that’s their motive. “You the taxpayer can make me look like an honest man, but it’s going to cost you a little bit.”

Mr. Hennig: I think there is a cost transparency. I mean, one of our recommendations in here is that MLAs post their expenses, including receipts, online like they do in the city of Toronto. There would be a cost to set up that website. It would cost taxpayers money so that they can see how much their MLAs are spending and what they’re spending it on. I think there’s some value in that.

Justice Major: I don’t want to bicker with you, but that would require time, to set it up and to have the MLAs do it. Is that the best use of the MLAs’ time?

Mr. Hennig: Well, of the staff time, that would set it up, do you mean?

Justice Major: The time to set it up and the time the MLA would have to keep track of expenses. There would have to be receipts and the usual indicia of expenditures. That requires some effort.

Mr. Hennig: Yes.

Justice Major: Would his efforts be better used in serving the constituency and the province than in doing something like accounting for all expenses?

Mr. Hennig: Well, I think there are two things there. One, they’re already accounting for their expenses. It’s just not made public. It’s all accounted for here in the Legislative Assembly. They already have to fill out their expense forms and submit receipts and get reimbursed for a lot of their expenses, so that’s already being done. It would be staff time and staff cost, who would have to put that up online.

Considering the expense scandals that have gone on in the U.K. with MPs, in Newfoundland and Labrador with MLAs, and in Nova Scotia with MLAs, which some elected officials have had charges for and will go to jail for or have gone to jail for and have resigned over, I think the potential cost savings to taxpayers of not having the likelihood of being defrauded would offset the staff costs. I don’t think there’s any additional time required by the MLA or their staff. There would be by Legislative Assembly staff.

So our recommendations are that we gross up and eliminate the tax-free expense allowance, creating a fully taxable salary, as well as follow the city of Toronto’s lead to create the online database of MLA expenses.

Just to go back to the example of Ms DeLong again, on page 21 we look at her pay in 2007-08. As you can see there, she currently is receiving the equivalent of or has the potential to receive the equivalent of \$63,000 in additional committee pay. In 2007-08 she received \$12,000, just to show you the significant increase that did occur in 2008. I think that the 2008 increases that happened both at the Members’ Services Committee as well as in cabinet are less about the size of the pay and more about the manner in which it was handled. Going behind closed doors and voting a pay raise and sliding it out on the bottom of an order in council is not a very transparent, accountable way to increase your remuneration.

Our preference has been and will continue to be that third-party, independent, citizens’ assemblies make recommendations on MLA pay and that MLAs, who I believe have a conflict of interest, should not be deciding and voting upon their own pay. Ultimately, that should be out of their hands because they do have that conflict.

Justice Major: On that point, who should decide it?

Mr. Hennig: Again, our preference is a citizens’ assembly of their bosses, essentially, so much like what was done in Ontario and B.C. with voting reform. In both those cases they picked – now, the number I think you can adjust – I think, a hundred citizens. I don’t think you would need that many for an MLA compensation review, probably more like 10 or 15 or 20 pulled off the voters list at random. Give them the opportunity to get access to any information that you’ll have access to yourself as the head of this committee, and allow them to make recommendations and make those recommendations binding with the exception of allowing for a citizens’ initiative campaign, a petition signing, if people believe it should be held as a referendum on the next ballot. If they make recommendations that are out of line with the rest of the public, well, then the public has the opportunity to put it on the ballot for a vote and restart the process if they vote it down.

Now, that’s a costly, laborious exercise, but it’s one that doesn’t involve asking MLAs to decide how much money they’re going to take for themselves out of the public purse. I think that’s a good thing. They shouldn’t be able to or allowed to make those decisions, and they shouldn’t be put in the position of having to make those decisions because it’s rarely a winning situation for them.

Justice Major: They have made those since Confederation.

Mr. Hennig: And I think they get an earful about it time and time again. I think part of the problem is that people have become quite jaded on this because they all do it. It’s not just one party, so it’s tough. You can’t throw out just the one party who is voting in favour of increasing their own pay. It’s usually all the parties. In 2001, when the transition allowance was increased here in this province, it was the Liberals and Conservatives voting in favour of it with the NDs voting against it. When it was the committee pay being increased by the Members’ Services Committee in 2008, it was the Conservatives and NDP voting in favour of it with the Liberals voting against it. At some time all parties have voted in favour of increasing their own pay, so it’s not as simple as voting them out or voting in a different party. It’s the one thing we can always get politicians to agree upon, how to increase their own pay, and it’s rare to get them to agree on anything.

I want to point out this one committee, and I reference it as the, quote, unquote, best committee ever, on page 23, the Standing Committee on Privileges and Elections, Standing Orders and Printing, which used to be under category B, a category of committees within the Legislative Assembly that got paid significantly less. This committee – now it’s under categories A and C – has a full one-quarter of the entire Legislative Assembly serving on it; 21 MLAs serve on this committee.

Justice Major: Excuse me. Are you on page 23?

Mr. Hennig: Yeah. Bottom of page 23 in the yellow box.

Justice Major: Ah, yes. Best Committee Ever.

Mr. Hennig: Each of these 21 MLAs are eligible to collect a minimum of \$12,000 per year with the vice-chair and chair collecting \$15,000 and \$18,000, respectively. The Standing Committee on Privileges and Elections, Standing Orders and Printing has not met since 2008. It met three times in 2007, five times in 2008, but zero times since. Since 2008, essentially, the equivalent of \$261,000 has been paid to MLAs for serving on this committee that has not ever met once. I think this one by itself

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illustrates the foolishness that's been created with the committee pay situation since 2008.

Pages 24 and 25 go through – I apologize for the spacing; my PDF maker messed up on me – the various changes in Premier and cabinet pay that have occurred between April 1, 2008, and October 15, 2009. Our recommendation in regard to committee pay is that we go back to the 2007-08 level, where MLAs were receiving the equivalent of around \$22,000 a year for extra committee pay. We increase that for the average weekly earnings, like it would have been had they not changed that pay and frozen their pay in 2009, '10, '11, which would now work out to a little over \$26,000 that MLAs were getting paid in 2007-08 for additional committee pay.

3:10

We roll that into the overall one lump-sum pay, and we ban MLAs from collecting any more compensation for any position other than the statutory positions, meaning unless they're serving as Premier, cabinet minister, Speaker, opposition leader, whip, or House leader, they would not be allowed to receive extra pay for serving on secretariats or legislative committees or cabinet policy committees or standing committees or being parliamentary assistants. All of those would be part of their regular duties along with meeting with their constituents and attending turkey dinners.

Justice Major: Do you think, human nature being what it is, that if you were paid a flat amount, you would get the same input from committee activities?

Mr. Hennig: Well, I think paying them a flat amount right now hasn't necessarily meant that they've been meeting more often. I think if you pay them for meetings, you'll encourage them to meet.

Justice Major: You have picked out some extreme examples where they haven't met. I'm curious to know whether or not there are committee reports that have been of value, that it's been worthwhile to have that committee.

Mr. Hennig: I'm sure there are. I don't discount the value of the committee. I think, frankly, if they're paid a lump sum, we'll know very quickly which committees are important and which ones are not because the committees that are doing very little work and are not meeting will no longer exist and the ones that are of value will continue to exist and people will continue to sit on them. They will not necessarily be just a means of compensation. They'll be a means of improving legislation.

Justice Major: The difficulty is that you may get malingerers who get the fixed sum that don't serve on any committees as weighed against the conscientious MLA that, with the lump sum, may serve on several committees.

Mr. Hennig: Again, have we made a decision as a society to value committee work at a higher level than constituency work? The MLA who is serving on the committee is unable to spend that time meeting with his constituents. Work is work, though.

Justice Major: This is our first day at work, as it were, but by the end of this process we should have opinions on the value of committee work, which may track exactly what you're saying or it may not. I don't know.

Mr. Hennig: My opinion is that I think we'd be doing a disservice to be valuing committee work at a higher level than constituency work. I think that being an MLA, it's all part and parcel of the job. You're supposed to meet with your constituents and assist them in

their needs. You're supposed to be listening to them and receiving feedback. You're also supposed to be using that feedback to improve legislation and improve the governance of the province. I think they're all part and parcel of the job.

Justice Major: But it doesn't seem to follow that if you are on a committee, you're not doing your constituency work. Why can't you do both?

Mr. Hennig: I'm not suggesting you can't do both, but your suggestion that someone who serves on many committees should get paid more than someone that doesn't serve on many committees . . .

Justice Major: That's not what I was saying. You had suggested a flat sum and not special payments for committee work. My query was: what about the malingering MLA that doesn't want to go on any committees or will go on them and not do much because he's being paid anyhow as weighed against the more industrious MLA that'll work diligently on the committees that he's on? It seems that a flat sum sort of invites some malingerers.

Mr. Hennig: Wouldn't that also then be true for constituency work? I mean, if they're being paid a flat fee for constituency work, you're going to have some malingerers and others who are not.

Justice Major: Yes, you do. But the check you hope you have there is that the malingerers get voted out.

Mr. Hennig: I would say that that should still be the case. If you're not passing good legislation and you're not governing the province properly because you're not doing the work that's needed in committee, you'll also be voted out.

Justice Major: I think you give the voters too much credit for paying attention to what goes on up here. They pay attention to what goes on in the constituency. I think successful, repeat MLAs can always point to good constituency work. The American expression that politics are local I think proves itself time and time again.

Mr. Hennig: I completely agree that . . .

Justice Major: They neglect their constituency work at their own risk.

Anyhow, I don't want to interrupt you.

Mr. Hennig: And if we're compensating them and encouraging them to not be in their constituency, then we're doing a disservice to them.

Justice Major: I'm just wondering if we're doing a disservice to the audience by not having a break.

Mr. Hennig: Do you want me to wrap up?

Justice Major: No. We'll break for 10 minutes. Come back and wrap up because we've got a couple of others to hear from.

[The meeting adjourned from 3:16 p.m. to 3:22 p.m.]

Mr. Hennig: Can we move on to annual adjustments at the bottom of page 26?

Justice Major: Yes.

Mr. Hennig: We've been supportive as an organization across the country in the idea that politicians – again, keeping in line with the

idea that they shouldn't be setting their own pay, that they also shouldn't be adjusting each year, and that they should use some sort of factor that is not calculated by themselves but calculated by an independent third body that roughly reflects the reality of the economy or what's happening with their constituents.

I think there are two numbers you can use. I think you can either use the average weekly earnings number, or you can use the inflation rate, or the consumer price index. Both have their pros and cons. However, really, until about three or four years ago it really didn't make a difference which one you used because they were so very close. Actually, I don't want to skip ahead, but I put a chart that skips over, between pages 27 and 28, showing what the two numbers have been since 2000. There are some years where they're a little bit off. You know, one will be up; one will be down. But the last three years we've see a pretty significant difference between the average weekly earnings number and the inflation rate number.

We also do know that these annual changes are used as ammunition by public-sector unions when negotiating their wage increases. I threw a quote in there on page 28 from the former head of the AUPE, Doug Knight, that was just a couple of days after the 30 per cent pay hike for MLAs in 2008. He said: "We are still at the bargaining table... We are hopeful of getting an agreement next week considering the raises they just gave themselves." I mean, their wages and their increases on a year-to-year basis are used as ammunition for public-sector wage increases. Frankly, that's the bigger issue. The bigger issue is that the size of the pay increase for a hundred thousand public-sector workers impacts the bottom line of the budget much more than the change to 83 MLAs.

We could suggest that you change from using the average weekly earnings to using the consumer price index, but as soon as we got to a year when the consumer price index was higher than average weekly earnings, you'd hear a hue and cry about: they're using the wrong number. So our recommendation here is that MLAs adjust their salary on a year-to-year basis based on whichever is lower between the average weekly earnings and the consumer price index.

Justice Major: What about the average?

Mr. Hennig: The average would be good, too. I never thought of that one. That's a good suggestion. Although if it still is significantly higher than one of the numbers – I mean, if you have a 1 and you have a 5 one year, going with the 3 is still going to get the hue and cry over the 1.

Justice Major: But I understood that this would be done every four years or some period of time. Looking at your chart, one year the consumer price index is higher than the average weekly and on other occasions it's lower, so if you took an average over four years, it might be closer to accurate.

Mr. Hennig: I think you're right. I think that's not a bad suggestion. In fact, I note that right now in Calgary they're debating whether they should move from using the average weekly earnings to using the inflation factor.

It's different when you're looking at cities because cities can actually get a real number for their city whereas we're using the whole province here. They're having to use the entire province average weekly earnings for the city of Calgary and the city of Edmonton, but they can use the city of Calgary's inflation rate for Calgary and the city of Edmonton's inflation rate for Edmonton. That's not necessarily an issue here.

I did some number crunching, looking at if we reversed the 2008 pay hike. We went back, and they did have their average weekly earnings increase each year in 2008, '09, '10, '11, then through '12. If you put in the average, grossed up the tax-free portion and added in the pre-2008 average compensation for committees, chart 4 on page 27 comes out to what we recommend the pay be set at as fully taxable pay. We're recommending that the Premier be paid \$203,392, that we go back to the Speaker and Official Opposition leader and cabinet ministers all being paid the same whereas they're not right now, at \$183,077, and that a backbench MLA be paid \$134,572. The only other payments that would be allowed would be the statutory payments for serving as a third-party opposition leader, a whip, or a House leader. So those are our very specific numbers in terms of what we think the pay should be, and they once again should start adjusting the pay on an annual basis.

Touching on retirement benefits next, starting on page 29, there are essentially three types of retirement benefits, two significant ones, the RRSP contribution and the transition allowance. We believe, again sticking to our fundamental, overarching principle that what's available in the private sector should be available in the public sector, that defined benefit pension plans are on the outs in the private sector. In fact, we've seen between 1977 and 2009 the number of employees in the private sector who have any type of employer pension plan drop from 35 per cent to 25 per cent, and the number of defined benefit pension plans in the private sector is plummeting even faster than that.

The only place that you tend to see defined benefit pension plans are in the public service. They are also the only place that, frankly, can afford to have them because of their inherent nature of having massive unfunded liabilities. We do not support the idea of the creation of an MLA defined benefit pension plan in any manner although we're not opposed to the idea of a defined contribution plan or a group RRSP plan or what's, I guess, now known as the pooled registered pension plan, that was created by the federal government here recently, the PRPP.

Right now they are getting the RRSP contribution of \$11,225, I think is this year's, and \$11,045 for next year. If that was an actual matching amount, because right now it's not, going into a group RRSP plan or a PRPP plan, you would create a defined contribution pension plan, essentially, for MLAs. We think that that's not a bad idea, forcing them to put some money aside for retirement, because right now they're not necessarily forced into it. They can take their \$11,000 and buy a Jet Ski if they want; it doesn't have to go into their pension.

If we're going to call it an RRSP contribution, we're going to treat it like it's a pension right now. I mean, people talk about how MLAs don't have a pension. Well, they kind of do. We do call it an RSP contribution. That is a form of pension. It should be a true pension plan, an optional pension plan. If an MLA chooses that they do not want to be part of it, then they also forgo the \$11,000 the government, or taxpayers, would contribute to their plan. Our recommendation on page 29 is that that be created.

3:30

Justice Major: With the former pension plan you could draw on it at age 55. Does it change the merits of the pension plan if you extend the date to, say, 60 or even 65?

Mr. Hennig: If it's a defined benefit pension plan, in our minds, no, and that's partly because of the liability that is inherent. I know of very, very few defined benefit pension plans in North America that don't have unfunded liabilities.

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Justice Major: That's true with the recent recession. Prior to that I can recall lawsuits over the surplus in defined pension plans, who it belonged to.

Mr. Hennig: It's certainly been enhanced recently, although I know that prior to 2008 there were virtually no new defined benefit pension plans created in the private sector because of the risk. They were all moving to close, and that was prior to the recession. It's gotten worse since the recession, and even more are looking to it. In fact, I think there's a fairly decent likelihood that we will see changes coming to public-sector pensions across North America because of the potential for unfunded liabilities.

I mean, the fact is that it's virtually impossible to know how long people are going to live and what the inflation rate is going to be and what your rate of return is going to be 70 years down the road. They're very risky plans, and I think that's coming to a head, although there has been reform. You know, the Saskatchewan government reformed many of their defined benefit pension plans back in 1977. So it's not a new thing; it's just one that I think is receiving more attention now.

Again, we think that MLAs need to lead by example. If they create a new defined benefit pension plan, I think it will make it very difficult for them to have the moral authority to look at pension reform on the broad public service.

I'm looking at the transition allowance. I don't need to go through the history because Mrs. Scarlett did an excellent job of going through the long history of it, going from being a one-year re-establishment allowance to being a maximum two-year transition allowance in '98 to now being an unlimited, three-months-for-every-year-served transition allowance.

I also will note that sometime prior to, I believe, 2007 there was a four-year maximum as to the amount of time you could take your payment over. That's been eliminated, and I think it could create after the next election some interesting circumstances where you have MLAs who are running for election who are currently receiving lengthy payouts of their transition allowance. They could potentially be re-elected as MLAs while still receiving a transition allowance from being defeated four years ago as they chose to take it over a long period of time.

Justice Major: Wouldn't you expect that if that happened, the transition pay would be at least suspended while they were back in office?

Mr. Hennig: I don't know what they're going to do. I know they suspend pension plans.

Justice Major: What about the principle of a transition allowance? Does your association accept the validity of any transition allowance?

Mr. Hennig: No. Again, we base it on what's acceptable in the private sector is acceptable in the public sector. It's either a retirement payment, which we already have an RSP for, or it's a severance payment.

In the private sector you would only get paid severance if you were fired without cause. You wouldn't get it if you voluntarily quit. We have 21 MLAs who have already announced their intention to retire. They're not being forced out into the wilderness bewildered and not knowing what to do with themselves. They've made the voluntary decision. They're going to collect, based on our estimates – and we are the ones that do all the estimates on these things and make them public – about \$9.9 million, those 21 MLAs who are voluntarily quitting.

Justice Major: Well, that's because of the amounts involved. But coming to the principle involved in allowing an MLA time to adjust to what I think you would agree is a different form of employment, you're saying that there should be nothing?

Mr. Hennig: Correct.

Justice Major: In the private sector there are frequently gratuitously granted transitional allowances. They retire six months before a retirement date. They're paid. I mean, that's entirely different. It's private capital; they can do with it as they choose. It's not public money. But it's a fairly common practice that there is six months or some period of time when people leave employment but continue to collect for six months while they find out what they're doing or go into retirement. There are a variety of perks along that line that by another name could be called transitional allowances. But I have your point.

Mr. Hennig: I think it would be an interesting study to look at how common that is. I mean, I guess I work in the nonprofit industry. I don't know of anyone who has left the industry or any positions that are similar, you know, heads of nonprofit groups, that is getting six months of transition as they voluntarily leave.

Justice Major: Well, I don't know about nonprofit groups, but I know that banks publicly have reported what goes into the retirement of a chairman already making \$12 million or \$14 million a year.

Mr. Hennig: Yeah. I think that's a very extreme high end.

Justice Major: These figures I've never challenged, though.

Mr. Hennig: I think at the extreme high end for CEOs of multinational companies there are, but for the average employee of a company it's not that common.

You can also view the job of an MLA as a contract. They've been hired by the electorate to serve a potentially five-year but more likely a four-year contract with the potential for renewal after such a point. If you sign a contract in the private sector to do such type of work, if you sign a four-year contract to work for someone and they choose not to renew your contract after, you're generally not getting paid some sort of transition.

Justice Major: All right. Generally, when you sign a contract in the public sector, you are contracting to do work that you're equipped to do. If you take on a four-year assignment, you're planning for what comes in the fifth year because you're still a plumber, a carpenter, an architect, or whatever the case may be. Here you're not making those kinds of plans.

Mr. Hennig: Maybe they should be.

Justice Major: If they could control the voter, they could.

Mr. Hennig: I mean, you can't always control your employer when you have a contract in the private sector.

Justice Major: What I'm trying to say is that if I have a business and somebody offers me a four-year contract, I know that at the end of four years he's going to quit paying me. He's not paying me any transitional allowance. So along about the second year I start canvassing the field to see what's going to be there when this contract runs out. You can't do that as an MLA, not that that's a significant difference, but it is a difference.

Mr. Hennig: I'm not sure I agree that you can't do that. I don't think any politician should take for granted their re-election.

Justice Major: All right. Well, how do you work diligently as an MLA while planning to be defeated?

Mr. Hennig: I don't know if you're planning to be defeated. I think you're . . .

Justice Major: Well, now, you have to be consistent there. You say they can plan for their transition. Well, when do they start planning?

Mr. Hennig: I'm saying that there are lots of cases where you might think or you might hope that your employer is going to renew your contract at the end of your term but they're not renewed, and you have to plan for those. I think that MLAs have to be prepared for the potential that they are also not going to have their contract renewed, that they're not going to be re-elected.

Justice Major: Well, I get your point. It's no surprise that I don't agree with it.

Let's keep going.

3:40

Mr. Hennig: All right. We've prepared here three pages' worth of the estimated transition allowances for MLAs if a theoretical election were held on April 1. These are estimates.

Justice Major: What page are you on?

Mr. Hennig: Oh, sorry. It starts at the bottom of page 30 through to 33. Those are for every MLA currently in the Legislature, their estimated potential transition allowance.

Even if you fundamentally believe that there should be some form of transition back to the private sector, which you and I will maybe disagree on, these amounts are, to downplay it, more than generous, I think. We're looking at one over a million dollars, many in the \$800,000, \$700,000, \$600,000, \$500,000 range. The smallest of every one would be for Paul Hinman, who was elected two years ago in a by-election, who would receive, we estimate, around \$76,000. All one-term MLAs would essentially receive one full year's pay in the \$140,000, \$145,000 range. As Brian Mason called it, the work for four and get paid for five plan. There is already, basically, a cap of one year for a good 20 MLAs, but the other 60 are getting well beyond one year's pay for their transition – and some of these people may still decide not to run – if they are defeated. I think there is more of an argument for someone that is defeated to receive a transition allowance than someone who has voluntarily quit.

Two last points, one just on the retirement benefits, again looking at the extended benefits option where MLAs can stay on their health plan with taxpayers contributing to their premium costs for potentially five years after they retire or are defeated. Again, looking at our overarching principle that if it's available in the private sector, it should be available in the public sector, there may be some companies, but I am not aware of any, that allow their staff whom they fire or who quit to stay on their benefit plan with the former employer paying a portion of the premiums for five years. This seems like a perk that is out of the norm for the average, normal citizen and one that I don't think is well understood or known by the general public either. We're recommending that that be eliminated and that MLAs are not able to stay on the extended benefit plan.

Lastly – and I'll make one more recommendation – the idea of performance pay. This is something that we often have suggested

to us, that politicians should be paid on some sort of merit basis. Sounds great in theory, but it's not exactly possible in practice. There are basic tools like recall and other things that may help solve some of those issues if you're not happy with the performance of your MLA, but that's a little bit beyond your scope.

There is already a form of penalty pay in place for MLAs who have unexcused absences from the Alberta Legislature. If you've missed more than 10 days without a valid excuse – and there are many excuses that are very valid – you'll be docked \$150 for each day, meaning that, in theory, if last year an MLA decided not to show up to a single sitting of the Alberta Legislature, they would have had \$5,550 deducted from their pay. I haven't looked back more than a decade, but I can't recall seeing this ever being applied. I could be wrong on that, but in my reading I don't think this has been applied in any recent history. Regardless, the idea of penalties for poor performance or not showing up is already in place.

There's one in British Columbia that we think deserves some attention and some consideration, and that is that in B.C. the Premier and cabinet have 20 per cent of their salary withheld each year. They'll get half of that back if their own department does not exceed the spending levels within the estimates. So if they don't overspend what they promised they would within their department, they'll get 10 per cent of their pay back. They get the other 10 per cent pay back if the government balances their budget. We really like that idea.

There was one in Manitoba that was similar although it was even more significant. Cabinet would take a 20 per cent reduction in their ministerial pay if they didn't run a balanced budget. If that happened two years in a row, their pay reduction doubled, to 40 per cent. So we're recommending that the Alberta government implement a similar law to B.C.'s and look at pay penalties for the cabinet if the budget isn't balanced and they aren't meeting their own departmental targets.

Justice Major: The only trouble with that is that you can act not in good faith in preparing your budget to guarantee a certainty of meeting it.

Mr. Hennig: Depending on the way you've set up your own estimates, yes. I think if you're not balancing your budget, it's a bit harder to not act in good faith.

Justice Major: Well, we've given you as much time as we can.

Mr. Hennig: I appreciate it. You have a big duty in front of you, and I wish you all the best.

Justice Major: Thank you. Can you make this available to any public members that would like it?

Mr. Hennig: This submission is available on our website at taxpayer.com, and it should be on the front page there now if my webmaster is doing his job.

Great. Thanks very much.

Justice Major: Okay. Thank you.

Dr. Dinesh Moonshiram
Private Citizen

Justice Major: Go ahead.

Dr. Moonshiram: Thank you. Hon. Mr. Justice John Major, Companion of the Order of Canada and Queen's Counsel, I wish

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to extend my heartfelt thanks to you and to the government of Alberta for giving me the opportunity of making this presentation regarding the compensation and benefits for the members of the Alberta Legislature.

I shall start by defining compensation as it is normally understood in management literature, and then go to the background of MLAs' salaries, cover a little bit about a crisis of trust in parliament, the MLA's lot will be the fourth topic, and, finally, the rationale for an MLA's compensation package and recommendations. The sixth part will be a mere short conclusion.

In order to arrive at an understanding of compensation, I believe it is essential to define this term meaningfully as commonly described by compensation and benefits consultants and leading exponents of management literature. Compensation has been defined as the act or state of compensating, the state of being compensated. Both may sound meaningless, but the third one seems to circumvent the problem. Here compensation is defined as something given or received as an equivalent for services, debt, loss, injury, suffering, as in indemnity.

In management literature compensation is defined as the total amount of monetary and nonmonetary pay provided to an employee by an employer in return for work performed as required. The elements of any compensation and benefits package are based upon market research about the worth of comparable jobs in the marketplace; the employee's contributions and accomplishments; the availability of employees with similar skills in the marketplace; the desire of that employer to attract, motivate, and retain a particular employee for the value or contribution he is perceived to add to the employment relationship.

3:50

Justice Major: Dr. Moonshiram, it would be helpful if you use this as a guide because I think if you simply read it, you'll go over the time allotment. We're over now, and that's my fault, but I've got to get it back on track, so if you can summarize some of the things that you have. This becomes a public document. You realize that it'll be filed and then made public. So rather than read, if you could just speak freely, it'd be helpful.

Dr. Moonshiram: Very well. Yeah.

The second topic, which is the compensation, is generally derived from job evaluations in management literature. We evaluate a job and find out what its worth is in the marketplace based on the job description, which describes the job in all its elements: the type of qualifications required, the various tasks and duties and responsibilities the holder will be required to perform, the environment in which he would function, and his unique contribution to fulfilling the requirements of the job description. Based on those, they arrive at the type of salary and benefits that should be payable to an employee. This is the approach one takes in management as far as compensation and benefits go.

Now, as far as MPs' salaries are concerned, we have to hark back to England, in the United Kingdom, where most of our experience derives from. I don't need to cover the bits about what happened in the 13th century except to say that in those days, 700 years ago, according to parliamentary archives the going rate paid by the burghers, which was the equivalent of the MLA, was just 4 shillings a day. The city of London paid its aldermen about 10 shillings a day. The rate for the member for Weymouth, in the south of England, was simply 500 mackerels a year. All terribly old and quaint, but in a high-tech, online modern age completely irrelevant, one might say.

Some proponents of pay for performance, which is advocated by management gurus, believe that in this modern age there could

be a way of paying MPs a sort of pay for performance. Every year in the electoral registration form voters get to fill out a simple declaration, and this can be done online. They could fill out whether the MLA gets an inflation-linked pay raise this year, yes or no, and one extra question asking whether if the voter believes the MLA has done exceptional service to the community, he or she should get a special bonus in cash or kind. We could thus revive that splendid medieval practice of some wonderful gifts while satisfying all the elements of the modern concept of pay for performance.

The incident with the British Prime Minister. We need not go into that, but we need to probably cover the quotation that comes from a 17th century debate where MPs are described as "state-catamites, upon whom any votes whatsoever may be begotten." That is, you can literally buy them at a price. We owe this quotation to Stuart Wheeler, a businessman, philanthropist, and sometime contributor to the Tory coffers. This appears on page 10 of his new book, *A Crisis of Trust*. In *A Crisis of Trust* he describes the fiddling expense scandal in the U.K., all the fiddlers, including MPs and ministers from all three parties. He goes on to say that a recent survey conducted by YouGov for IPSA, which is the Independent Parliamentary Standards Authority, demonstrates strong public opposition to a system of allowances for MPs; 69 per cent believe that MPs should continue to make claims for costs incurred and those claims should be published.

The challenge, the cudgel was further taken up by the *Daily Telegraph*. Thanks to articles by the *Daily Telegraph* the British Parliament was forced to create this external body, the Independent Parliamentary Standards Authority, to regulate payments to the MPs.

Now, as far as the MLA's lot is considered today in Alberta, I'll read this page if you don't mind.

The phrase burden of public service comes up as a ready leitmotiv when an MLA retires from public service or passes away, and yet is a painful reminder of the MLA's lot, more so when he thinks his may be the next name that could resonate in that august chamber from the Speaker's lips.

I go on to quote the sixth stanza in Thomas Gray's elegy. I won't read you that.

Actually, the MLA's lot is an uneasy one. He pays an incalculable price for his involvement in public life. Whether in government or in opposition the MLA has to deploy his considerable skills in interacting with his constituents, who want to see him, share their problems, and find solutions to them; prepare for debates in the Legislative Assembly; be present and make meaningful contributions at committees and caucus meetings; engage in fundraising; attend barbecues as part of his public relations; and deal with innumerable other issues. That is at the bottom of page 4.

There is a heavy price to pay for all these involvements. He has no family life or one that can be properly called so. He is the perpetual absentee father, husband, and friend, the very antithesis of all Barbara Coloroso has preached to us. Maybe sociologists should reflect and conduct further and deeper research into this aspect of an MLA's burden to assess the impact his involvements have upon his relationships with his wife, children, and relatives. The divorce rates, the ravages of consistent bouts of stress, the culmination of a hectic pace of life confounded by so many calls on his time are but only a few of the deterrents that would make the professional and business classes shy away from public life.

In fact, the MLA indemnity and allowances are low in absolute and relative terms. It would be interesting to find out how many employees of the Legislature are paid more than an MLA's indemnity. In the U.K. that figure currently stands at 80 people

who work in the Legislature, civil servants who are paid more than the Member of Parliament. A parliamentary salary does not support the lifestyle to which most professional and business classes aspire. There is a real danger that so far as the intake from the professional and business classes are concerned, we will restrict that intake. This is clearly not in the public interest. In order to ensure that members could perform their parliamentary and constituency duties effectively and have, where necessary, a second home, the salary of members would have to be reviewed considerably, and this might yet again be deemed politically unacceptable.

In a leading textbook called *21st Century Management* the writers highlight two scarce areas. One is knowledge management, which means that when workers, employees, managers, directors retire, they go away with the knowledge they have acquired during their years of service. That knowledge disappears when the employee, manager, or director leaves the company or dies, so knowledge management is one of the areas that management is trying to capture and keep and that could be used by new employees. The second one, which is more important than the first one, is talent management. As competition increases, it is difficult to find the right required talent for certain jobs. Here we are referring to the position of an MLA.

The next title will be The Rationale for an MLA's Compensation Package.

4:00

Justice Major: Given the time – I hate to do this – you're running short. Could you move to your recommendations? In your recommendations you have 10, but obviously you have your preference.

Dr. Moonshiram: Right. I'll start with number 1, which is parity. It has been said that the MLA could have the same salary as, for example, the most junior judicial figure, the equivalent of a district judge, or just over \$88,000 all subject to tax, or the equivalent civil servant salary. This is the maximum MLAs can hope for under this proposal. What about the argument that potentially talented politicians would be lost to parliament because of the low pay? Some say that ego and ambition will overcome that barrier.

The second proposal I'm making is . . .

Justice Major: Which of these is your recommendation?

Dr. Moonshiram: Well, certainly not the first one.

Justice Major: Not the first one. I thought that.

Dr. Moonshiram: The second one, in return – and this would be my one – for a taxable . . .

Justice Major: I want you to tell me which ones you recommend.

Dr. Moonshiram: Yeah. Number 2. It is in two parts. In return for a taxable indemnity for MLAs, which represents a 28 per cent increase, and to bring their compensation more in line with other provinces and for reasons of transparency and openness, it is suggested that MLA compensation be brought to \$100,000 per annum. In this case, the additional allowances would simply be eliminated altogether. The total remuneration currently stands at \$78,138.

As far as additional and special members' allowances are concerned for the Premier down to the chief opposition whip, they would be, again, simply eliminated. Here the MLA indemnity would be added to their current additional and special allowances

and the sum increased by 30 per cent. The total amount would be subject to tax.

Justice Major: What would your recommendation be for the cabinet and the Premier?

Dr. Moonshiram: The cabinet and Premier could maintain their current salaries.

Justice Major: Current difference?

Dr. Moonshiram: Yes, except we'd increase their allowances by 30 per cent, but that would be subject to tax. The alternative to number 2, above, would be to increase the MLAs' indemnities by the simple figure of 2.9 per cent, which has been withheld so far, and leave the allowances untaxed, but all expenses under the heading Allowances would have to be justified with appropriate receipts and annual independent audits.

Number 4. Another suggestion would be to keep the starting salary of MLAs as it is currently and then to increase their pay by \$10,000 for every four years they are in office to reward the accumulated wisdom, experience, dedication, and age. We keep a sort of pace with the rewards they might have received for promotion and long service in the commercial world, where the pay is increased by notches every year.

Current staffing expenditures to help members perform their parliamentary duties would be maintained with an increase of 2.9 per cent of their basic salaries.

We'd also advocate a communications expenses budget of a maximum of \$20,000 per annum to each MLA to enable him to communicate in a proactive manner with his constituents about their parliamentary duties, regular reports, newsletters, surveys, questionnaires, advertisements on meetings and surgeries, web designs and upgrades.

As far as the resettlement or transition allowance is concerned, it is a fact that some degree of social stigma seems to accompany the MLA once he leaves office or goes back to resume his nonparliamentary role. A member who ceases to be an MLA either through nonselection or of his own accord should continue to benefit from an adjustment/resettlement allowance amounting to between 50 per cent after two terms in office and 100 per cent after five terms of the annual indemnity once parliament is dissolved.

The eighth suggestion. It is suggested that an appropriate pension scheme be introduced for each MLA. In the U.K. members are free to choose to contribute 5.9, 7.9, or 11.9 per cent – these are the accrual rates – of their indemnity to a government pension scheme. In return, the government would fund the pension scheme with a similar amount. In some Commonwealth countries the government funds the pension scheme with twice the amount of the member's contribution. So if the member contributes 5 per cent, the government puts in 10 per cent.

It is also suggested that an in-depth actuarial exercise be conducted to assess the validity and sustainability of such a scheme before its operation. However, a pension scheme remains a must for MLAs who either through old age or electoral defeats may not have other means of guaranteed financial support. The amount of pension payable would naturally depend on the rate of contribution and length of membership in the scheme.

We also advocate a contributory medical scheme for all MLAs and their immediate family members. Such a scheme would cover dental, optical, ophthalmic care, and equipment as required. Again, the rates of contribution and an actuarial exercise should be carried out before such a scheme comes into operation.

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Finally, we recommend a register of interests for all MLAs. This would require all earnings accrued by members other than through their parliamentary salaries to be declared.

In conclusion, we hope that the Legislature's response to the recommendations will have a significant impact on the calibre of the people who decide in future to enter and remain in it. That in turn will determine the quality of the Alberta Legislature itself. It is expected that MLAs maintain and promote the high degree of integrity and probity required of them when making claims for expenses incurred in a transparent and open system and be subject to regular, independent audits.

MLAs should stop pretending that they are a special case and should accept that they have to keep their receipts and claim the money back like most taxpayers who claim expenses in their own jobs. Breaches of the rules should be robustly enforced, and MLAs should be seen to deliver value to their constituents and to the province at large.

Justice Major: Thank you. This will of course be on the website?

Dr. Moonshiram: Indeed.

Justice Major: Is Mr. Dorosh next?

Mr. Dorosh: Am I free to proceed?

Justice Major: Yes. Please do.

Grant Dorosh
Private Citizen

Mr. Dorosh: Thank you, Your Honour. As I indicated to Giovana before I attended here, it's at this point in terms of presentations where sometimes you feel redundant because what someone has already said is what you wanted to say. So with your permission and because I promised my wife that I'd be back to resume my normal duties of babysitting my grandchildren, I will proceed as quickly as possible here.

Justice Major: We're thankful for that. I read your submission, and I hope you don't take us through the numbers.

Mr. Dorosh: Oh, no, no, no. I provide them as an example in terms of the wonderful documents online, that are available to any citizen, that are produced by our government. I think they recognize the circumstances and the reality that average taxpayers are dealing with in terms of their own circumstances and situations.

4:10

What I'd like to do if I can, Your Honour, is jump to some points very, very quickly. I will keep my comments, as I directed to you, within the time frame. Initially I had wanted to keep it to 10 minutes or five minutes, not knowing the presentation style that was going to be before me here.

As anecdotal history what I'd like to do before I present is just give some credit to Mr. Speaker in terms of his service to Alberta. I think the one thing – and I'm so thankful the previous speaker mentioned it – is that the impact on family is something I don't think any of us can really understand. Having known MLAs and MPs, what the family takes in terms of the pressure, the personal attacks: I don't know if you could pay me a million dollars to take that job, quite frankly. That's one part of the analysis that we have to look at in terms of remuneration and indemnity. Oftentimes it's not just the MLA; this is family as well.

In terms of some anecdotal history I just want to by means of full disclosure state that I am a private individual. I have no attachment to a political party or any other vested third-party interest group. The comments and opinions are mine and mine alone.

In coming here one of the surprises that I had was seeing Mr. Hennig at the door. Just for disclosure I will indicate to you that many years ago, in '93, I did participate in an activist movement where we did quite successfully through the association at that time eliminate the Alberta pension plan.

I think one of the things that you learn very quickly is that when you get into that sort of stage – and Mr. Speaker brought it up – politics and the power of the electorate cannot be underestimated where there is a perceived imbalance. What you can do with information and how powerful it is can create change within our political system. That being the reality, what I think the real relevance is in terms of where we go with this is how the individual will perceive those that are governing and what their reward is versus what they have. It's a natural human reaction.

I think that circumstance was indicated to me by a then MLA who participated with us, and I'll give you the quote that he told me at the time. He said: Grant, there are so many within our caucus that agree with you, but we have to stand behind the position within caucus. He indicated: the danger you have here is that we'll get rid of the MLA pension plan, but they'll put in something worse. I think looking at it in today's perspective, that transition allowance is worse. In the sense that we have an open-ended means to be able to allow a transition to the private sector, using just the mere words "\$1 million payout": I can assure you, sir, that will not go over well with the majority of Albertans.

Justice Major: I think that's become pretty evident.

Mr. Dorosh: Yeah. You don't have to be a rocket scientist to understand that \$1 million means a lot to a lot of people.

In that regard, based on the comments of Mr. Speaker, he is quite correct. These are devastating losses when you lose an election. To be able to get back the psychological parameters that I've seen personally in terms of MLAs or politicians that I know: it is devastating. Some of them never do recover.

With that said, one of the elements that I think we're looking at here is that it's important that your deliberations and recommendations also come at a critical time for Alberta and for the direction we expect our elected leaders to take in regard to their remuneration. If I may, I would just like to quote the greatest Austrian economist, Schumpeter, perhaps who said it best. "Nothing shows so clearly the character of a society and of a civilization as does the fiscal policy its political sector adopts." I think that our MLAs, therefore, have a critical function in setting an example for Alberta public servants of the expectation of what constitutes a just payment for services rendered.

I think Mr. Hennig highlighted that, that the MLAs are kind of looked at as the benchmark. What they get oftentimes is translated into what our public servants want. I think that by any measure, if we take a broad view in terms of what is offered in the private sector, Mr. Hennig has a point. There are credible institutions, whether they be the C.D. Howe or the Fraser Institute, the right-wing think tanks. For that matter, within your city at the University of Calgary some professors also came out recently indicating that the remuneration for the civil service has been spectacular in comparison to what has been the reality for those that are within the private sector.

Looking at the reality of where we are in regard to historical terms as reflected in these numbers, I think that we're not out of

the woods yet in the sense that if we have a prolonged economic contraction that leads to difficulties in terms of the stock market, those investments, even for us that have CPP or OAS expectations, may not be there for us.

The reality is that many years ago in Alberta we took the courageous stance that as a province we were going to do the right thing and show leadership, and we cut our deficit. I think that as a correlation we discuss these realities and circumstances that we find in terms of where we go next. I think the reality, really, is that what is decided here – and you're quite correct. Who knows what the next government may be? The reality is that it will send messages to others and to those that basically have much, much larger participation and stronger voices than what we as individuals do with regard to our pensions.

Now, I think the information in terms of the attachments that I've provided for you are really, sir, quite self-explanatory.

Justice Major: I have been through them. I've looked at the charts.

Mr. Dorosh: I would like to provide for you – and lawyers are great for this; they always like to show precedent – the report of the MLA Pensions Review Panel as submitted to the New Brunswick Legislature by Justice Angers, specifically his finding on transition and training allowances. I think they represent a good start on how we can implement within the Canadian context.

Justice Major: You're talking about what you've attached?

Mr. Dorosh: Yes. I think that provides a good starting point.

If I may also just make a comparison – and Mr. Hennig in many ways beat me to the punch. I had the good fortune to live in the United States. I was in California, Oregon, Washington, and Arizona, and I had the opportunity to experience the full-time California state Representative and the other part-time Representatives. The interesting corollary there is that so many of the U.S. state legislators don't become career politicians.

Now, at the federal level that is a different scenario. Their form of government in many ways has a different attitude towards who keeps a cap on the asylum, so to speak. What I found in terms of the part-time Representatives was that they were full value for their money, and because they retained their roots in their community, they retained, I feel, a closer representation of what people actually represented rather than in some ways being outside that sphere, if that makes any sense whatsoever. In terms of transition for many of them, it's quite an easy one because they're already established.

So I think that's one of the corollaries that we do have within our system that we have to take a look at. Do we want to encourage lifetime career politicians? I think political experience, as indicated by what Mr. Speaker provided today, is invaluable. But at the same point does it become a bit much? Should the remuneration reflect reality, that really what we want to do is move to something like term limits and, therefore, have a higher turnover, so to speak, of our representatives. I mean, there are many things that we can attribute to remuneration and what we expect the system to return in terms of not only how the representative will interact with us but how long he will also stay in office.

If I can just get directly to the specific areas of your mandate because I followed that very, very closely, we're really in a situation, in my opinion, of looking at the areas that really upset people, the transitional allowance and double-dipping. Double-dipping has always been a problem. I think that for those that are in a situation where they do want to double-dip, it gets to the heart

of our democracy. Do we want the legacy for our politicians to be what did they get out of the system or what did they contribute? I think the element in terms of double-dipping just at the gut level will rub so many people the wrong way.

Justice Major: What double-dipping are you referring to?

4:20

Mr. Dorosh: I'm referring to the ability to take multiple pensions at the same time, whether it be a legislative or public service or an MLA that is fully vested in the old MLA pension plan that was eliminated in 1993. He gets that plus he worked as a teacher or worked for the county or worked in a provincial government, so he gets that pension plus he'll get his MLA remuneration.

I think there is this, if I can, man-on-the-street attitude: that's greedy. I think that that balance is one that the MLAs themselves can address and recognize as to what they want their legacy to be. In other words, they, more than any of us, can decide: do I want to be known as the guy that robbed the piggy bank, or do I want to be known as the man that went to represent my constituency and did the best that I could?

One of the other things that I would very, very quickly, just in summary, also give an off-the-cuff on, if you don't object, is in terms of how I perceive the model now, and then I'm going to conclude. In Alberta we appear to have adopted the model for our MLAs' compensation as having your cake and eating it, too. In other words, they expect a big full-time wage and then a big payout once they leave office. This can no longer be the reality if we are to have social peace and fiscal responsibility. It must start with our MLAs, whose own greed is quickly transferred to the public servants, who equally are well rewarded, often on the backs of what we pay our MLAs.

What I'm really hoping will come out of this is that Alberta again will show national leadership and adjust the compensation to reflect comparatively what average Albertans receive as a wage and pension upon retirement. From my interaction with people through the many activist things that I do, I'll tell you that the vast majority of Albertans don't disagree that we should compensate our MLAs. I think that the reality it gets to – and I'm just going to tell you a truism that I note here. I've noted over the years that I've yet to meet a poor MLA or a poor MP who has left public office. I don't say that just in regard to compensation and a pension or allowance.

I think Mr. Speaker raised a good point. I think it's time, perhaps, for MLAs to also reflect on the merits or great reward that public service brings and the nonfinancial compensation they receive in advocating for their constituents. As I read I think they call it the citizen's guide to the Legislative Assembly, so much of what we expect from our private members, those that aren't in the executive or cabinet, they can actually ask as our advocate. I think that that reality at the end of the day can be most rewarding for those that don't get the high-profile jobs. Did I do my job? Did I represent my constituents? I can tell you that I think that in that part alone maybe some of our MLAs are not recognizing that. Really, why do we elect them in the first place but to represent us?

I wish, Your Honour, to state in conclusion that I do respect your good public service to the people of Canada in protecting our personal liberties and freedoms and plead your review will also protect the financial freedoms of all Alberta taxpayers by bringing a just reward for MLA compensation that reflects the ability of the average Albertan to pay a fair and just level of taxation. I think that that at the end of the day is what's going to allow us all to have social peace and to return to a civility that we really need to have in terms of how we view our MLAs.

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I just want to tell you something in closing that I was kind of hesitant about because I don't know how much privilege we have here in the sense of whether we're protected.

Justice Major: Quite a bit.

Mr. Dorosh: You know, there is an aspect and element in terms of my association with the Association of Alberta Taxpayers that I just want to reflect on that gave me some concern this weekend. It was the very executive director who at that time assisted us and presented our petition to then-Premier Klein who this week was reported by the Canadian Taxpayers Federation to be in line for a \$4.53 million pension. I guess what I'm trying to say is that sometimes you can advocate on the outside, but the real measure and mien of an individual, to me, is: what do I do when I have that position?

I conclude with I can only hope that the MP who 20 years ago stood beside us will now stand up and say: you know, I'm not taking it. I think that option is probably the one area that you could have an impact on in terms of making a recommendation. In terms of the state of Montana, that is the only American one that I would bring in right now that does allow them to opt out. That could be a very, very powerful clause for those that say: yes, I agree that we shouldn't be doing this. In other words, give them the option as well because there are many MLAs, MPs that will

tell you: I don't want it. But they're forced to take it because of legislation.

Justice Major: Are you sure that that's exactly correct?

Mr. Dorosh: My understanding is that at the federal level they are forced to. We sent a whole bunch of Reform candidates down there – and I think Mr. Speaker could address it more – but I think they were ultimately forced by legislation to participate in that.

Justice Major: It was voluntary, and Mr. Speaker was one of the few who did not take it. You will recall that Reform went down to eliminate pensions, and then they could buy in. There were only a few, Mr. Speaker being one, who did not buy in.

Mr. Dorosh: Right. But whether or not I have my facts correct, I think that option should be made available to the individual MLAs. I do thank you again for your time, sir, and wish you well.

Justice Major: Thank you. It's helpful that citizens come forward and help us.

Mr. Dorosh: My pleasure. Thank you, sir.

Justice Major: Well, we're finished for the afternoon. We're on schedule now, so we'll adjourn until 6 o'clock.

[The meeting adjourned at 4:27 p.m.]

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appendix

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Legislative Assembly of Alberta

MLA Compensation and Benefits Review
Transcript of Public Meeting

Honourable John C. (Jack) Major, CC, QC

Edmonton

Monday, January 23, 2012
6:01 p.m.

Transcript 27-4-2

Presenters

Adil Pirbhai
Laurie Blakeman

Charan Kehra
Rory Nugent

Private Citizen
MLA, Edmonton-Centre
Alberta Liberal Caucus
Private Citizen
Private Citizen



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6:01 p.m.

Monday, January 23, 2012

[Justice Major in the chair]

Justice Major: Well, as you know, my name is Justice Jack Major, and I'm conducting an independent review of the compensation and benefits for MLAs.

As far as my own background is concerned, I was a lawyer in Calgary for 36 years and then went to the Alberta Court of Appeal and on to the Supreme Court of Canada. I left there in December of 2005. Since then I have been on the Securities Commission in Calgary and was the commissioner for the inquiry into the bombing of Air India flight 182.

The purpose of this, as you know, is to make recommendations to the Assembly with respect to compensation and benefits for members. Whatever recommendations we make go to the Assembly for debate, and they will accept them or reject them.

We're also seeking to get as much public input so that that can form part of the report and to pass it on to the politicians.

We've allotted the time, trying to keep on schedule, and we have you for 15 minutes and perhaps five more if you need them. You're not compelled; you're free to say what you have to say, but you can't say it for more than 20 minutes.

I guess we're ready to start if you're ready.

Adil Pirbhai
Private Citizen

Mr. Pirbhai: Thank you very much. My name is Adil Pirbhai. I'm a resident of Edmonton, and yes, I have run for public office in the past.

We run for public office to help our city, our province, and this great nation. We should believe in improving the lives of our citizens. We should ask serious questions. Why is it that the citizens of this province and my city stay home during the elections? In the last provincial election 60 per cent of Albertans actually stayed home. In the last civic election in this city 65 per cent of Edmontonians didn't bother coming out. Many citizens believe that whoever runs for public office is a crook. Whether this is fact or fiction, I believe some citizens are correct in saying it.

The words that former President John F. Kennedy said in 1963 should apply here as well: ask not what this country can do for you; ask what you can do for this country. We constantly hear from all levels of government, the Prime Minister and the Premiers: we work 24 hours a day, and we deserve higher pay and higher benefits. That's far from the truth.

In 1993 former Premier Ralph Klein got rid of government pensions when he was in office, and since then every Premier has increased their pay and benefits. MLAs who sit on committees get paid per hour. Just two and a half years ago the Members' Services Committee agreed to 30 per cent pay hikes and perks. Just as an example, the outgoing Speaker from Barrhead, Mr. Ken Kowalski, the outgoing Premier, and many MLAs who are about to retire when the election comes will receive more than a million dollars in severance packages. When Premier Ralph Klein got rid of the pension plan for the Premiers and the MLAs, instead they topped their severance packages and other benefits.

Mr. Chairman, just compare that to the average citizens of this province or anywhere else who will never earn that kind of million-dollar severance package. Okay? Just look at the current city council in Edmonton. For the last five, six years they, too, have increased their pay hikes and perks, and they always say that it's nonpartisan. The citizens of Alberta who earn less than \$14 an

hour and whose lives are far more in danger than the Premier's or any MLA's, even the Prime Minister's, are the people who work at McDonald's, those people who work at Mac's, those people who serve us whenever we go out to eat. Those are the ones who work hard, who play by the rules, and they don't get anything. Those are the people, those regular folks, like the former Premier said, the Marthas and Henrys, that are the ones who should decide how much the Premier and the MLAs are worth.

I didn't personally believe it when I heard Ken Kowalski say the other day that: "I deserve my severance package. I've been in office for almost 30 years, and I've never had time to spend with my family." That's absurd. That's absurd.

I urge this committee to listen to the average citizens through you, Mr. Chairman. I ask you to tell Premier Alison Redford, who appointed you if I'm not mistaken, to look into the MLAs' pay hikes and their pensions.

Justice Major: It was actually the Speaker that appointed me.

6:10

Mr. Pirbhai: Mr. Ken Kowalski.

It should be the average citizens who should decide, not Mr. Kowalski, with all due respect to you, sir. And it wouldn't be you. I believe it should be decided by the people of this province in a referendum, as we heard that the Premier has also decided that she will hold the election for Senators. This should be put to the citizens of this province.

I know this could be out of boundaries here, but the average citizen – I worked part-time; I don't mind saying it. I worked part-time in the Baccarat Casino downtown because a friend of mine from my day job told me that she works in a poker room because she wanted to do something part-time. She asked me to come and apply to the Baccarat Casino, and I did. I went through all kinds of security clearances, and I got hired. Let me tell you, Justice Major, that in 2006 I started working part-time at the Baccarat Casino for \$8.40 per hour. On top of the \$8.40 an hour I received what's called a tip. It amounted to \$3 an hour. Sometimes when they were short-staffed, they used to phone me at my other office, my day job.

The increase that I got when the minimum wage went up in this province I think was about 10 to 15 cents per hour. The increase that they gave to me and to everyone working at the Baccarat Casino – it's a very stressful job. You are under constant security. Constant security. It's most stressful work. I know MLAs work hard, but under constant stress the pay hike that we got was 15 cents an hour.

Then I hear the arguments from Mr. Kowalski, with all due respect to him and to MLAs, that they keep on saying that they work hard seven days a week – I have run for public office; I'm a junkie when it comes to politics – and that's further from the truth. It's further from the truth. I'm not going to mention anybody's name, but I am going to say this. When I hear MLAs say, "We work hard for what we are doing," I saw this MLA when I ran for city council, this person who was an elected MLA, helping her husband out to run for public office. There are several examples. We are constantly being told the same line by every MLA, including federal, including city: I am working hard for what I do six days a week. That's not true. Government MLAs get hard-working employees that they hire in their constituency offices. Those are the people who work hard.

Justice Major: What we're really talking about is what MLAs should get, so what do you think they should get?

Mr. Pirbhai: Whatever is the inflation rate. We shouldn't go by what the Fort McMurray – you know, Statistics Canada uses figures from Fort McMurray. You can't go by Fort McMurray because Fort McMurray is an oil patch. If I had a trade – I don't

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have a trade; I'm an accountant – I could make \$100 an hour. That is hard work. We constantly hear Statistics Canada say the average salary in Alberta.

I don't believe that MLAs should keep on getting a 30 per cent pay hike as they took two years ago. And every year after that they have gotten increases more than, actually, the average citizens of Alberta make. I don't believe that, and I personally don't believe it when an MLA says that. It makes more people mad when they keep hearing that MLAs are making more money because they have the same one line: I'm working hard. It shouldn't be that way.

Justice Major: I think I have your point. You have used up your 20 minutes.

Mr. Pirbhai: If I can just make one final comment.

Justice Major: Yes. Go ahead.

Mr. Pirbhai: Mr. Major, if I can say this. When you present your report to the Speaker of the House, if you can just say this, that in this province our minimum wage was just increased. Now it's up to \$9 an hour. It is the lowest in the nation. Where are the same politicians? I'm not asking you. There were unions. I'm not speaking for those 99 per cent of the population of this province. I would ask you to recommend to the Speaker that these politicians, including the MLAs – they are the top 1 per cent, and they should listen to the 99 per cent.

Thank you, Mr. Chairman.

Justice Major: Thank you. You understand that I just make the recommendation, that I pass it on, and it's decided by the Assembly?

Mr. Pirbhai: I understand, sir.

Justice Major: Okay. Well, thank you for coming.

Mr. Pirbhai: Thank you very much.

**Laurie Blakeman, MLA, Edmonton-Centre
Alberta Liberal Caucus**

Ms Blakeman: Thank you very much. Do I address you as Justice or as Honourable? If you would give me the correct address.

Justice Major: You can take your pick. You can say Mister if you like.

Ms Blakeman: All right.

Thank you very much for putting in your time in this particular endeavour, and I hope that you're still friends with Speaker Kowalski at the end.

My name is Laurie Blakeman, and I would welcome you to my fabulous constituency of Edmonton-Centre. I am speaking tonight as a member of an opposition party but not specifically representing, necessarily, the views of the Official Opposition. All of my comments tonight have already been spoken in the Assembly at various times, so none of this is particularly a secret. It includes my observations of differential pay between government backbenchers and members of the opposition, resettlement allowances and life after politics for members of opposition parties, and also some issues around the tax-free portion of MLA pay.

Now, let me be clear. I am not complaining about how much I am paid. I came into politics as an artist and as a not-for-profit

manager, and frankly to those two sectors politics looks like a very well-paid and stable career choice. So I'm not complaining about how much I'm being paid. But I do want to make the point that there are differences between how pay and benefit packages affect members of the government party and members of opposition parties. For an example, for the last 15 years I have consistently been paid less than government MLAs.

Now, prior to the implementation of the pay that recognized all-party policy committees, every government MLA outside of cabinet was paid in the range of \$20,000 to \$40,000 a year to chair or to sit on some committee or another, and that is verifiable through the MLA pay and benefits statements. In fact, a number of these committees that government MLAs were paid to be on were covered by the media just shortly before the practice was abandoned and the new pay was implemented.

6:20

Not to pick on one in particular, but one of the members was a member of the Alberta-Idaho border committee, which never met, never produced any documents. When questioned, the member responded that she was under no obligation to account for what the committee had done or not done. I'll just note that Alberta doesn't share a border with Idaho. So there was certainly an ability of government to compensate its members, and they chose to do so. I was not able to discover any member of the government party that did not receive an additional amount of money, above the base pay, for committees which allow only government MLA participation.

Now, additional monies paid to members of the government party has a double effect as this money counts towards any calculation of a resettlement or a transitional allowance. Over a period of four years at that \$20,000 to \$40,000 mark you're looking at a differential of \$80,000 to \$160,000 that this percentage is then based on and from which the resettlement funds are calculated.

Since the new program of compensating all members for committee work, I notice that again members of the government party are being paid additional sums for sitting on government committees, which pay in the range of \$40,000 a year and which, again, allow only government MLAs. So there are two examples of differential pay.

I'm going to underline again here that I am not complaining about the pay. I am very honoured to be paid to work on positive changes for public policy and for good government. But I don't want this review to go forward believing that the status quo is equal or equitable. No one has ever produced a compelling argument on why government private members should be paid more than opposition private members.

A second issue that I want to offer as observation to the review panel is the resettlement package. Now, this benefit is to assist the members to successfully transition back to nonpolitical life. To many, probably even most people, these amounts accrued over terms served by members seem like a lot of money. The previous speaker certainly reflected that. But my observations show, again, a differential impact on members of opposition parties, and I'll explain how.

This is a province where one political party has held power for longer than most people's working lives, over 40 years, so there is a culture of power and exclusion that exists as a result of that. Fair or not the experience is that members of opposition parties have a devil of a time finding work that pays a reasonable amount once they leave political office. There can be exceptions to that, people who can return to a family business like a farm or who can quickly upgrade and return to a professional law practice or medicine.

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In my experience, looking at my previous colleagues and other colleagues in opposition, it's at least two years and sometimes more for a member to find other work that pays a living, reasonable amount. I want to underline that a resettlement allowance is to be used as a transition, not as some kind of lump-sum pension contribution.

When I think about people I've served with who served well and came from varied backgrounds, as it should be – you know, your Assembly wants to be reflective of the public it serves – Sue Olsen was a police officer, Grant Mitchell worked in finance, Lance White was an engineer, Mo Elsalhy was a pharmacist, Bruce Miller was a minister. The list of these people goes on, and all of them have been unemployed, underemployed, or had to significantly retrain.

Now, in my case I come from the not-for-profit sector, or the NGO sector. Reasonably, what not-for-profit agency is going to hire me when every one of them is dependent on some kind of contract or grant or licence from this government? So we have 40 years of one-party rule. There are certainly examples of where NGOs have received – and I'm going to put air quotes around this – visits from high-level government officials to advise them that a certain behaviour should not continue. Even worse now is the self-censorship by those NGO organizations who believe that hiring a member of an opposition party would result in some kind of a negative response from government. In other words, they fear being punished if they hire a member of an opposition party.

I expect, using myself as an example, that I'll have to use my resettlement allowance to retrain, to live on while I go back to university and retrain in a completely different field. I've asked and have been told that my years of political experience won't count in a university setting, and I could expect to spend three more years in university in order to qualify at another faculty and then complete a master's degree there.

On the same topic of resettlement I ask the justice to also consider the money at hand after an individual pays tax on that income. A \$500,000 resettlement after taxes is \$300,000 in the bank account. Invested now for the average age that you've got of people leaving politics, middle age, and at 3.5 per cent that would give a member approximately \$14,000 a year as retirement income.

Justice Major: Where would you get the 3 and a half per cent?

Ms Blakeman: Well, that's the best you can possibly get in any kind of investment at this point in time. I was trying to be positive.

Justice Major: Do your math at 2 per cent.

Ms Blakeman: I'm not going to do that without a calculator now. I would just embarrass myself. But it's significantly less.

Justice Major: I take your point.

Ms Blakeman: Okay. Really, my point is that it's not a lot of money, and if you're going to have to use that money as a transition, you're not going to have it in the bank after the fact. So to look at it as some kind of lump-sum pension payment I think does a disservice to a number of people. Again, I'm not complaining about the pay or the resettlement, but I came here to make sure that it was on record that in this province at this time pay and benefits like the resettlement allowance are not equal between members of the government caucus and members of any opposition caucus.

Justice Major: That's because the government members through committees earn more?

Ms Blakeman: That's correct. On committees that only government MLAs are able to serve on.

Justice Major: I understand what you said. Yeah.

Ms Blakeman: The last point I want to bring to the justice's attention is the idea that we have a nontaxed portion of our salaries. I would offer my observation that I think that should be abolished. It just confuses people, and it seems like we're sneaking away with something. Currently it's expected that the members will cover any additional costs from that nontaxed portion, but one of the things that does get covered in there or is supposed to be covered in there are tickets to events in the community.

I want to let the justice know that this may have worked once, but it certainly doesn't work anymore. Part of that is the government funding policies that cause all of these not-for-profits to charge money for everything. They're always trying to raise money, so even annual general meetings now have a silent auction or a 50-50 raffle or something on the side to make money. I am no longer invited to attend an event to honour volunteers or to know more about the organization or, you know, to just participate in the community or support the community. I'm asked to purchase a ticket. I checked at my office. I'm now averaging requests between \$750 to a thousand dollars a month in invitations to purchase tickets to fundraising events. Of course, I can't pay for that out of my constituency budget, and I don't know that I'd want to, and I certainly can't afford personally to continue that on an ongoing basis.

To conclude, I really think it's important that MLAs do not set their own pay and benefits. No oil executives in Alberta are able to do that. No CEO can do that. I don't think it's appropriate for us to do that. I think it should be determined by an independent committee.

Justice Major: Composed of whom?

Ms Blakeman: I don't care. It just shouldn't be a final decision made by the people who are then the beneficiaries of it. It's inappropriate. If you want to put a past MLA on there, fine. Justices, fine. I think there should be members of the public on it, quite frankly. I just think it's inappropriate for someone to vote themselves their own pay and benefits. Nobody else gets to do it. Why are we special?

As I said before, I think the tax-free portion of the MLA pay should be abolished, and the pay should be appropriately set.

6:30

Justice Major: On that point you're not alone. What the question I've asked others is that if you abolish that – what that is really a contribution by the federal government by waiving the tax. There's a special tax exemption under the Income Tax Act, section 81, that permits this tax-free allowance. It's restricted to MLAs in that section, but others go on to cover council. I don't know why that's there, but it is there. So if you eliminate the tax-free allowance, the government of Alberta would have to bring you up in your pay to account for that.

Let's use some rough numbers. If the tax-free allowance is \$25,000 a year, then the government would have to pay \$40,000 to the members so that they could pay their taxes and be left in the same position that they are now. Taken in that light, it's a subsidy by the federal government to the province of Alberta.

The gentleman from the tax association was in favour of eliminating it on the basis that a million dollars wasn't that much, but I'm curious why we would absorb that extra payment when the federal government is really subsidizing the tax-free allowance.

Ms Blakeman: Thank you for pointing that out because I like to learn something new every day, and that's what I've learned today. I've served for 15 years. I had no idea, as far as the accounting itself is done, that that's where that benefit comes from.

What I see is that we seem to go out of our way in political life to make it hard for people to understand what we do, how many hours we work, what we're paid, and why. This is part of it. The whole idea that you're paid \$85,000, but it isn't really that because it's really \$100,000 because some of it is not taxed just makes people go: then how much are you paid and why?

To me it's a question of transparency and accountability. I'm perfectly happy to have my salary released publicly and all the benefits that go with it. I think that's very appropriate, but it's very difficult to explain to people why you have this nontaxed portion.

We've been told by the Speaker that that nontaxed portion is to cover things like tickets to events, but given the additional expectations that we place on ourselves and others place on us about dry cleaning and clothing and all of that sort of thing, you do use up that untaxed portion pretty quickly in accommodating the job itself.

I didn't know it came from the feds, but I would still tend to argue that we should just pay the money because that's what it is, and that allows people to see what we're actually paid and not have to get into some arcane . . .

Justice Major: How about explaining it rather than paying it?

Ms Blakeman: I wish you all the luck in the world. Most people believe that if the House isn't sitting, we're on holidays and I'm sitting on a beach eating bonbons and reading fashion magazines. People want to believe that. They're not entirely open to believing that we are doing other things. Trying to persuade the public that this is a good deal for Albertans because the feds are covering it, well, I think they would argue back that it's the same taxpayer.

That was the tax-free portion. I personally would prefer that just a plain old joint-contribution, defined-payout pension plan be established for MLAs that would start at 65 or whatever appropriate retirement age is determined. That line, I recognize, is moving pretty quickly now, and I'm happy to contribute to that.

Coming from the not-for-profit sector, I was never paid enough money in that sector to put anything aside, so I came into politics with very little in any kind of pension set aside. I'll be leaving it with not that much more although I'm grateful for what I did have, but I'm quite worried about how I am going to exist in retirement. I don't expect this job to have to pay the full freight on it, but I'm quite concerned about it. I think I've been able to contribute, and I think my background has been valuable to the Assembly. I believe you should have a number of backgrounds of people, but that does mean we're going to have to look at how they're going to be able to fare in retirement given that they're probably elected during their most productive and highest-earning years.

Justice Major: The transition allowance: I take it that you're in favour, because of the reasons you gave, that there be some financial help in getting back into the mainstream. Do you have any opinion on how long that should be? The complaint that I've read in the paper is that retiring members, if they've been there for 15 years, then the whole 15 years count. Others have said here that there should be a cap, that no matter how long you've been in, the transition allowance shouldn't exceed six months' pay or a year. Do you have any view on that?

Ms Blakeman: I would lose my house if it was a six-months transition. I just think given the political climate here I'm not going to be able to get a job where I could expect to get a job, which is in the not-for-profit sector. That's just the way it is here, you know? "Suck it up, princess; move on," which I expect to do.

I think it's important that we recognize that people come from different backgrounds, and there does seem to be a difference between the kinds of backgrounds that members of the governing party come from and people from opposition come from. The chance of their coming into it having come from a sector that is not giving them very good retirement benefits is pretty high.

I'm definitely going to use every penny of that resettlement to resettle. I will be entitled to four terms' worth at this point, and I'll end up using all of it to try and get myself to a point where I can get a decent job in another sector.

I don't know if you can be as abrupt enough to say, "It should be capped at this" for all of us because the point is that we all come from different backgrounds and different sectors. We've served for different times. My argument is that it shouldn't be based on the fact that there is differential pay between government members and members of opposition.

Thank you for hearing me out. I appreciate that very much, and I appreciate the fact that you're doing this work.

Justice Major: Thank you.

6:40

Ms Blakeman: Thank you.

Charan Khehra Private Citizen

Mr. Khehra: Mr. Chairman, my name is Charan Khehra, and my interest in matters of compensation and working conditions has remained intact for the last 40 years: first, as a member of the United Kingdom civil service in England; then studying the topic of employee compensation as part of my master's degree at the University of Strathclyde in Glasgow; and, following this, as a member of the Alberta civil service as a senior economist with the department of labour for a number of years; and following this, as a staff member of the third opposition party in Alberta for about eight and a half years as EA to the leader for the third party and also director of special projects. I retired in 2005, and I think I am qualified to speak on some aspects of the MLA compensation.

I will address the MLA compensation issue under the following five headings: some general remarks; current state of MLA compensation; some interesting findings; a brief description of reimbursement of travel, living, and subsistence allowances. Then I will be making 18 recommendations for your consideration.

First, general remarks. MLAs and Legislative Assemblies are valuable democratic institutions and deserve our full support for electing and retaining competent and qualified individuals. As such, MLAs must be provided a fair compensation package and working conditions. People run for public offices freely and willingly to serve and make a difference. For some it may become a stepping stone to other future career opportunities in public, private, or nonprofit sectors. Being public servants, MLAs should not expect to become wealthy. MLAs generally work long hours with many demands and pressures of their office.

Sometimes MLAs confuse their roles as the government, as the protectors of the economy, and as setters of their own compensation. In recent years many MLAs and other elected officials have become subjects of public scrutiny regarding their conduct and inappropriate spending. Therefore, the commission must

clearly enunciate principles in terms of MLA compensation to gain and maintain public confidence in the system.

Now, following this, the current state of Alberta MLA compensation. Alberta Treasury in its Report of Selected Payments to the Members and Former Members of the Legislative Assembly and Persons Directly Associated with Members of the Legislative Assembly for the period ended March 31, 2011, provides some information on the major components and annual rates of compensation for Alberta MLAs.

First, remuneration. MLA indemnity is subject to tax, and that is \$52,092. Then you have the expense allowance, not subject to tax, of \$26,046. On my chart you would find that I've got a number of question marks, and I will be talking about what these question marks mean. Each MLA is paid the annual indemnity amount of \$52,092 plus a tax-free allowance of \$26,046, a total of \$78,138.

In addition, there are also other allowances, including transition, and reimbursements of varying amounts, as I have indicated below. First, the allowances for Legislative Assembly committees in category A and C pay a monthly amount of \$1,500 to the chair and \$1,250 to the deputy chair. Members are paid \$1,000, and they are not supposed to exceed \$3,500, a maximum of three committees. The Speaker and opposition leaders in lieu of all committee activity are paid \$3,500 monthly. There are no category B committees at this time; however, MLAs would be entitled to some payments for their attendance if such committees were in existence.

Allowances for government committees. Now, they pay members who serve on government committees, boards, commissions, councils, or other bodies established by an act of the Legislature, by the Lieutenant Governor in Council, by a member of the Crown, or by a regulation. The rates are given in Order in Council 606/2009.

There are also additional amounts for holding office in addition to that of an MLA. The Premier is paid \$81,312; the Speaker, \$63,912; minister with portfolio, \$63,912; minister without portfolio, \$28,392; Leader of the Official Opposition, \$63,912; Deputy Speaker and Chair of Committees, \$31,968; Deputy Chair of Committees, \$15,984; and leader of a recognized opposition party, \$28,392.

In addition to this, there are special members' allowances, which include the Official Opposition House Leader, \$13,596; third-party House leader, \$10,872; chief government whip, \$10,872; assistant government whip, \$8,135; chief opposition whip, \$8,136; assistant opposition whip, \$6,792; and third-party whip of a recognized opposition party, \$6,792.

The Standing Committee on Members' Services, with a majority of government members, is the body that sets and adjusts the rates of MLA compensation. It's all in-house. The rates are adjusted on April 1 of each year by the same percentage increase or decrease as in the average weekly earnings for Alberta as reported by Statistics Canada's Survey of Employment, Payrolls and Hours for the immediately preceding calendar year.

Compensation has remained unchanged since April 1, 2008. The standing committee decided not to adjust rates for the financial year April 1, 2010, to March 31, 2011. Had the compensation been adjusted pursuant to Alberta average weekly earnings, the percentage increase would have been 2.92 per cent.

Now I will give you a couple of examples of some interesting findings. When you look at the information available for 2010-2011, a breakdown of 83 MLAs' total annual compensation – that excludes reimbursements for travel and living and subsistence allowance – and transition allowance for the period April 1, 2010, to March 31, 2011, clearly shows a bias in favour of government members.

Consider the following two examples. The Premier received \$221,438; the Speaker, \$205,407; the Leader of the Official Opposition, \$203,985; and the ministers ranged between \$197,546 to \$199,056. So these are the people who are highly paid in comparison to others. We can argue about their duties and responsibilities and so on.

There was one MLA who received under \$130,000; six received \$130,000 plus; eight received \$135,000 plus; two received \$140,000 plus; 14 received \$145,000 plus; 12 received \$150,000 plus; seven received \$155,000 plus; five received \$160,000 plus; and one received \$165,000 plus. The lower paid were generally the opposition MLAs, with some exceptions of the odd government MLA.

6.50

Now, talking about reimbursement for travel and living and subsistence allowance, these allowances are, of course, reimbursements and depend on distances travelled and days spent and those kinds of things. But the important issue is that in one case a minister claimed \$79,478 for travel and an MLA \$69,003. Subsistence allowance was \$35,685 in one case. The most important thing to remember here is that receipts are only required when the amounts are above certain standardized rates, so you don't have to produce any receipts for them. If the amounts are higher, then you would be required to put in the receipts.

The next one is transition allowance. Transition allowance is paid to an MLA on ceasing to be a member on resignation, being defeated at election immediately following dissolution, or at the date of death, and it is based on the highest rate of monthly indemnity and expense allowance received by the member multiplied by one month for each year of service prior to March 20, 1989, plus three months for each year of service subsequent to that date. So there are two different rates, one for before and one for after, and this is based on the average monthly salary of three calendar years in which the member received their highest salary.

Now, Mr. Chairman, I would move to some recommendations following this discussion that I just had. The first one is that I hope the commission will establish clear guiding principles for MLA compensation. Such principles will be based on transparency, accountability, and fairness.

Recommendation 2, that MLA compensation be comparable to other similar occupations, neither exceeding nor lagging behind. It should also reflect the general community standards, including minimum wage, social assistance, assured income rates, and the seniors' pension increases.

Recommendation 3, that MLA compensation be determined not by MLAs but by an independent body. We can argue about the independent body, who it should be, and so on.

Recommendation 4, that an independent commissioner be appointed and provision be made for support staff to conduct internal and external surveys and research into comparable occupations. These comparable occupations would mean that if you look at the present structure of the Legislative Assembly, there are some teachers, there are some real estate agents, there are some bus drivers, there are some people who are lawyers, and there are some people who are businessmen. So there . . .

Justice Major: This is interesting, but time is running, and I would like you to summarize as you go through your recommendations rather than elaborate.

Mr. Khehra: Thank you.

Recommendation 5. Besides the MLA compensation such a commissioner would also review compensation for senior public

servants in Alberta, including the deputy ministers, assistant deputy ministers, and other officers who are appointed by the Legislative Assembly; for example, Auditor General, Privacy Commissioner, Ombudsman, and so on.

Recommendation 6, that the independent commissioner report his findings and recommendations to the Legislative Assembly.

Recommendation 7. Because of various MLA allowances, the current MLA compensation system has caused serious internal disparities in favour of government members. This worsening situation should be immediately rectified.

Recommendation 8. Eliminate the tax-free provision and require that MLAs also pay tax on \$26,092. This is, Mr. Chairman, because everybody else under the sun is paying. They should pay. As you just mentioned, the amount that is being subsidized by the federal government is one that's irrelevant as far as I'm concerned.

Justice Major: And if this is eliminated, the province of Alberta to keep the MLAs at the same salary would have to make up the difference, and that would be taxed. So by eliminating this, you are effectively having the province of Alberta send to Ottawa, at the cost of the taxpayers, over a million dollars. Now, witnesses before you said: "Well, that's fine. The province can afford to do that." Is that your view?

Mr. Khehra: Well, I think there is a conflict. One is that from the taxpayers' point of view we would like the taxpayer to save some amount of money, but in the overall picture I think it is unfair to the citizens. Citizens want a very transparent system.

Justice Major: Even if it costs them money?

Mr. Khehra: Even if it costs money.

Justice Major: Okay. You won't be popular with the citizens, but that's fine.

Mr. Khehra: Allowances for offices other than MLA, the Premier, and so on – there is a long list of them – are necessary but somewhat excessive and need to be reviewed.

Recommendation 10. The special members' allowances – that is, the pay to officials, the Opposition House Leader, and so on, which I have listed – should be eliminated and reasonable amounts be reflected in the basic indemnity rates of all MLAs. These special considerations and special privileges should be reduced or eliminated.

Recommendation 11, that attendance at Legislative Assembly committees be part of an MLA's duty, and that the allowance be eliminated and reasonable amounts be reflected in the basic indemnity rates for all MLAs.

Recommendation 12, that as the government committees are solely used to provide additional funds to government members, this category be eliminated and added to the list of Legislative Assembly committees. Should there be any matters of political strategy or expediency, they could be addressed at caucus meetings by the political parties.

Recommendation 13, that as the RRSP is a dollar-for-dollar plan, it be continued, or it should be moved into a pension plan.

Recommendation 14. A reasonable amount of transition allowance is in order; however, it must not be excessive and guaranteed for life. It should be on a decreasing sliding scale, gradually ending at age 70 if not earlier.

Recommendation 15. Should a pension plan be reconsidered, it should be based on a dollar-for-dollar matching contribution like other public-sector pension plans.

Recommendation 16, that health care benefits and life insurance provisions be retained.

Recommendation 17. Double-dipping of pension plans should not be allowed.

Recommendation 18, that the cooling-off period for lobbying or accepting corporate appointments be legislated to two years for the Premier and ministers and one year for government MLAs.

Justice Major: On your last recommendation, when you speak of accepting corporate appointments, what do you mean?

Mr. Khehra: What I mean is that there is a lot of influence on the private sector. When MLAs or ministers retire, they get appointed to various corporate boards and so on.

Justice Major: But you're not speaking of employment?

Mr. Khehra: I mean that there are directors' fees and all kinds of compensation.

Justice Major: I understand when you speak of directors of a company, but if an MLA retires – suppose he's a welder and he has to go to work for a company – you're not talking about that?

Mr. Khehra: No.

Justice Major: You're speaking about appointments such as directors?

Mr. Khehra: Yeah. That's right.

This concludes my submission. I wish to thank you for giving me the opportunity to make my submission and share with you some ideas, insights, and perspectives on MLA compensation. I will be looking forward to your report. If you have any questions for me, I would be very happy to address them.

7:00

Justice Major: You have answered your questions. We've given you extra time to make your submissions, but they've been thoughtful, and thank you very much.

Mr. Khehra: Thank you.

Rory Nugent
Private Citizen

Mr. Nugent: Good evening, sir. First, I'd like to say that it's been a long time, sir. Approximately 30 years ago I was an Alberta Power employee working in rate regulation, and I had the pleasure of carrying your books to the first EEMA hearings.

Justice Major: It has been a long time. I can never forget it.

Mr. Nugent: Sometimes you would want to forget, sir.

Mr. Nugent: I want to thank you for hosting this review. I guess the commission has had my submission for a week. Have you had a chance to read it?

Justice Major: Yes, I have. What I would like you to do rather than read it is speak to it.

Mr. Nugent: Right. Perfectly.

From a background point of view, my father was Terry Nugent, who was a Member of Parliament for Edmonton-Strathcona . . .

Justice Major: Whom I knew.

Mr. Nugent: . . . from 1958 to 1968.

Justice Major: I knew your uncle as well, so you can't use family connections.

Mr. Nugent: Right.

The first part that I'm bringing to this hearing is a child's view, where things have greatly improved—and I realize this is an MLA submission – for politicians in general. When my dad was a Member of Parliament, he was only paid two trips a year home from Ottawa. He did sacrifice on his salary. He was a partner in a five-member firm, and he left that firm to be a Member of Parliament for 10 years. When he was defeated in 1968 after 10 years of service, he started with a pension of \$200 a month.

Things have greatly improved, and maybe the pendulum has swung the other way on certain pension items or whatnot. Being brought up in a political family, I've been dragged through so many conventions and nomination meetings and everything that I've always had a keen interest in who's running and what their qualifications were. Over the years the people that I see willing to step forward: there's a difference in their qualifications as compared to the businesses where I've been working.

I guess where I'm coming from is the wage gap for the higher paid executives, who have the connections, who have the ability to stand back and have a vision in how to control and organize, and they are well compensated. For them to step back into public life and take not a 30 or 40 per cent wage cut but an 80 or a 90 per cent wage cut: it's getting harder and harder for those individuals to step forward.

When you come to a wage review, as I've stated in my paper, if you were a business, you would be able to judge an individual on a combination of their education, their experience, their special talents. When we go to elect an MLA, it's one price for all.

I feel that with this review, if you stay within the normal guidelines of what's been going on, there may be another review six years down the road or 10 years down the road where we're addressing the same problem because we haven't addressed the core issue. In my mind, the core issue is that we have to break this mentality that all MLAs should be paid the same. Business does not pay all of its executives the same, and therefore society has a method that can recognize the skills that this province needs.

Justice Major: I don't want to interrupt, but can we get to the point? In your paper you proposed two different types of plans.

Mr. Nugent: Yes, plan A and plan B. Plan A is the status quo. You will hold this hearing, you will make tough decisions as to compensation, pension, severance, tax-free amounts, non tax-free amounts, and that would be good in establishing a base. What I'm saying is that anyone who ran for MLA would get the base salary.

But we have an option where you could put it on the table, if we establish a plan B, that if an individual has proven himself in business, and you take his last three or four or five income tax returns and what his taxable income was, not necessarily from stock dividends or options or something like that, and you establish that that individual is making \$400,000 a year, \$500,000 a year – in my paper I used an extreme example, the president of Suncor. If you wanted Rick George to run this province and wanted to steal him away from Suncor, and you wanted to pay that much . . .

Justice Major: He's already retired.

Mr. Nugent: Okay.

Justice Major: We'll take his successor.

Mr. Nugent: Yes. Okay. Yes, sir.

So the idea is that individuals who would contemplate running for the government would not have to worry about a drastic pay cut. They would still have to worry about a public image, about loss of privacy in their family life, about sacrificing their personal time to serve the public, and maybe less time with the family. They'd have to worry about all the other good and bad things that come with being elected to office.

Justice Major: In considering your plan B, where the person who seeks office has earned significant amounts, say \$400,000, and you compensate them at a higher rate than someone who has earned \$50,000, you do that because of his record, what he's done in private life. He's prepared to serve the public, but he shouldn't be forced to do that and be penalized too severely.

It's an interesting concept, but what happens when you get to the Assembly and one MLA thinks that as an MLA he's doing more and working harder but is paid less because in private life, for which he wasn't well suited, he was paid less, but now in political life he's doing a better job than George from Suncor because George is so married to private industry that he can't adapt to the public forum of politics? There seems to be the potential for unrest among the uneven salaries although there may be merit to paying people what they earned.

Mr. Nugent: I would not be surprised if there was unrest, but whether or not that unrest is merited, I guess the ultimate test would be the next election, whether or not the voters agreed that that individual is worth four or five or 10 times more than the person sitting beside him in the Legislature Building.

What I'm proposing is that even to win the nomination the person has to run stating what his expectations would be: the standard salary, plan A; or plan B, where he declares what his average salary would be over so many years. I didn't say it in my submission, but with that plan, if you were to go ahead and recommend this and they were to adopt it, you could make it retroactive. Someone who is, let's say, elected in the last four years and if they were making substantially more three or four years ago, could go back and run under plan B so that they could get a pay raise as well.

7:10

Ultimately, what I want to see are better qualified candidates to appear. I feel that as our world becomes more global, we don't just have to protect ourselves from Ottawa and B.C. and Saskatchewan anymore. It's more international. We need the longer strategic planning. Just how businesses learn to work together, we need our governments to work together and overall co-ordinate and provide a better solution or better protection for the assets of Alberta. When I say "the assets of Alberta," that's not only what the province of Alberta controls. If they were to fail, then the value of my house and everyone else's house goes down, which is our main source for our retirement and the biggest economic nest egg that most Albertans will have. By protecting that, we're all better off.

There will be criticism because of an additional cost. But even if you took the MLA's salary and quadrupled it, that would be a minor percentage of the annual budget of the province of Alberta, and I did point that out in my opening remarks. It's significantly less than even, let's say, what your RRSP management fees are.

Justice Major: I understand what you're saying. I see problems with it.

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Mr. Nugent: Well, I can see current MLAs not liking better competition. I can see businesses not liking it because maybe their lobbies won't be so effective if you have smarter, better informed, better equipped politicians. I can even see corporations not really liking some of their hired talent deciding to leave and run to be in the government.

Justice Major: What about the notion of public service, that people go into political life to offer something to the country?

Mr. Nugent: That's been true forever. In 1958 when my dad was first elected, that was part of it, but as I said, as the wage gap grows – my dad might have lost 30 or 40 per cent of his income. He didn't lose 95 per cent. If you do get someone who is qualified and does a really good job, is it fair to expect them – you can expect them to give up four years and maybe eight. Should they give up 16 or 20? You know, it's how long a sacrifice, and is it really required?

Justice Major: What about term limits?

Mr. Nugent: I see value in term limits. There is an argument, you know, that if you expect a term to last four years and you have two terms, eight years – I've served on some charitable organizations. You get someone in there for three or four years, and they're just learning about how the organization is working. You move them in for three or four years, and another three or four years would be beneficial in order to have a history in that. So if you made it into cabinet, maybe your term limit of two terms goes to four. I would recommend something like that simply because you'd have that experience, and suddenly eight years goes by a lot quicker than it used to.

Justice Major: I have no more questions. I understand what you're saying. It's a thoughtful submission. There are new ideas. There are problems with them, of course, implementational problems.

Mr. Nugent: That's where working with a consensus would give it a shot to be improved. I mean, I put the main concept forward, not all the details, and the devil is with the details. Overall, as I said in my opening statement, when you listed your mandate, you really didn't say why you were holding this. Obviously, it's to

adjust the compensation. My prime reason for this submission was that better candidates be brought forward and retained by the compensation method, which I feel right now is restricted.

If you look in yesterday's *Journal*, the mayor of the city of Edmonton is not accepting his full salary, and there are a few councillors, I think 3 out of 12, that chose not to accept their full increase. I feel that they are undermining the process of attracting better competition to the city.

You know, a lot of people say that they're way overpaid. Well, if you look at the decisions: are they going to spend \$500 million approving a rink, or are they going to be building this freeway or some infrastructure, are they looking forward enough? The similarities: if you look at business, the CEOs of the business have to report to the shareholders and worry about a quarterly dividend; the elected officials have a longer time frame, but then it's in front of all the shareholders with an election every four years or so. It's a bigger judgment, I guess, but both business and the civic officials have to balance the immediate return for the dividend or the long-term investment so that the right decisions are made for our grandchildren, and they've got to have the courage and the vision to do that.

Justice Major: The question you've raised as to the mandate, that it doesn't say why. Mandates seldom do say why, but I'll tell you why. It was to assess the fairness and make recommendations with respect to what MLAs should be paid. Those recommendations will go to the Assembly, where it's to be debated. It's not a profound answer, but it's what the purpose of the mandate was.

Mr. Nugent: Yes.

Justice Major: Well, I think, Mr. Nugent, you've usefully used up your 20 minutes.


Mr. Nugent: I appreciate that, sir. Thank you very much for this opportunity.

Justice Major: Thank you.

That appears to conclude our evening sitting. Thanks very much. We'll adjourn.

[The meeting adjourned at 7:18 p.m.]

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Legislative Assembly of Alberta

MLA Compensation and Benefits Review
Transcript of Public Meeting

Honourable John C. (Jack) Major, CC, QC

Calgary

Thursday, February 2, 2012
1:02 p.m.

Transcript 27-4-3

Witnesses

Dr. David Docherty
Dr. Herbert Grubel

Herb King
Dr. Allan Tupper

Author, *Legislatures*
Professor Emeritus of Economics
Simon Fraser University
Hay Group
Professor and Head of the Department of Political
Science, University of British Columbia

Presenters

Rob Anderson

Dr. David Carter

Oscar Fech
Marlene Sorensen

MLA, Airdrie-Chestermere
Wildrose Caucus
Former Speaker
Legislative Assembly of Alberta
Private Citizen
Private Citizen

appendix
M

February 2, 2012

MLA Compensation and Benefits Review – Calgary

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1:02 p.m.

Thursday, February 2, 2012

[Justice Major in the chair]

Justice Major: Well, if everyone can find a place to sit, we'll begin. Needless to say, we appreciate your being here, Dr. Tupper, and the other witnesses who will appear this afternoon and this evening.

As you may know, my name is Jack Major, and I am conducting this independent review of the compensation and benefits provided to Members of the Legislative Assembly of Alberta.

As far as my personal background is concerned, I began practice as a lawyer in Alberta in 1957. I was appointed to the Alberta Court of Appeal in 1991 and to the Supreme Court of Canada in 1992. I was there until December of 2005. I have since then served on the Alberta Securities Commission as an independent member. In May of 2006 I was appointed as commissioner to conduct the inquiry into the Air India flight 182.

The task of this commission is to make recommendations to the Assembly regarding the compensation and benefits for members of the Legislature. In doing so, my review will encompass a number of factors, including current members' compensation, benefit levels, and crossjurisdictional comparisons.

After consideration of a wide range of factors my report will be submitted to the Speaker of the Assembly by April 1, 2012. The report will be tabled and the recommendations publicly debated and some conclusion come to.

As part of this review I sought input through a province-wide consultation process such as the public meetings we have here today. There has been some suggestion that the commission was not adequately advertised. It is a matter of record, but I'll repeat it, that there were notices in eight of the major newspapers, and there were close to a hundred in the weekly papers. To name only a few, there's the *Airdrie City View*, *Beaumont News*, *Brooks*, *Beaverlodge*, *Bonnyville*, *Bow Island*. This will be marked as an exhibit, but it clearly shows that the commission was widely advertised. There was also a website posted, and there were 2,000 visits to it. So it's clear, I think, that the public was aware, and they should still be aware that they can, if they've missed the public hearings, file a written submission until February 24.

With that, Dr. Tupper, can you begin to enlighten us? If you have a paper, I would like a copy. Thank you.

Dr. Allan Tupper, Professor and Head of the Department of Political Science University of British Columbia

Dr. Tupper: Thank you very much. I'm Allan Tupper, currently at the University of British Columbia and formerly a faculty member at the University of Alberta for many years. I very much appreciate the opportunity to contribute to this dialogue about remuneration of MLAs. I think it entails a whole series of very important questions.

My brief makes no particular reference or comment let alone recommendations on any precise level of remuneration or benefit and so on. It's more on the broad role of Legislative Assemblies in democracies, what they do and why they are required. I state my premise clearly that I believe the evidence is very clear that Legislative Assemblies matter. They matter a great deal, and they will matter more in the future rather than less. My position on that matter is quite clear. By implication from that premise it's quite clear that Members of the Legislative Assemblies of Canada and other democracies are important. They perform important roles.

They engage in various forms of public service, which causes sacrifice to their personal life and so on. There ought to be reasonable remuneration for them, which is quite a broad statement, but in other words I think they do important work.

Just before I get to the heart of my analysis, which basically says why Legislatures are important, I would put two pieces of context on the table. First of all, we undoubtedly live in an era of detachment from democratic politics. The evidence of that is stark throughout the advanced democracies of the world and very close at hand. The turnout of the last general election in this province was roughly 40 per cent, possibly a shade lower. This is a very, very low level of engagement. Beyond that, there are those who are not merely indifferent. There's considerable hostility to democratic government and what it does and so on. This is really quite a stark contrast to public opinion and mindset for much of the 20th century, particularly in this province, which under Social Credit and through long periods of Conservative rule was broadly engaged in different ways in politics and certainly respectful of those who pursued public life. I think, in other words, that there is a particular contemporary context which won't last, I don't believe, and I'll speak to that point a little later.

The other point that I think is very significant by way of premise for me, given that piece of context about public mindset, is that we live in an era where costs and benefits are assessed in particular ways. It's easy to come at a matter of complexity like this one and sort of say: "Well, the costs are visible, X dollars. I don't really see the benefits." But the benefits are likely considerable. So you can easily identify some costs, but on the other hand there are benefits of considerable weight which are hard to assess. How do you really quantify the impact of political equality as measured by a broad franchise of a capacity to communicate openly with government, of freedom of speech and association, all of which are taken for granted in these calculations or discounted very severely? So the terms of debate are very loaded, particularly when combined with the public opinion context that I mentioned.

1:10

On to the analysis. Why do we have Legislatures, what do they do, and why are they important? It has proven impossible over the last 200 years for people to continue to have self-government in which they directly do their democratic work by themselves. In other words, we've come to a form of indirect democracy, or representative democracy, where we select others to do our public business. Why do we do that? Pressures of the complexity of issues, of the time involved, and there are just so many of us. It's very difficult to apply Athenian principles and so on to modern government given its complexity and difficulty, so we have to select others to do so, and at the heart of that is an elected Legislature.

Any analysis of democratic life suggests that an elected Legislature is a necessary qualification. Without a freely elected Legislature through fair elections that are properly held and run, you would have a quasi-democracy, a sham democracy, not really a genuine democracy. So this is an institution that I think is really at the heart of the system of government that we live in and that we value or have generally valued until recently.

Now, of course, representative government, where you delegate your franchise in some ways to someone else's custody, raises all sorts of problems, which I think are well known. How do you control the delegates, and how much freedom do the delegates have to speak for you? Actually, those have been discussed for 200 or 300 years in great detail and continue to be discussed.

But what does a Legislature do? So much of this is almost omnipresent, so in an affluent country like Canada, which has a democratic government of a mature nature, people take it for granted. But let me just run through the essence of it. First of all, members of the Legislature and the broad Legislature represent public opinion. Its core function is what we call representation, and I think that this is a very significant one.

In a very interesting, recent book about the Canadian House of Commons called *The People's House of Commons* – and it was a deliberately selected title – by David Smith, a very distinguished political scientist at the University of Saskatchewan, the core thesis was that the Canadian House of Commons, when you really probe it, is the most distinctive and genuine national institution which genuinely represents all Canadians through a broad franchise, across both official languages, through all provinces and territories, et cetera. A very powerful analysis flowed from that. So this is a body that represents us as a people. It is no different within the province of Alberta. The Legislature in many ways, in my opinion, is the pre-eminent provincial institution in the same sense as the House of Commons.

A second very important and related role to representation is the capacity and structure of Canadian Legislatures to intermediate between the provincial or national and the local. Canadian politics, both provincial and federal, has always been a very complex balance between certain national imperatives and the counter-vailing imperatives of local and regional pressures, and the MLA or Member of Parliament is really the essence of that. One interpretation of Canadian political parties – and I'll be very careful when I try and explain this – argues that they are akin to a modern franchise in the commercial world in that the national party or the provincial party establishes the brand, as we call it, sets out the broad characteristics of the organization, but the franchisee, in this case the local MLA and constituency association, tailors that message to the local constituency and gives feedback to the national body that gets us into this. The MLA is right at the heart of that. Given the diversity of Canadian communities it's a very, very important function.

The second thing that Legislatures do is that by their very definition they're engaged in legislation. They speak to the quality of all major laws, regulations, and virtually all the major activities of government, and they amend them, improve them, and so on. This is a very consequential part of the legislative role because without the input of a Legislative Assembly, which speaks to the public interest, that is a process that can be heavily dominated by established interest groups and so on. There is considerable capacity to alter legislation.

I think sometimes Legislatures – and there are many examples in this case, notably the Congress of the United States, which is very different from our bodies, but the broad point is made. That works primarily through committees, as do many parliamentary assemblies, and their legislation is done in a more specialized way, where smaller groups of Legislatures via committees study things in more detail and often do considerably important work.

So we've had representation and then, secondly, legislation. Thirdly is control. I mean, there's no doubt that a Legislative Assembly, whatever its flaws in a particular context, is very significant in controlling governments. It does so in two ways. First of all, the opposition: however organized, its role is to provide options and alternatives; that is, through visions or particular policies. But equally the role of Legislative Assemblies is to give evidence to the public of government misconduct and maladministration, to bring those to public attention. There's considerable evidence that Legislative Assemblies do a lot in that respect.

Fourthly, public education. Legislators and parliamentary bodies bring many issues of consequence to public attention. They stimulate debate. People might say, "Well, I don't really take that very seriously," but it's a very subtle and complex process whereby things are debated in provincial Legislatures, they're transmitted through media, the people learn of things, they give communication back, and so on and so forth. It certainly does exist and continues to be important as a way of defining what is going on in the country and educating public opinion and being educated as well, because it is always a multiple flow of influence from citizen to government to parliament and so on.

Finally, Legislatures are very important in doing constituency work, and this is where MLAs and Members of Parliament really matter a great deal. They deal with large and small matters on behalf of constituents. They're in daily contact with their constituents and do all sorts of hard and important things for their constituents on a continual basis. They're a combination of an ombudsman, a control officer, and a communications officer of government, whether they are opposition members or not. These are impressive functions which I say we don't think enough about and which ought to be thought a lot about. Any particular Legislature can be improved in any one of them, and it's very difficult to maximize all four or five different roles at once. They tend to have trade-offs between them, but be that as it may.

I'll make just a couple of final comments. One is that I believe that in the future Legislatures will become more rather than less important, and I advance two reasons for that. First of all, we have, I think, a serious issue in Canadian government and those of the other parliamentary democracies, and that is that there is too much power in the hands of the government, particularly in the hands of the political leader. I think this is almost universally noted. I think one of the few easy counterpoises to that is to therefore beef up the Legislature. I won't speak to that at any length. I think Canada is probably not unique among the major democracies of the world in having these very leader-focused politics. It's generally the case, but there are some particularly Canadian things that actually exacerbate that trend.

1:20

The second reason, though, is that I think there's just no doubt that we've had this detachment from politics and so on that is going to be altered in the near future. I think there'll be various forms of re-engagement, but the Legislature will still be there as a core mechanism for that re-engagement because it gives all sorts of opportunities for participation, particularly when Legislatures are recast to do different things and engage in different ways.

I think we will see a continuing importance of Legislatures and a revitalization of them, which basically says that those who work in them, that is those who are elected to them, should be well remunerated for their work because they do important work.

I'll make one final point for the fun of it maybe, but I'll try it anyway. Seriously, it goes like this. I think there's a case that can be made in principle for somewhat larger Legislatures in Canada. I mean, you look at the provincial Legislatures. By some standards if you don't like politics or Legislatures, they're obviously too big. But if you take a different view, you can well make the case that they're a bit small. You have oppositions that are quite small in many provinces; Alberta is historically the case. But you also have a good number of government backbenchers who could be used in different ways and so on. The only way you can really get at the control of government is to have an active Legislature with a lot of people who aren't in any way affiliated with the government, who in other words are independent.

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Somewhat larger Legislatures almost by definition have more independent members who are more willing to challenge the government or their own opposition party, who are more willing to be nonpartisan, and so on. I won't push that at any length. I think this idea of compressing Legislatures and saying that we don't need them is not going to get you anywhere. In fact, many of the people who like that idea actually get themselves into something very self-defeating.

A small Legislature is by definition in Canada heavily dominated by the government. If you don't like governments that legislate and tax and those kinds of things, you probably don't want a small Legislature because that's the only place you'll get one. If you don't have a powerful, activated Legislature, you'll have no checks on the government. If you fear or dislike government, you've got a government that will do as it sees fit.

Anyway, thank you very much for your patience. In conclusion, I think Legislatures are important. I think the people who work in them do important and significant work for society. We've come to take those things for granted, and I think this is a timely opportunity to refocus on some of the larger questions.

Thank you very much.

Justice Major: Dr. Tupper, we will file your submission. It will go on the web. Could you briefly run through your CV? You were rather crisp when you started.

Dr. Tupper: I'll be brief on this matter. I was a faculty member at the University of Alberta for almost 30 years, and I've been at the University of British Columbia as a political scientist for another decade. While in Alberta I chaired a comparable body to this one on the state of the Conflicts of Interest Act, and I participated also, oh, five years ago now on a review of the agencies, boards, and commissions of the province under the chairmanship of Neil McCrank, who was a distinguished public servant prior to undertaking that. I've been engaged in the study of provincial and national politics throughout my career, and I've written on those subjects.

Justice Major: That's sufficient. Thank you.

I hope your plane treats you better going back than it did coming down.

Dr. Tupper: That's the way of the world.

Justice Major: This is exhibit 14.

Thank you, Dr. Tupper.

Dr. Tupper: You're very welcome.

Justice Major: Dr. Grubel.

**Dr. Herbert Grubel, Professor Emeritus of Economics
Simon Fraser University**

Dr. Grubel: My name is Herbert Grubel. I am a professor of economics, emeritus, at Simon Fraser University, and I'm a senior fellow at the Fraser Institute. I am most honoured and pleased to work for Justice Major on this important inquiry. He asked me to present you with brief biographical information about my background. I was born and raised in Germany. I received a PhD from Yale University in 1963. I taught at Stanford University, the University of Chicago, and the University of Pennsylvania. In 1972 I took up a position at Simon Fraser University because I found the prospect of spending the rest of my life in Philadelphia not a very happy one.

I have also taken advantage of what comes along with teaching at an English-speaking university. I have held teaching positions or research positions at the U.S. Treasury. I have spent time teaching at the University of Cape Town, the University of Nairobi, University of Oxford, the University of Singapore, and the University of Berlin. I've seen a lot of the world.

Justice Major: I think we've qualified you. You don't want to use your 25 minutes on qualifications.

Dr. Grubel: Okay, sir. I come from the tradition in economics which says that if it's something important, an important policy decision that has to be made, we should have numbers to back up our arguments. If it's important, measure it. I followed this principle in the presentation of the paper that will be available on the Internet. But there is one big problem; namely, that there are infinite sources of numbers that one can use to produce support for any argument one wishes to make. Therefore, it is important to have a theory which guides the selection of the numbers which one wants to adduce in order to support an argument.

Now, in the case of the proper compensation for MLAs there are two polar ways in which one can decide what it should be. One of them, advocated by some people, involves listing the amount of work that they do by taking account of how many hours per week they work, how many hours they spend travelling or consulting with constituents, or how many people work for them on the same budget, how big their budget is, and so on. To make a long story short, there is really no way in which one can quantify the many intangibles that members of the Legislature produce.

I should have mentioned that in that sense my own personal background qualifies me to talk about this because I served for four years as a Member of Parliament for the Reform Party, 1993 to '97, in Ottawa under Preston Manning, and I served two years of that as the Finance critic. So I know that in the private sector there is really no group that can be compared in terms of pay scales with that of the members of Assemblies or with the federal Parliament. The clinching point, really, is that no Legislature that I know of in Canada determines its pay for its members on the basis of comparisons of income of competing groups in the private sector.

However, I have an alternative theory. I believe that in a democracy we have a process which leads in the end to a pay which attracts people of quality and, therefore, a quality of legislative output that the public demands. The process that I'd like to sketch briefly is that we have two opposing forces. On the one hand, you have the members in the Legislature that form the government. They have a strong tendency, self-serving as some cynics might say, to increase pay because they are so full of themselves that they always say: well, you know, I'm working so hard and I do so much good for society that I need more. So they try to raise their pay all the time.

1:30

The other side you have in a democracy, like we did in the Reform Party, is that they run on the platform that: you guys have gotten out of line; you are paying yourselves too much. We see this in Alberta with the Wildrose Party. In fact, their insistence that something be investigated is the reason we're all here. We also have think tanks which produce hard numbers to show whether or not Legislature salaries have gone out of line.

Therefore, I conclude from examining this dynamic process that over the many election cycles in the provinces and the federal government we have reached a level of pay which reflects a desire of the public to have and attract from the private sector people of a

quality that produces the output that they wish to have. I don't think it is too difficult to understand that if tomorrow we decided we wanted to have MLAs paid only the minimum wage or what janitors are paid, we would not get the quality of people that we get if we say they should be paid like lawyers or doctors or professors or junior executives or senior executives. Clearly, the quality is an increasing function of the pay, but it is essentially arbitrary which of these occupations you compare this with, and that's why I rejected the first model. I believe that it is relevant for us to get together and look at what is happening in all of the other provinces, and this is what I have done.

I have been supplied through Mr. Major information collected by the Clerk of the Alberta Legislature on the pay and other allowances of MLAs in Alberta and all of the other provincial Legislatures. I've also been very privileged to have a report prepared for the Nova Scotia Legislative Assembly, which did something that I'll get to in a moment that is very, very difficult to quantify; namely, the amount of money that the government pays for pensions and fringe benefits.

Let me tell you now what has been the result of my attempt to assemble and compare the various forms of compensation that MLAs are being paid. There's the basic salary, there are tax-free allowances, there are pensions, there are other fringe benefits, and then there are transition allowances. These are all outlined in my paper, and I don't want to dwell on any of them except to say that, number one, if you compare all of the provincial Legislatures on the basis of salary, Alberta, with a pay of \$60,000 a year, is by far the lowest. It's almost half as much as the \$120,000 received by Ontario. The other western provinces, to which Alberta should be compared, are right in the middle of the pack.

Of course, as you all know, this is highly misleading because Alberta and Quebec are the only two provinces which still pay so-called tax-free allowances. These were paid originally in order to compensate legislators for expenses which you don't necessarily encounter in any other occupation; namely, travel to and from their homes to look after constituents and so on. I've justified all of this and given this history in my paper, but I don't have the time to elaborate on this.

If we include a tax-free allowance, having been inflated to account for the amount of taxes that the MLAs have to pay, and take a sum of the salary plus the tax-free allowance as inflated, Alberta finds itself right in the middle of the pack. Ontario is by far the highest, followed by Quebec, B.C., Newfoundland and Labrador, Saskatchewan, Alberta, Nova Scotia, Manitoba, and New Brunswick. P.E.I. is an outlier with a very low rate, but there is, in my judgment, so little difference, especially among medium-sized provinces, to say that we are not overpaying the legislators in Alberta on the basis of salary plus tax-free allowances.

Now, pensions and fringe benefits represent a very, very difficult problem to estimate. Let me just tell you that if somebody gets as a fringe benefit a \$100,000 death benefit, the value of that depends on the age of the individual, his health, and various other criteria that life insurance companies take into consideration.

In order to estimate the value of providing this, the study that has been done for the Nova Scotia Legislature has been extremely valuable. They put a bunch of actuaries and economists into what must have been a tremendously difficult job to estimate the value of the benefits provided. If you just think about health care, dental care, and various other so-called fringe benefits that are paid in the private sector, in each case it depends on whether you include family. Is it just a single family, or do you have children? So you have to make assumptions about this, and all of my following analysis is based on the assumption that these people have done the best possible job that can be done.

That's the first thing: what is the value? What they did – and that is very important – was estimate the amount of subsidy that the government provides in the provision, say, of life insurance. Say the life insurance premium annually would be \$500 to get a \$100,000 death benefit. In most cases MLAs themselves contribute some part of the \$500 that's necessary to buy that. As you know, the pensions in Alberta are equal to the maximum allowable contribution to the RRSP as set in Ottawa by Revenue Canada. Only one-half of that is paid by the government; the other half is paid by the individual MLA.

What they have done is taken that amount that is contributed by the government and said that that is part of the compensation received by the individual MLA. I've produced a table which shows that on that account Quebec has the highest level of pensions plus fringe benefits. Interestingly, P.E.I. is second, and Alberta is third. But this table I provide is also very interesting because you can see that the total amount in Alberta is about \$11,000, \$12,000.

Justice Major: What page are you referring to?

Dr. Grubel: Page 9.

That is only about 10 per cent of the \$90,000, roughly, that they receive in Alberta in salary plus tax-free allowances. So it isn't really as big an element of compensation as it is made out to be when the public focuses on the benefits which these people get when they retire. Even if these calculations are not absolutely correct, it doesn't make much of a problem.

I put together the salary plus tax-free allowances, properly adjusted for taxes, and the fringe benefits and calculated the total annual compensation, and here we can see a remarkable similarity in the levels paid by all of the western provinces, with which Alberta should be compared. B.C. is slightly higher. Saskatchewan is the same as Alberta. Manitoba is a little bit lower. The two big provinces and the highest total annual compensation are Ontario and Quebec, almost \$20,000 a year more than Alberta.

I:40

But here comes the kicker, the thing that has caught the attention of all the media because of the large numbers involved, and it involves so-called transition allowances. Transition allowances are paid to MLAs because when they fail to be re-elected or they quit, they typically have a lot of problems getting reintegrated into the private sector. Even people like me. After my four years in Ottawa when I got back to my professorship at Simon Fraser University, they had given it away to somebody to teach the courses that I had been teaching for 15 years. They stole them from me. I had no more graduate students studying international trade and finance. I had no more undergraduates in that field. It was given away to somebody else, and I was stuck with Mickey Mouse courses until I retired teaching. So it is important to have some resources available for people to feed their families while they're looking for a new job.

All of the provinces have transition allowances. The case for the existence of transition allowances is very high. It's very good. The big problem is that Alberta stands out like a sore thumb. If you look at page 12 of my presentation, you can see that the transition allowance is \$200,000, and the second-highest is about \$80,000 for Ontario. Then they go down from there to somewhere around \$50,000 for the rest.

Now, how did I calculate those transition allowances? Well, in all cases in all provinces they are dependent on the level of pay, including fringe benefits and everything else that you have received during a certain period while serving, including, incident-

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tally, the extra pay you get serving as an officer of parliament: minister, Premier, or whatever. What I have done here is for comparison. I looked at what the level of transition allowance is for a fictitious MLA who has served for eight years but did not serve as an officer in parliament, and that is the number you can see on page 12, which makes it two and a half times that of Ontario that is given to Alberta MLAs.

Justice Major: The transition allowance is based on the number of years served?

Dr. Grubel: The number of years and the three months of the highest pay. This is eight years multiplied by those numbers, but it's done for all of the MLAs.

Now, you have to understand that when we want to talk about the total compensation, we should put together all forms of compensation: salary, fringe benefits, tax-free allowances, and all this. It's not easy to do, but there is one analytical method which makes it possible, and that is to take the present value that is the time-adjusted value of all the pay which goes into the pocket of an MLA when he starts, when he gets elected. Under my assumption he serves for eight years, he is not an officer, and he can get eight annual salaries plus fringe benefits, et cetera. But salaries also have to be discounted to get a present value.

Then I discount the present value of the \$120,000 that the MLA could get as a transition allowance, also discounted for eight years at 4 per cent, all of them at the same rate. When you do that, you come up with the numbers, the bottom line, that I present on page 14. There we can see that if you get yourself elected and expect to work for eight years as an MLA in Alberta, you get a total salary plus all the other forms of compensation worth \$800,000. The absolute number doesn't really mean anything in the context of what I defended as a theory of what should be the right level. We should compare it with all the other provinces. There you will see in my calculation that Ontario and Quebec both get a present value of \$100,000 more than Alberta.

Justice Major: Over the eight years?

Dr. Grubel: Over the eight years plus the transition allowance, but it is considerably higher than that of the other provinces. The average for the other western provinces – Saskatchewan, Manitoba, and B.C. – is \$681,000. Therefore, the MLAs for Alberta are getting \$122,000 more as a present value of anticipated compensation while they serve in office.

Now, the amount of extra money paid to people who serve as ministers or as Premiers or as committee chairmen and so on: the information on that is all available, but I don't want anybody to be overwhelmed by numbers by me producing what is the present value of compensation for various other sets of assumptions. However, I made one of them in which I assume – and the number is given both by the Nova Scotia people and by the basic information from the clerk – someone serves for eight years but also serves as a minister. I present under these assumptions, eight years as minister, again the same information as I presented earlier. It turns out that Alberta, just as an interest, if you work as a minister, has almost the same level of extra compensation, about \$62,000, as Quebec and is higher by almost \$10,000 than all the other smaller provinces.

The bottom line. Because we're running out of time, I won't be going through comparisons with fringe benefits, transition allowances, and all that, but go to the table on page 17, chart 11,

which shows that for ministers serving eight years the present value is the third highest. It's very interesting, taking into account these differences in the provinces, that the ranking has changed. Quebec, our French-speaking friends, still has by far the highest total level of compensation for people who serve as ministers for eight years, but the second highest is Nova Scotia. Presumably, that's why they were required to make that inquiry, which gave me the data that I have used in my calculations. Alberta on that scale is third, just a little bit ahead of Ontario, but it is considerably higher for ministers than any of the other western provinces.

1:50

Well, based on these calculations, I make two recommendations. The first one, fairly easy, is that for the sake of transparency Alberta should stop being the only non French-speaking Legislature that still gives tax-free allowances. I know that some people believe that this is costly for Alberta. I calculated that it would roughly cost in taxes going to Ottawa somewhere between \$600,000 and a million dollars a year for the 82 or 83 people who are serving as MLAs in Alberta.

I cannot give you any objective criterion for deciding whether a million dollars or \$600,000 going to Ottawa is worth removing from public debate and the attention of the media and all the storm and heat that they create, the lack of transparency that is inherent in all tax-free allowances. It is obvious that outside of Quebec all the other provinces have decided it's worth it to do so. Therefore, my recommendation is that Alberta should follow the rest of Canada and translate the tax-free allowances into taxable income properly inflated so that the pay is comparable, which, as you see from my data, would make it comparable to all the western provinces.

Justice Major: Dr. Grubel, if the tax-free allowance was more descriptive of what it really is, that it's a contribution by the federal government, in a manner of speaking, to the MLAs in the province – would the average Albertan prefer to be sending money to Ottawa over receiving the benefit from Ottawa?

Dr. Grubel: Mr. Major, you have a wonderful way of putting this, and when I listen to you, I am convinced. But politics as I've known – and one reason why I didn't run again in 1997 was that there is too much sizzle, too much attention by the public to appearances; never mind about the steak. You know, that's what I was interested in as an economist. What are the real ideas? How could we improve the welfare of Canadians? Well, the research department in the Reform Party had one or two people, but they hired 15 people to give it youth sizzle. It's very important, but on the other hand the sizzle has to appeal to the media and to the public.

If we change it and become like all the other people, how much attention do you think you would get from a press release saying, "MLAs in Alberta paying this money to Ottawa, a million dollars a year"? How much attention do you think you would get from the media and from the public? You could never reach the number of people who are upset about the fact: "These guys are taking home money, \$20,000 a year or more, and I have to pay taxes on it, and they don't."

It isn't worth the hassle. For \$1 million, which is probably equal to one hour of revenue of the government of Alberta and certainly within the measurement error, get rid of it. It's a million dollars. Also remember that some of it will come back to Alberta through the services that the government provides. I accept the logic of

your argument, and you're absolutely correct. The feds are providing a subsidy which we are rejecting, but on the other side is the public opinion, which we try to persuade. To remove this from the debate forever, I think, would be worth a million dollars a year.

Now, the other thing is the level of compensation. My data show clearly, indisputably that the transition allowance formula is too generous in the amount of money they provide for MLAs in relation to all the other provinces. Therefore, I suggest that the formula be adjusted. I am not an expert in running through an Excel spreadsheet and what it takes. I could do it if pushed. By how much would you have to reduce, and what elements of the formula would you have to change in order to get Alberta in line with the rest of the western provinces and the rest of the country, in some sense, other than Quebec or Ontario, which are so much bigger?

Therefore, I suggest that this be left to a committee of the House of the Assembly which has the expertise and introduces political judgment about the sizzle and how it looks. Where's the proviso that they set the formula as such that when you make a simulation of the sort that I have made here, calculating the present value, Alberta will be completely in line with that of the other western provinces, take a few thousand dollars here and there that are measurement errors?

Secondly, I think it is important in all government policy changes that we take into account the cost of transition from one regime to the other. We want to be fair to people who have come into the Legislature being promised a certain amount and so on. We should try to be fair that they don't have to rearrange their own thinking and their own financial planning.

This is an issue, again, where the extent to which we impose hardships on people who have been coming to Edmonton to serve on the basis of existing regulations – how much we can squeeze them is essentially, again, a political judgment and, I think, should be properly put into the lap of the legislators themselves. I am confident that once they see the embarrassing numbers that I produced that show so clearly how Alberta is out of line with transition allowances, they will be eager to remove this irritant from their compensation packages and get in line with the rest of the country.

Thank you.

Justice Major: Thank you. Your paper will be exhibit 15. Of course, as everyone knows, that will also go on the web.

I see you've made it, Dr. Docherty.

Dr. Docherty: Yes, I have. Am I up next?

Justice Major: You're up.

Dr. Docherty: Thank you very much. I'm happy to be here. As a political scientist it's always fun to follow an economist whose data show indisputably whereas a political scientist says: yeah, the answer depends.

Justice Major: You just have the one copy of your submission?

Dr. Docherty: No, I have one I can hand to you if you would like.

Justice Major: Okay. That will be the next exhibit, Dr. Docherty.

Dr. Docherty: There is another copy for yourself.

Justice Major: We're going to move into the twilight zone?

Dr. Docherty: Of political science, yes.

Dr. David Docherty
Author, Legislatures

Dr. Docherty: First of all, I'd like to say that I am here not in my present role as president of Mount Royal University but as a political scientist who has studied Legislatures and political careers across the country and whose research has been on Parliament and provincial Assemblies. I thank you very much for your time.

I have eight principles. I will try to be as quick as possible. I will not read the brief – I suspect it will become a part of the ongoing dialogue – but I will enunciate each principle and talk very briefly about it. Then if you have any questions, commissioner, I would be happy to respond to them.

Justice Major: For the record, Dr. Docherty, could you just briefly give us a quick rundown of your CV?

2:00

Dr. Docherty: Okay. I have a PhD in political science. My first book was based on my dissertation. It was based on surveys and interviews with Members of Parliament from 1993 to 1997. It was called *Mr. Smith Goes to Ottawa: Life in the House of Commons*, and it focused on the House of Commons. My second book was *Legislatures*, which was part of an eight-book series of a democratic audit of Canada. I looked at the provincial and the federal Legislatures and looked at things like levels of professionalization, opportunities for influence in policy, those types of things.

My publications before I became a dean and a president focused on matters of Legislatures, legislative careers. I've written numerous book chapters, journal articles, et cetera. I would say that while I am an atheist when it comes to how we elect our members, I'm an evangelical when it comes to the role our members of Legislative Assemblies play in the day-to-day lives of Canadians.

Justice Major: It's a good place to end and to begin.

Dr. Docherty: Thank you very much.

I applaud the work you're doing, but my first principle when looking at compensation for members is that we have to recognize that democracy is the foundational principle of modern representation, and it must be transparent. But democracy is not free, nor is it cheap, and we should not be looking at reducing members' salaries as a way of saving money. Saving money should not be a driver, therefore, in establishing salary levels.

I would just say that when we look at the size of Legislatures and how we pay members, we can go to one of two extremes. On one extreme we could elect one person to govern all of Alberta for four or five years. On the other hand we could allow all 3.7 million Albertans to vote on every single issue. We recognize that both of those are fraught with possibilities. One is hardly democratic; the other is ridden with chaos. We agree that we're somewhere in the middle, and agreeing we're somewhere between one and 3.7 million, we also agree that these individuals have full-time jobs and have to be compensated as such. So my first principle that I would encourage when you're making your deliberations is that we recognize that democracy comes at a cost and it's a cost worth paying. I think we must understand that there's a financial price to pay for democratic representation.

The second principle, I would argue, is that salaries must be regarded as part of a larger recruitment and retention strategy for legislators. Simply put, you get what you pay for. If we want to attract good men and women to office, we have to recognize that

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there's a cost for that. There have been moves in some jurisdictions at various levels to compensate people and substantially reduce the cost of legislation, the cost we pay representatives. In one particular case it was a move to reduce the cost of public school officials to about \$5,000 per annum. My argument is that you get two groups of people at that stage interested in the job, those for which \$5,000 means absolutely nothing and those for which \$5,000 means a heck of a lot. Neither one of those groups is truly representative of all the parents and all the students and all the teachers and broader society. I would say the same would hold true for legislators. If we want good individuals, we have to be willing to pay for them.

Obviously, we don't have access to tax records of those individuals who run for office and serve in office, but my own work has indicated that if you compare us to the United States, you find an interesting comparison. In the United States when people run for office, typically they take a salary cut when they enter, but they take a huge salary increase when they leave. In the Canadian context many members take a salary cut when they enter office – federal or provincial and particularly in this case provincially, Alberta – and they take yet a further cut when they leave.

If we hold the transition allowance in abeyance for a moment – forget the transition allowance – it is very difficult to recoup that type of money. They take two salary cuts, one when they enter and one when they leave. What does that tell us? Well, it tells us that these individuals are driven to enter office for things other than finances, but it also indicates that if we do want to increasingly attract good people to serve in office, we have to make sure that financial sacrifice isn't so great that we're turning them off before they begin. So I think that's something we should keep in mind.

The third principle, I would argue, is that the Alberta Legislature is a full-time, professional representative Assembly and, thus, requires full-time, professional legislators. Gone are the days when individuals had surgeries in their kitchen on Saturday mornings. Alberta legislators represent approximately 45,000 Albertans. It's a full-time job. Government is big. Government is complex. It's not the 1970s. Beginning in the '70s provincial bodies began to grow, sit longer, deal with more legislation, and governments grew larger; therefore, the responsibility of MLAs increased substantially. For cabinet ministers it meant their job was busier because they oversaw more bureaucracy; they oversaw more programs.

Quite frankly, for private members both in government and opposition their important responsibilities in representation and scrutiny and oversight and legislation became far more important and full-time, and we have to recognize this. It is a love for many individuals, but this is not a part-time vocation. This is a full-time career.

Principles 4 and 5. I would argue that the often volatile career longevity of elected officials requires that transition packages must be considered part of the compensation package and that pensions must be reasonable and must also recognize the opportunity cost of elected service. I'll talk about the pension issue very quickly.

I don't have hard and fast numbers for recommendations on these issues, but I would argue that when we have individuals who step into life – remember that most individuals in political careers don't begin their career at age 24, after graduating from college or university, and stay there until age 65. If they did, the pension issue would be a very different type of equation. It would be a very different issue, and it would be much more in keeping with other public service pensions or even the private-sector pensions.

The fact of the matter is that we have a number of individuals who are leaving their professions to sit in office for an unspecified period of time. As a result, for many of those individuals they never recoup that money after eight or 10 years serving in public

life. If you step out of, for example, a law firm and you serve for 10 years, your clients don't just wait until you come back and then once again retain you as a lawyer. You lose those clients, and you have to rebuild your practice. If you're a contractor, it takes you a while to build up that business again. All of those types of things.

The opportunity cost of serving is such that I think we have to recognize that despite the public reaction to the size of pensions, the pension equation for elected life is very different than it is for most other careers. Very few people have a 50- or 40- or 20- or 15-year career in office. Canadian turnover rates are very, very high. As a result, we have to make sure that that is recognized.

I would recommend that in terms of transition allowances – I agree with Professor Grubel that the size of the transition allowance here has caused some controversy. I think it's wrong to compare it necessarily to the private sector because if we were about to do that in terms of the length of it or the size, we'd have to make that full comparison to private-sector salaries, which are very, very different than members' salaries.

Having said that, I would think a maximum of the equivalent of one year's salary would make a good maximum for a transition allowance. I think that that's in keeping with most other standard practices, and given the size of salaries that's probably something that I would strongly recommend.

I would argue and I agree that members of cabinet in Alberta are compensated at a level that's much higher than, say, Ontario and most other jurisdictions save Quebec and federally. We also have to remember that the job of a minister of the Crown is very, very different. They have responsibilities and duties in addition to those of private members.

It's an odd one. It's an odd one because on one hand you will have a member of cabinet who oversees a large, effectively multimillion-dollar corporation that if she or he were doing this in the private sector would be compensated probably at five, six, seven times the rate that they're compensated for public service. At the same time they're also compensated at a rate in many cases less than those individuals they're responsible for. The minister of health makes less than many doctors and many CEOs of hospitals. The minister of advanced education makes less than some professors and many senior administrators at universities.

Having said that, however, we also have to recognize that the job requirements are different. You don't necessarily become a hospital administrator without going through a rather rigorous education program, you don't become a doctor without going to medical school, and chances are you don't become a senior professor or a senior administrator of a university without having a PhD. None of those are requirements to be a minister of health or a minister of advanced education. The list could go on with various other ministries. As a result, the direct comparison shouldn't necessarily be to those individuals whom the minister oversees.

At the same time we do have to recognize that salaries, the additional salaries for cabinet ministers, should be fairly high. I think that Alberta actually gets it closer to being right than just about every other jurisdiction. So I would recommend that in the case of cabinet ministers we maintain the present salary levels, and when salaries are changed or increased, they are changed in accordance so that the salaries for cabinet ministers are changed at the same rate.

2:10

Principle 7, salaries and allowances must be transparent. Changes to the salary structure may require substantially higher salaries. I will go into the same argument that the previous speaker did. I appreciate your comments, but I think that we do have to

look at the tax-free allowance and get rid of it and realize that to get rid of it, we are actually going to have to change the salary structure to compensate for the fact that it is a tax-free allowance. The public may not like it, but it is certainly far more transparent, and I would argue that that transparency is important.

Then my final principle – and this is a bit of a soapbox for myself – is that salaries and allowances should not be used to compensate for a lack of legislative influence of the Legislative Assembly. At the moment, for example, members are given a per diem to serve on committee. I understand informally that part of the argument for that is that they don't find the committee system necessarily that useful and they might not attend if they weren't given a per diem. It seems to me that that's the fault of the Legislative Assembly, that's the fault of the House, and that's not their responsibility to use salary to make up for that.

Having said that, I do believe in a certain level of financial engineering, and I would argue that if we did want to make the House more relevant, if we did want to look at all members and not just members of cabinet, where most of the focus is, this commission has an opportunity to make certain recommendations that may actually change the focus. One of those might be that committee chairs be compensated at a level that's almost the equivalent, if not the equivalent, of ministers without portfolio. Why would that be important? Well, from my own perspective I think what that would do is send the signal that a parliamentary career or a legislative career can be just as important and just as rewarding as a career in cabinet or at least a cabinet minister without portfolio.

As you're aware, Justice Major, the difference between without portfolio and with a portfolio is fairly substantial in Alberta. I think it's \$28,000 to \$63,000-something in terms of the remuneration. I would argue that the opportunity to pay individuals who are serving in the Legislature in a strong capacity such as committee chair might actually make a legislative career more attractive. It might entice Members of the Legislative Assembly to seek out a career as a committee chair, to see the role of a committee chair as being important, as being viable and adding to the democratic process.

Those are the kind of principles. I'm happy to answer any types of questions you have, Mr. Major, and I thank the commission for its time.

Justice Major: What about the members of the committee? If you decide that the chairman should be compensated at a higher rate because of the responsibilities, does that carry over to the members?

Dr. Docherty: What troubles me is my sense that members are being paid to serve on committees not because it's important but because it's the only way to get them to attend. I think it's not the duty of this commission to entice members to do their job but to reward them for a job well done or to compensate them for fulfilling their responsibilities. My view is that members who serve on committees or perhaps as deputy chairs may be compensated, but a per diem just for showing up, to attend, I don't think actually solves the problem. I think that we have to be a little more inventive on how we do that. I think that members are paid fairly well when you include the tax-free allowance.

One of my recommendations at the end of the day is that, quite frankly, I wouldn't use the comparators to the other western provinces because I think the nature of Alberta, the government of Alberta, the size of Alberta, the role of oversight and scrutiny is such that our comparison should pretty much be British Columbia, Ontario, and Quebec. We should be considering ourselves one of those four in terms of compensation. If you look at Ontario, if you look at Quebec, that would mean substantially higher salaries overall. I think that part of that salary should recognize that the

committee system and the committee structure is important, and members should see that as part of their duty.

Justice Major: I've been told that under the British parliamentary system, where they have over 500 members, the path to success is the work you do on committees. Are you familiar with that?

Dr. Docherty: I am familiar with that. I have said publicly elsewhere and I will say publicly on the record – that is the beauty, perhaps, of being in a protected university environment; I can say such heretical ideas – that I think we should double the size of the House, the Alberta Legislative Assembly. That would change the compensation package. I understand that entirely. But I think one of the reasons that members see their path to progress through the committee system in the British House of Commons is that when they are elected, most if not all of them know that they have a very small chance of serving in cabinet. As a result, they have to make their mark elsewhere, and they make their mark as parliamentarians.

I would argue that with the Legislative Assembly in Alberta at the size it is, if you are elected to the government, you think that you have a very good chance of being in cabinet. Thus, party discipline becomes much stronger. You think that it's only a matter of time before you're in cabinet: as long as I stay in the good books of whomever the Premier of the day is, then eventually I'll get my turn to serve in cabinet. As a result, there's less incentive to play that important scrutiny function on the government backbenches. I think any move that increases the opportunity for individuals to see themselves having a legislative career is something we should pursue.

But I dare say that your life's good works that have been recognized throughout the country may be sullied if you recommended doubling the size of the Legislative Assembly of Alberta in this report.

Justice Major: I'll take that into consideration.

Thank you, Dr. Docherty. I know you had a hard time getting here.

Dr. Grubel: Is it permissible to ask questions?

Justice Major: Go ahead.

Dr. Grubel: How many of the provincial Legislatures actually pay per diems?

Dr. Docherty: I couldn't answer that question more recently. I know that Alberta has been in the minority. You know, when I went into administration, I stopped looking at it on a kind of regular basis, so I wouldn't be able to answer that question. Many have different per diems when the House isn't sitting versus when the Legislature is sitting. The argument there is that in some jurisdictions if the Legislature is not sitting and it takes a while for members to get to the capital, it's used to compensate for those purposes.

Thank you very much.

Justice Major: Thank you.

Dr. Grubel: I never was paid . . .

Justice Major: Dr. Grubel, maybe you and Dr. Docherty could discuss this . . .

Dr. Docherty: Take this offline?

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**Rob Anderson, MLA, Airdrie-Chestermere
Wildrose Caucus**

Mr. Anderson: Hello, Justice Major. My name is Rob Anderson. I'm the Justice critic and Finance critic for the Wildrose caucus and the MLA for Airdrie-Chestermere. It is an honour to appear before you. I'm an inactive member, I guess, of the Law Society of Alberta right now, and as someone who was in law school not too long ago, I studied many of your decisions, so it's an honour to meet you face to face.

Justice Major: Thank you.

Mr. Anderson: Prior to becoming an MLA in 2008, I worked at Borden Ladner Gervais here in Calgary – I was 30 years old at the time – and decided to run for politics. I'm now 34, coming to the end of my first term. It has been a very, very enjoyable experience albeit somewhat of a roller coaster.

By way of context for my comments – and I do apologize for not bringing a written submission – we did submit to your office previously a letter, which you probably received. My comments mostly come from that letter.

Justice Major: If you want to add to that, you're free to mail in anything till February 24.

Mr. Anderson: Excellent. I appreciate that.

By way of context, as you know, we're in a world financial crisis right now. Clearly things are not quite as bad here in Alberta as they are in other places in the world, but it's clear that the fiscal irresponsibility of corporations, of governments, and of individuals really has the world in a very, very scary place right now, a very dangerous place right now. We don't know what the future holds, but we're in a dangerous and precarious position. There are trillions of dollars in debt around the world being heaped on the backs of our children. As a parent of four kids that concerns me, and I know it concerns a lot of different people.

2:20

In Alberta we've had four consecutive deficits, probably a fifth. If reports are to be believed, we'll have a fifth consecutive deficit here at \$100 a barrel for oil whereas we've balanced the budget in the past at \$20 and \$30 a barrel. So it's a very interesting financial position we find ourselves in. Our heritage fund here in Alberta is worth less than it was in 1976, when it was established, if you adjust it for inflation. We, of course, have returned to deficits and debt, and our rainy day sustainability fund is almost gone.

Why do I talk about this precarious situation that we're in, and how does it relate to what we're talking about? I believe that, as I said earlier, one of the reasons we're in this mess globally and certainly here as well is the fiscal irresponsibility of corporations, of individuals, but also of politicians. I think that people in this world right now and certainly in this province are looking to their political leaders to be just that: to be leaders, not only to lead but to lead by example. They want the people that represent them to not only understand who they are as individuals and relate to them but also to show that they're not above them. They want politicians and leaders that don't feel that they're above the average person. They're very, very tired, I believe, and I think you see this. Again, it's all over the world. It's not just an Alberta phenomenon.

As I've talked to hundreds or even thousands of people over the last four years, they're tired of politicians being so hypocritical. On the one hand, they talk about fiscal prudence, balancing budgets. Everybody is a fiscal conservative. No one wants to be a fiscal liberal. Everyone is a fiscal conservative. But then, on the other

hand, they go and, frankly, not to put too delicate a spin on it, pork out at the taxpayer-funded trough, and the perception is that they're just there to fill their own pockets. It's not always a fair perception, but that is a lot of the perception out there.

I think that what it comes down to in one word is trust. There really has been a breakdown in trust between the people of this province, of this country, of the democratic world and their leadership. So I think that when we talk about MLA compensation and so forth, we need to – I mean, it's all nice to look at these numbers and compare them. It's an important part of the process, absolutely. But it's also important to understand that the actions that we take as politicians with regard to our own pay and benefits will affect the trust that we have with Albertans and, therefore, our democracy and the health of it.

I think that's why you see things like low voter turnout. One of the biggest reasons is that people feel that, you know, their average politician is just in it to line their pocket. I know for a fact that's not true. Most politicians are not in it to line their own pockets. Some are; don't get me wrong. Most of them are there for the right reasons, but the perception is certainly not that. I often joke that when I got into politics, I found the only way to actually go down in the eyes of the public from a lawyer: to a politician. That's unfair but unfortunately true.

On behalf of the Wildrose Party and caucus I have eight recommendations, seven substantive and one more procedural, that I feel might not only restore some fiscal sanity but perhaps restore some of this trust deficit that I've been talking about and give our leaders more credibility when they perform their duties in the public.

The first recommendation is to roll back the 30 per cent increase the Premier and the cabinet ministers approved for themselves in 2008 right after being elected. I feel this is very important. The reason is that right after that was done, the financial collapse occurred. I think that by politicians raising their salaries in this regard, our political leaders here, what that looks like – it's very difficult at that point to be preaching the austerity that is needed to get our fiscal house in order when, you know, just four years ago members of cabinet and the Premier received a 30 per cent increase in salary. It's a disconnect. People will not take a government seriously when it comes to being frugal or doing things like wage freezes or even keeping wage increases to the rate of inflation if their politicians have increased their salaries by 30 per cent.

That's the first. It is important to note that we do have amongst if not the highest paid Premier in the nation and the highest paid cabinet, and I don't think that's appropriate for the fourth-most populous province.

Second, eliminate the tax-free portion of MLA salaries. This, again, goes back to that trust issue and that credibility issue. Yes, we would absolutely save some money, keep some money in Alberta by doing that and not sending it to Ottawa. Believe me, I'm one of the last people that wants to send any more Alberta dollars to Ottawa than we already do. But the problem is that it's just something that politicians enjoy. It is used as a salary, there's no doubt. It's not used as an allowance. There are benefits that make sure that we get paid back for the gas that we use, for the travel that we do, for the housing – there are separate allowances for housing up there – so this allowance is a fairy tale. It's not an allowance; it's part of the salary.

Justice Major: You share the view that's already been expressed by others that even though there's a cost to Albertans in eliminating the tax-free allowance that's permitted under the Income Tax Act, the perception is worth the cost.

Mr. Anderson: Absolutely. Again, no one wants to feel that their politicians think they're better than the average person, and this just smacks of that.

Justice Major: Even when the federal government seems to tell them that they are?

Mr. Anderson: Yeah. That's right. Very good point.

We just need to make sure that we, you know, lead by example on this point. There are many ways we can cut the amount of money that we send to Ottawa on other policy matters that are far in excess of \$600,000 to a million dollars. So, again, eliminating the tax-free portion of MLA salaries would be number two so that it's all transparent. Whatever we get, that's our salary, plain and simple. It's taxed like everyone else.

Three, cut and cap transition allowances for retiring MLAs to one month's pay per year of service to a maximum of 12 months. Currently, of course, as you know, the formula is three months' pay for every year served, without any kind of maximum. That does lead to some pretty amazingly large transition allowances, sometimes in excess of a million dollars, certainly approaching a million dollars, for retiring MLAs. Those aren't severance packages. Those are government-funded lottery tickets. That's how the public perceives them, and they should perceive them that way.

That's not what a transition allowance is for. It's for making the transition back into the private sector, so it should be in line with what the private sector pays, which is about one month for every year served. I think that's a reasonable amount.

I did bring a bill to that extent in the Legislature this spring. It did fail. I think that your recommendation would go a long way to achieving that, so I hope something like that is there.

Four, freeze MLA and cabinet salaries until the provincial budget is balanced. Everybody has a job description that they have to fulfill. If you don't fulfill it, most times you lose your job. Certainly, when you don't fulfill it, you don't get an increase in pay. I feel that one of the most important parts of a provincial government's job description is to live within our means and to balance the budget and to not leave debts on the backs of our kids. I don't see why MLAs should have any increase in pay if the budget isn't balanced. The great thing about that, knowing human nature, is that if such a recommendation was given, what would definitely happen is that I think you'd see a lot of politicians making sure that the budget was balanced because they'd want their salary to go up by the rate of the cost of living, by inflation. So I think a little extra incentive for politicians to do their job in this regard would be a very good thing.

2:30

Five, after the budget is balanced, index MLA and cabinet salaries to the rate of inflation, or cost-of-living index, rather than the average weekly wage index, which is often double or triple the rate of inflation. Obviously, how the average weekly wage index works is that it's an average of all the wages, bonuses, all kinds of different signing bonuses and so forth that people in the private sector get. I do feel that public service is not the same as the private sector. I don't think we should be expected to receive the same amount as in the private sector because in a lot of ways we're not taking the same monetary risks as they do in the private sector to arrive at those bonuses. That said, some of the bonuses in the private sector are pretty ridiculous, but I just don't feel that it's a fair matrix or a fair comparison. I don't think that public-sector salaries should be tied to it at all, but certainly not to politicians' pay.

We know when we get into this what we're going to make. It's made known to us prior to running for office, so I don't see any reason why we shouldn't be happy with an increase every year, assuming the budget is balanced, of the rate of inflation. That's reasonable.

I've got four kids. Anita, my wife, has part-time work, is a part-time stay-at-home mom. You know, I think that we get paid reasonably. I mean, we're not living the *vida loca* or anything, but we're doing well enough. I think that it's a choice that we made to be involved in public service, and I don't see any reason we can't live with a small, yearly inflationary increase.

Six, I would recommend that you mandate that there's an independent MLA pay committee, representative of Alberta's population, to review the pay and benefits of MLAs and cabinet ministers once every eight years and then have that committee report those recommendations exactly one year before every second election.

Justice Major: You say that should be an MLA committee?

Mr. Anderson: No. It should be a committee composed of everyday Albertans, a cross-section of businesspeople, tradespeople, professors. You know, you'd go through it. I don't know what it would look like.

Justice Major: Who would select them?

Mr. Anderson: Well, that's a good question. I haven't thought that through. It's a very good question. You'd probably, obviously, have to have someone like yourself, perhaps, or someone independent select them based on some criteria that you'd come up with.

I like the idea, and I think Albertans would like the idea. Albertans are fair people. They are. I just feel that the average Albertan is not going to go and tell the politicians – as a group they're not going to recommend that we make \$20,000 a year or something like that. They're fair-minded people. They also live in the realm of reality, which a lot of politicians I don't think do sometimes. I think it's important just to have that kind of grounding. Again, I mean, that would really improve the trust level between political leaders and the average Albertan, knowing that it was them setting our salaries. Again, the recommendation from this committee would be once every eight years, one year before the election.

That leads to recommendation 7, that after that recommendation was made, we would allow the Legislature to vote on those committee recommendations and to choose. You could have two choices as a Legislature. You could either accept them, or you could take less. You'd be prohibited from taking more, but if you feel that the committee comes back with a number that you just can't politically justify, the Legislature should be able to say: "You know what? No. We're going to take a little bit less of a raise or a little bit less of a benefit," or whatever it is. "We're going to the polls here in six months, and we want to make sure that we're not looking like we're lining our pockets."

Then, of course, we'd vote on that committee recommendation prior to that subsequent election so that the people of Alberta could have a say on whether we made the right choice or not rather than do it as was done this last time, a 30 per cent pay raise right after the election, which, of course, is a very questionable practice.

My eighth and final recommendation is more regarding the process of what you're doing, Justice Major. I hope that if possible – and I know how busy you must be going all over the province, combining all of this data, looking it over, reading it over. It's a lot

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of information. But if there is any way you could release your report prior to the election being held, I think that would be a very important thing. The reason I say that is because it will give the Legislature and certainly the Members' Services Committee the opportunity to make the decision of whether they want to accept it or not or accept a portion of it or not, whatever is put in front of the Members' Services Committee.

But the most important thing is that it will make us all accountable for the decision that we make prior to this next election. If we make it after, what will happen is that no matter what you do, this is one of those cases where you're damned if you do, and you're damned if you don't. If you do it after, the problem is that if it's seen as any kind of an increase in pay, the government, whoever it is, will say, "Well, we're just doing what Justice Major told us to do," and it will become about you.

Justice Major: Do you think your party would do that?

Mr. Anderson: I don't at all. We would take less. Well, we don't know what your recommendation would be, frankly. We would take your recommendation, or we would take less, one of the two.

Justice Major: To put your mind at rest to some extent, there's no requirement that I wait until April to release this report, but I have to get it done before April.

Mr. Anderson: Oh, excellent. Good.

Justice Major: When it's done, it's going out.

Mr. Anderson: Excellent. Well, thank you for that clarification. I think that's a great idea.

That's it, Justice Major. I believe that, you know, we have a bit of a fiscal mess on our hands and a trust deficit, as I said. I just ask for your wisdom. Besides assessing the numbers and doing the comparisons, there is that trust issue and that emotional issue, that if we don't set the example as leaders in this province, we're never going to get out of the financial mess that we're in.

Thank you for your time.

Justice Major: I have one question, Mr. Anderson. I don't know that you have the answer, but when we're talking about compensation to MLAs and the Premier, the total is less than 1 per cent of the provincial budget. How do you account for the attention that it gets?

Mr. Anderson: You know, that's a very good question because any recommendation you make, no matter what direction you go, it will always be a small fraction of the budget, as you say. I think what we're dealing with here is that – let's give the example of the teachers' contract. We're currently in the process of negotiating a teachers' contract. So the teachers come to the negotiating table with the government, and they look at what the government MLAs get. They're professionals. Teachers go to school for five years now, I think it is. They go to school, and they have bills to pay and families to feed and all that.

They see a government, the cabinet and the Premier, that has given themselves a 30 per cent pay raise. They see that every one of their salaries – cabinet, MLAs, and Premier – are tied at a minimum level to the average weekly wage index, which over the last few years has been about a 4 to 5 per cent per year increase. So they take a look at that and notice that we haven't rolled those things back, and they say: well, that's all fine and dandy that you want us to just take 2 per cent or whatever the rate of inflation is in salary increases every year, but are you better than us?

2:40

It's a good question. Teachers are every bit as important, if not more so, than politicians. So I don't see how we can sit down with a straight face in front of the teachers, the nurses, the doctors, the AUPE, or anyone and say: "You know what? We're \$6 billion in the hole this year. We need everybody to take a wage freeze for a year or two so that we can get our books balanced again and then go from there with inflationary increases or whatever it is." They'll laugh those government negotiators out of the building. It would be funny to them.

Justice Major: Let me ask you another question. You're relatively new to the profession. What's the monetary price that a person has to pay to become an MLA?

Mr. Anderson: That's a great question. This is where I do disagree with some of what the last speaker said. You know, I guess that maybe some people do get into this for the money. I don't know. I haven't met many of them.

Justice Major: They approach it getting in it for the money, but how much do you have to sacrifice? Your law practice was growing, and you come to a point where it costs you money to serve the public, but you're motivated by public service; otherwise, you wouldn't think about it. What is the monetary sacrifice that has to be paid?

Mr. Anderson: Well, it depends, of course, on what your education was prior and what you did prior. For me, obviously, it's a pretty big sacrifice. I would say that most people getting into public service go in there thinking that they're going to be sacrificing some future income unless they're just nearing retirement.

You know, our public disclosures are out there. I put about \$120,000 or so on my tax form. That's what goes on my T4. It's not as much as I'd be making at Borden Ladner Gervais, certainly, as the years go by, but I certainly didn't get in it for the money. There are lots of other things that are worth while. It does open up other opportunities after you get out of politics.

Justice Major: Well, we've heard different views on that. Ray Speaker spoke of the difficulty that MLAs have going back to private life, that it's not necessarily a plus on their CV that they've been an MLA.

Mr. Anderson: Certainly, if I lose the next election, you're right. It probably won't be easy for me to get work in any government-related field.

You know what? Again, you get into public service knowing what you're getting into. If it's not for you, if an aspiring politician can't live on \$120,000 a year, then don't get into it. I think if you had a clear salary, whatever it was – maybe it was \$120,000 all inclusive and adjusted for the rate of inflation – and you knew going in what you were getting, that's pretty good stability. You know what it is, and I think that's fair enough.

Justice Major: Thank you, Mr. Anderson.

Mr. Anderson: Thank you, Justice Major.

Justice Major: We'll take a 10-minute break.

[The meeting adjourned from 2:43 p.m. to 3:02 p.m.]

**Herb King
Hay Group**

Mr. King: Good afternoon. I'm just presenting a little bit about who Hay Group is and what we've been engaged to provide for this process. Hay Group is a consulting organization. We have about 2,600 consultants and support staff world-wide. We've been around for about 60 years and work in human resources consulting, and a big part of that has to do with rewards or compensation. Our contribution to this process is really to provide data. The way that we're going to provide compensation data is by using a methodology that is intellectual property of ours, Hay job-sizing methodology.

Basically, what we're talking about is using an evaluation process of jobs to determine and to do an objective evaluation of the job's complexity in terms of knowledge required, skills required, creative thinking in the job, and the level of accountability in the role.

The methodology that we use when we evaluate these jobs is done pretty consistently. We're pretty careful to make sure that evaluations are consistent across all our client groups. This allows us to compare compensation data – base compensation, total compensation, including bonuses, as well as benefit compensation – in a calibrated, objective way that allows us to go across organizations and across industries and even across sectors, public and private sectors. So that's what we're going to be doing.

We're going to be evaluating using our methodology, know-how, problem-solving, accountability in our lingo. We're going to be evaluating the core MLA role plus all the kind of derivatives of the role – ministers, parliamentary assistants, and opposition leaders, et cetera, et cetera – and then bringing in compensation data from our compensation database for comparison purposes. The database itself has about 500 organizations and literally thousands and thousands of jobs. Then we'll be reporting on that. Additionally, we're going to be compiling data based on publicly disclosed information on MLA and MP compensation arrangements across the country, so we'll be providing that information. Lastly, we'll be providing benefit information as well. So we'll have base compensation.

If we're looking outside of elected officials, we'll also be reporting on bonus compensation, and we'll be reporting on the level of benefits as well. The benefits will be in two types of reports. One will be a benefit prevalence report, which will outline detailed benefit provisions and what's prevalent in the marketplace and what predominates with other organizations. As well, we'll be using standard costing techniques to put an annual value of the benefit plan for comparative purposes so that then you can compare the total remuneration package against a total remuneration package in the marketplace.

We expect to have this work done by early to mid-April and will submit the report to you.

Justice Major: That's too late. The report has to go in by April 1.

Mr. King: We'll have it done by April 1.

Justice Major: It would be desirable if you had it done in time for the public to see it via the web. So if we get it, we will post it.

Mr. King: I think it will probably take until late March. We can have that report to you for latter March.

Justice Major: Let's talk about mid-March.

Mr. King: Mid-March is aggressive, but we'll try.

Justice Major: Put a few more people on it, okay?

Thank you for coming.

Mr. King: Thank you.

Justice Major: Ms Sorensen, the mike is yours.

Ms Sorensen: It's nice to meet you, sir.

Justice Major: Do you want to file that document?

Ms Sorensen: I have already given it to the front desk. It's not a very long document. It's just a few points of view.

**Marlene Sorensen
Private Citizen**

Ms Sorensen: Your Honour, I would like to thank you for including me in your schedule to present my point of view on the MLA compensation. I wonder if it was a coincidence that this review occurred after a number of the retiring MLAs received generous retirement packages from the Alberta government and, further, shall receive gold-plated pensions.

I've been involved in politics at all levels of government since I was very young. However, my efforts to bring a transparent, democratic government seem to have failed. When I was involved, my friends would ask: "Why are you working so hard? What is in it for you?"

When I was employed as a teacher, I had all of my income taxed. I did not have extra pay for committees, extracurricular activities, field trips, fundraising campaigns, PT interviews, chaperoning band trips, or coaching teams. I did not have an office with assistants to manage the questions and bookkeeping. I often worked weekends without extra pay. I was expected to be available and accountable to my clients, the students and their parents.

I applaud the office staff of my MLA, who answers my concerns and quickly. She is wonderful, efficient, knowledgeable, and caring.

Justice Major: You should tell us the riding you're in.

Ms Sorensen: I'm in Calgary-Egmont. It will now be Calgary-Acadia, and that really saddens me because Egmont has a historical base.

She should be our MLA.

Justice Major: There are nomination meetings. You might consider that.

Ms Sorensen: Well, I think that she is quite happy to be the representative's assistant. She's wonderful. Susan is her name.

Committee reports cost a lot to prepare, to bind, and to store. I was volunteering with a seniors' group when we requested some literature we knew had been prepared on the issues which we were studying. The report had never been acted upon or even read. We were supposedly the first group to request the report.

What are the qualifications to become an MLA? Is there an education program for them once they are elected? Is there a mentorship program for the new MLAs? Is there a requirement to be present during the sittings of the Legislature? Because the sitting is usually so brief and there is rarely ever a Friday sitting, would it be possible for MLAs to be in attendance? It is very embarrassing – and I've taken school classes there – to see the empty desks when the business being discussed is about Alberta's immediate and future concerns.

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What were the careers of the elected members before they were elected? We are led to believe that they shall not have a career when they retire or are defeated. Is this why the severance package is so large? Did their past career disappear? What about the lucrative board appointments some of them receive?

How many committee reports have been predetermined conclusions, but to make the public feel their ideas are worthy, there are hearings? For instance, with the additional boundaries there were hearings. I made a presentation at one. Why is there a need for more MLAs? Upon the adjournment one committee member acknowledged that I had some valid arguments. However, more MLAs were necessary because the Premier had already decided.

I believe the elector participation during a committee's hearings is due to the fact that there is only about 40 per cent voter turnout at elections. Taxpayers just believe that it does not make a difference. At the last provincial election, 2008, the compensation for MLAs increased by about 30 per cent. People were losing their jobs. Businesses were closing. There was little attention to constituents and their financial plight. In many cases I wonder how many constituents know who their MLAs are. If they vote, they vote for the political party which is under the candidate's name.

Standing committee chairs and the members, too, get a standby stipend. They may never have to meet. Of course, their pension is tied to the five highest years of earnings. In 2010 the chair earned \$1,500 extra per month. The deputy chair earned \$1,250 extra per month. Each member earned \$1,000 extra per month. There was a minimum number of hours of meetings, and if those hours exceeded four hours, there was an additional allowance. If the MLA remuneration chart for 2010 as found on the website and referred to in the above passage is accurate, how can a retiring MLA get the severance package as reported in the media?

My husband and I did not and do not receive half of our salary tax free. When an MLA gets this privilege, then his or her taxable income is smaller and their taxes are less. I believe that an MLA should get paid all of his or her salary, and if he or she is having difficulty avoiding taxes, perhaps a consultant can advise them. MLAs should look after their own retirements with contributions to RRSPs just like the taxpayers, including myself, are required to do.

We need a transparent government. From *Webster's* dictionary it means without guile or concealment, open and frank. Bill 50 about land use was passed without much ado. Now there are hearings to classify the bill and make amendments.

I believe the MLA compensations have contributed to a bigger deficit for Alberta.

In conclusion, I concur with the Canadian Taxpayers Federation that the pay scale should be a base salary, should be less complicated, and should be transparent and that all income should be taxable. As it is now, the taxpayer believes that the MLAs are the worst paid in the country. However, with all of the allowances, they are near the top or at the top.

Thank you for your patience.

Justice Major: Do you understand the nature of the tax-free allowance?

Ms Sorensen: They don't pay taxes on it. Is that correct?

Justice Major: Well, that's correct, but there is a provision in the Income Tax Act that permits MLAs across the country and another provision for city councillors. With respect to the MLAs the Income Tax Act says that they're permitted a tax-free allowance of 50 per cent of their indemnity or a fixed number, \$25,000, that's exempt from income tax. If the province did not take

advantage of that, the monetary consequences would be that we would pay the MLAs more so that they could pay their income tax to end up with the same amount.

In order to end up with the same amount, but as a straight, open salary that everybody understands, would cost the taxpayers of Alberta about a million dollars extra that we'd send to the federal government. Now, you've heard, if you were here, some of the people saying: well, that's a relatively small amount, and for the sake of transparency I think the government should do that. Do you have a view on that as a taxpayer?

Ms Sorensen: I think that, yes, I agree. If that's the salary they should get and it costs us more initially, at least it would make us feel better that they're contributing to income tax. I'm sorry that the Income Tax Act allows all politicians – federal, provincial, and whatever – this tax-free allowance.

Justice Major: I'm only speaking of MLAs because that's all I'm certain of.

Ms Sorensen: Yeah, I know, but you've indicated the tax act is for, you know, councillors as well.

Justice Major: There are provisions for others, but specifically for the MLAs I was interested in your view, which I thank you for.

Ms Sorensen: I thank you for your time, sir.

Dr. David Carter, Former Speaker Legislative Assembly of Alberta

Dr. Carter: Your Honour, thank you for the whole proceedings. They're most interesting. To follow along your instruction to other speakers this afternoon, my background is in canon law, which a lot of them don't even know what that means, but that's understandable. I know that you do, sir.

Justice Major: I try to avoid it, but I know what it means.

3:20

Dr. Carter: I can understand that, too. In recent years I seem to have avoided it as well.

Then, of course, I have extensive background with respect to the Alberta Legislature, in particular as Speaker. In part of my report, at the back, there's an extensive bibliography where, indeed, I was involved with a number of international committees, not only with the church but also with respect to the Office of the Speaker and before that in terms of a Member of the Legislative Assembly. My background is specifically, fortunately in my case, with legislative officers such as the Ombudsman, the Auditor General, the Ethics Commissioner, and the Privacy Commissioner. In fact, I appointed the just retiring Privacy Commissioner to be one of my table officers as legal counsel.

That background has brought me to a very interesting position. I must say that a number of my comments, in particular for those who take the time to read through the brief that I presented, have very much been in defence of the parliamentary process, and that, of course, impacts upon what it's like to be an MLA, to be in cabinet, to be the Premier, to be the Speaker.

One of the problems in terms of various issues with regard to the Legislature and this matter before the panel is that oftentimes, not only in the general public but to some degree with professors of political science – and it's certainly true, unfortunately, with members of the Legislature or Members of Parliament – they don't do their homework, specifically on the matter of the division of powers in terms of the judicial, the executive, and the

Legislature. All too often, like decisions of the committee that came to form this panel, that is a Legislature committee; it is not a government committee. So it is that as the Members' Services Committee gave life to this panel, that's where this report goes to be discussed initially.

Now, indeed, within that committee it has representatives from all parts of the Legislature, but in actual fact it's determined by the majority on that committee, who are government members, who, in turn, get their instructions back from caucus or further back from cabinet. So that's one of the things that's created the committee.

I'm pleased that the committee is there because it's a very vital issue. Indeed, it is to a large degree sad that we don't have a host of people here to be able to present their concerns to this commission and, as you had mentioned previously, that other scheduled panel meetings at Medicine Hat, Lethbridge, and Red Deer didn't get a number of people wanting to speak to the issue. Now, we shouldn't be misled by that because I think the issue is a burning issue. It's of great concern to the general public.

We can see it all across the board in Canada with respect to the hue and cry about the federal House or municipal politicians and their salaries and their benefits. I think it is an issue out there where, in large part, there is a cynicism on the part of many taxpayers. They say, "They're going to do whatever they want," so that's an insidious thing. We can say, "Yes, well, at the next election they can throw them out if they wish," but that isn't necessarily what will happen.

I think there's a deep anxiety there, and it comes back to the whole world economic conditions of the collapse and the great worry about the euro dollar, for example. There's a whole economic thing that's there. In terms of this issue being raised at this particular time, it's one that hits in the pocketbook of every single one of us, whether it's the increase of food prices or the cost of gasoline or the cost of heating. That makes this even more of a sensitive issue.

The other thing, I noticed from the *Calgary Herald* today that now we don't talk about gold-plated handouts; it's platinum as of today.

There's a great concern, I think, underneath for the average person trying to pay their grocery bills, and it's this. They look, just as I do – I love watching the Calgary Flames or the Saskatchewan Roughriders, but in particular the Flames – at the amount of salary that a person gets. Now, they've got great skill, but when you try to take that across, how do you compare that to an MLA? The same thing with the chief executive officer of a huge corporation. How do you take that kind of comparison of salary and benefits across to the person who really heads up the biggest corporation in this province? That's Her Honour the Premier. You look at the salary that she's presently getting, and you say: gee, that's pretty poor compared to what the responsibilities are for running this province and for representing this province not only to Canada but to the world.

As a footnote there – and this is an item that is within control of the Premier herself – the executive assistant, or whatever title you want to give, that runs her office, efficiently no doubt, is getting more money than the Premier. That is absolutely ludicrous. The other thing that happens is that there's an insidious background to that because that same person controls access to the Premier, whether it be from a cabinet minister or from a government MLA. Here's this person with this big salary, and they themselves say: well, my role as a government MLA – to be specific, a government MLA – has been diminished. I just throw that one out there.

Another part of the issue is that sometimes we have Members of Parliament or MLAs running for office who say: "Well, when I'm there, I'm not going to take a pension. I'm not going to take that kind of a rich emolument." So that makes for even more cynicism on behalf of the electorate.

I have mentioned in my report – and it's there in great detail – that my greatest sadness to this is that the committee that established your panel has some very flawed, irregular process in it, and unfortunately it goes back to the office of the chairman of that committee, the Members' Services Committee. I won't dwell too much further on that other than the fact that the member, the Speaker, who occupies that office was given a letter, a mandate from the Premier. That individual should have taken it and said: "Sorry. What I've been directed to do is not within the power of the Speaker." The various footnotes are there in terms of this report, and I go on beyond that.

Then when the committee meets two weeks later than the receipt of the letter, because there is indeed a serious timeline upon yourself now that the committee is here, in actual fact the chairman of the committee forgot, inadvertently perhaps, to do a necessary filing of the document, which is the letter from the Premier. Then he went on to give the chairman's interpretation of what the mandate of this committee would be and then went on and spoke to it. All of these things are really quite inappropriate, and I'm choosing my words and watering them down.

Nevertheless, throughout all of this the Premier has stated – and it's a very laudable thing – that there is to be transparency, an openness in all of the discussion about this key issue before us. So it is that transparency should be there and with the Alberta Members' Services Committee. The committee does meet, and the words are published; all those golden words are enshrined in *Hansard*. Then that is promulgated so that every member of the general public plus the members and the media can have access to what exactly was said in the Members' Services Committee.

To go back a hundred thousand years when I was Speaker, I and the committee used to meet in the Confederation Room. But I decided together with the committee that we'd move everything down onto the floor of the Chamber so that when people are brought by the schools – and that's a wonderful project – they're there. They can see that their Legislative Assembly members are meeting. They're in public. It's open and transparent.

In recent years that has all been changed. They've moved the committee meetings over into the Annex because it's more convenient for all of the necessary equipment. Back when I was Speaker, I had to look after things like the *Hansard* and library and communications and developed, indeed, the computer system that's in place.

In actual fact, by moving that all-party, open committee to the Annex, we've lost openness and transparency to a large degree. However, at least the minutes are published. That does not take place in the House of Commons because there under the terms of the Board of Internal Economy everything is done in camera. But at least in Alberta we can have access to the minutes of the Members' Services Committee.

3:30

Now, there's a real reason I emphasize that because in your report, sir, and as I've mentioned in my preamble in the report, a Pandora's box has been opened. You have a Herculean task. And then I remembered what it was that Hercules was empowered to do. He had to clean out the stables. Well, perhaps that's part of what you have to deal with, cutting out what's chaff and otherwise. Finally, I said: you need the wisdom of Solomon. And,

my goodness, in that respect I revert to my other profession, which is that I pray for you as to your whole mandate.

Nevertheless, we have some other things that need to be emphasized, and I'll quickly go to those and then come back to the process forward. In the mandate one of the comparison things is that the salaries should be linked up in association with the judiciary. As you well know, for quite awhile in this province there was a lock-step arrangement that if the cabinet got a raise, then the judges could also anticipate that they would get a similar raise. In terms of that process it needs to be removed because the judiciary itself, that august body, needs an independent review process as well so that they don't get caught up in or potentially caught up in this kind of a thing, this comparison that we're going through with MLAs.

The government committees that are listed on this same mandate are not committees of the Legislature because they only have government members. Forgive me, but it's a make-work project that was introduced in 1993, when there was a change of administration in this province. Part of it was that if we have these committees, that are supposed to be standing policy committees, they can indeed advise a cabinet minister. Yes, but they should be paid out of the envelope for the particular department such as Transportation or Health or whatever. They are not committees of the Legislative Assembly.

So that's why we go back. As I've said, oftentimes people don't do the homework, even MLAs. There are three things they should be referring to such as the standing orders of the Assembly. That's the kind of stuff Speakers have to memorize. Then the next thing is *Beauchesne's Parliamentary Rules & Forms* from Ottawa. I know there are over 1,200 references in there that you're supposed to know. I had to memorize them three different times. Then to back it up is Erskine May's *Parliamentary Practice* from Parliament in Westminster, which is our tradition.

If we as individual MLAs – because that is germane to this whole project – don't know the rules under which we operate, then God help us. In particular, MLAs, especially on the government benches rely on: oh, well, our Government House Leader will look after this. Oftentimes as I watch federal question period and as I watch Alberta's Legislature and other Legislatures, they don't adhere to the rules. If, indeed, that goes as far as the Speakers and tends to bullying rather than being able to cite what the references are, what chance does a Legislature have?

Anyway, with respect to the MLAs in conference the oversight of allowances and constituency expenses is indeed germane to your consideration, sir, because in actual fact in the last resort it's the officers of the Legislative Assembly who supervise the expenditures of those allowances in the constituency. I myself have a number of examples I can cite whereby I had to back up my staff as we had to gently admonish members from each of the caucuses while I was there.

I believe that, indeed, the oversight in allowances for the official officers of the Assembly – Auditor General, Chief Electoral Officer, and so forth – is up to the Speaker, whoever that person, he or she, may be, because they're to help to protect those officers from any infringement from the government bench and from cabinet. And there have been enough examples of that in time past. They are independent. They are not the government. They need to be protected in terms of their ombudsman-like facility for each one of them.

I think of perhaps going back, and, yes, I was there. I was in the chair of Members' Services Committee all the way from 1986 until I voluntarily left politics in September of '93. I was elected as a proud member of the Progressive Conservative Party of Alberta under both Premier Lougheed and Premier Getty, but the

moment I was elected to Speaker, I became neutral, I became unbiased, and never once would I have even attempted to think that I could introduce any piece of legislation or a motion.

As we go forward here, perhaps, indeed, an MLA pension plan is better to be put in place. Yes, I was in the chair when the pensions were reduced under the new administration after Premier Getty, where things were cut back. When you look at the examination of every step of the way since 1989, there's one person who was involved in every bit of that, and it goes all the way from 1986, actually, to the present, and that is the present occupant of the chair of the very high office of Speaker of the Legislature and, slash, chairman of the Members' Service Committee.

Well, perhaps an MLA pension plan is a good model to go back to because as I've looked at these increases over the years during that period of time, to use a very colloquial phrase, all that I have seen is a shell game, moving this from this to this. Compared to where we were before the 1993 imposition, what has happened, as a rough guess, is that there's been an increase of benefits overall by at least 45 to 55 per cent. Now, in terms of other things, perhaps the cost of living, indeed, has to be studied because at one stage not every member of the pension plan for the MLAs was given that kind of a benefit.

A major thing in all of this discussion, 9 on my sheet, is that the unfunded liability of public services pensions across the board needs to be addressed because that's a terrible sort of Damocles hanging over the taxpayers of Alberta.

Justice Major: Are you aware, Dr. Carter, of any government where the pensions are funded? I read in debate on the House of Commons recently that they are concerned about that very issue of unfunded pensions.

Dr. Carter: I'm not aware of where they are completely, but it's an ongoing concern that is sitting there like, perhaps, another set of elephants in the room. I'm not sure. It goes not only to the MLA pension plan that was still there and its variations, but it's certainly true of other groups under the Alberta pension schemes.

I would recommend that MLA and cabinet salaries be commensurate in some kind of a relationship with private industry and that, again, with future commissions I would see that there would be at least three members of the panel because I'm overwhelmed with the overwhelming challenge and responsibilities for you in your own right.

Specifically, I'll go quickly to the matter of MLAs in terms of their responsibilities because, indeed, it is onerous. The duties and responsibilities are a full-time job. It even was a full-time job when I first became a member in March of '79. In that respect I'm probably the only one who did get a pay increase when I became an MLA. That's letting you know how poorly paid Anglican clergyman were and still are.

The MLA has to be truly attentive to all aspects of their constituency. Again, at my very first caucus meeting with Premier Lougheed somebody raised the issue of power, and he stopped them dead centre. He said: "Whoa. We're elected and the responsibility of government is for all Albertans, whether they voted for us or not. The moment you start using the word 'power,' that infects many of your decisions." I found that to be one of the wisest things that I have ever heard.

3:40

Mention was made by a lady from my former constituency of Calgary-Egmont that, again, in 1993 the Legislature used to sit five days a week. We used to sit late into the hours of the night,

and we certainly were there Friday. Again I mention that any MLA who lives within an hour's drive of Edmonton would be at home every night. They haven't got a clue, not a clue of what the pressures are on other MLAs. The distances you travel. The fact that, yes, we've lost three MLAs, one in an airplane crash and two on the road, and we're likely to have even more.

It's a fascinating life, yes, but on the other hand, there's a price to be paid, where there are plenty of marriage breakups, there's divorce, there are families that fall apart. And, sir, to my great chagrin I know whereof I speak on both counts.

The other thing is that there's that demand. I know one of my dear friends, a former cabinet minister, was away on politics for so long that when he came home to his ranch, his son almost said: "Don't bother. I've been running it for all those years you've been away." Now, that's just one example of what happens.

There are plenty of MLAs who are afraid to quit. They are. I know of at least one or two of my friends who are running again because: what are you going to do when you get home? That's a very good question. I think that very few – I would think it's less than 3 per cent of ex-MLAs and cabinet ministers and maybe even Premiers – get any kind of directorships, you know, or fall into teaching at a university or something, all that kind of thing. Most of us come back to what? Now, yes, in my case, I had previously been dean of the cathedral. Who knows what I would have gone on to from there? The point is that I could come back to a parish, yes. But I use it as another example that there are plenty of former MLAs on all sides of the House, and I'm privileged to know them and have respect for them and they for me, who have gone back and have felt lost. So the transitional allowance is very important.

I think the benefit – what do you do with, like me, an old MLA or an old Speaker? How do you recycle them? I think part of the answer that I observe is this. They go back to their innate roots of being volunteers and of being good supports in the community in many different ways. You know, it's like: after they've seen Paris, how are you going to keep them back on the farm? So those elements are there. It's a laudable occupation. It's a laudable calling.

We also have to remember, as mentioned, that if we give them more money, are we going to attract more wonderful people, more experienced people? Not necessarily because we forget, an awful lot of political science professors and so forth, that until you've been into the process – and this included me in the beginning. I didn't know what it was like to have to fight for a nomination, and every one of my nominations was a fight. Believe me. I know an awful lot more of the street kind of politics in this city, in particular, than I ever wanted to know, and that continues to this day. So you do have some people that are maybe not running for the money; they're running for the power or the influence back within their own particular communities.

Another current issue that has happened, which is of great concern, is that the Auditor General, the Chief Electoral Officer have raised concerns about illegal donations to political parties, to constituencies. Well, the problem here is that once you're an MLA and you get back into the constituency when the House isn't sitting, you still try to raise money to be able to fight in the next election. In that respect one of the popular things has been golf tournaments. My staff and myself set up the original Speaker's golf tournament, which was to cross party lines and to create more feelings of fellowship within the building. It was for staff as well. Some of my successors captured that, took it back to their constituencies and made it into great fundraisers for their constituency.

The point here is that that has caught on in other constituencies, and you rely on volunteers.

I mean, God bless volunteers in this province. We'd be dead without them. Every MLA, no matter what political stripe, has to rely on volunteers. Because of the raising of this current issue about illegal or inappropriate funds going to constituency organizations, the greater the need to be able to find someone who is a chartered accountant to be able to protect yourself. Your constituents know those things.

I know I've gone on, sir, but one quick, final word is this about the process. When in due course the wisdom of Solomon, yourself, has prevailed, the committee, yes, can broadcast the publications, but it should go for action to the Members' Services Committee because that's the committee out of which this panel arises. That committee should discuss the recommendations and so forth. But let us not be fooled. Openness and transparency does occur in Members' Services Committee, but the moment it leaves there and goes over to government caucus and to the cabinet and to the priorities committee, that's no longer open and transparent because by caucus rules and by cabinet rules they do not disclose.

Then the government, in its wisdom, will formulate a bill for an amendment to the act and bring that to the House, where it supposedly will be debated by all members of the House. Good luck, because what has been happening, again, since the change of administration in 1993 has been more and more use of time limits in debate. What that really means – yes, they've written it into standing orders; they can do that – is that it's closure. That has seriously undermined parliamentary progress in terms of this province.

Justice Major: Dr. Carter, can I ask you about the more specific subject that you've heard comment on today: the present salary, the transition allowance, and the tax-free portion of the compensation?

Dr. Carter: I have listened attentively to all the proceedings. Your comments with respect to the tax-free portion: I think it is valid to keep it in place, but there's got to be another way, a different label somehow, to be able to sell this. I know it's a difficult sell, but I really believe it should be in place.

As for the transition allowance I know simply by my notes and going back over what has happened – and in this regard the report of the Association of Alberta Taxpayers is quite useful. Nevertheless, I've seen all of this go through, and it is excessively rich. The fact that that last 30 per cent increase happened so soon after the election has left a very sad taste in the mouths of many of us. But right now it's useful to have a transition allowance. It was very helpful to me because I was then involved with leaving Edmonton to come back to a far saner place called the Cypress Hills. It needs to be in place, but this is far too rich. I know from my own experience of knowing many of the people involved in that Members' Services Committee and other places that, indeed, it was done deliberately to try to make it fatter.

The business of sitting on committees: as I say, for the government committees that was done just to be able in part to keep some of the backbenchers from getting, you know, too unhappy. This way you could give them more money. But again I re-emphasize that that is up to the government. They have control, not a committee of the Legislature.

Justice Major: The 30 per cent that we've heard mentioned: do you know whether there was a rollback of part of that?

3:50

Dr. Carter: Not to my knowledge, sir. The only rollback happened in 1993.

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Justice Major: There's been some comment made about how shortly after Premier Stelmach's election there was a 30 per cent increase, and then subsequently there was either a rollback of that or a cutback of some sort. Are you familiar with any of that?

Dr. Carter: Not to my knowledge, sir.

Justice Major: What is your view, leaving aside the transition allowance, on the present compensation that the MLAs receive?

Dr. Carter: For an MLA I don't think it's enough. The amount of time that you're away from home is unbelievable if you are indeed a diligent MLA and travelling back and forth to your home. Most of the constituencies in Alberta are a long way from Edmonton. Again, there is a danger factor just being on the road.

In terms of the amount of time, a normal week for me as Speaker: after I was up there from probably Sunday night, then I would get away on the Friday to get back to Calgary to my constituency, then I would be there at my constituency office Saturday mornings. But in the meantime I also probably had some commitment for Friday night, two or three on Saturday, and perhaps one on Sunday before I started going back.

The other thing is that there is a high visibility of a member. I gave up flying to Edmonton from Calgary because I'd get to the airport and people would be lobbying me whether they were my constituents or not, which didn't matter, and the guys sitting beside me on either side in the plane. When I got off at the other end, there was another bunch of people who were going to come up to me. So if you're known as an MLA, people will gain access to you.

One thing that really concerns me at the moment, sir, is this. Yes, we're in this electronic age, and the security of individuals is only going to be more of a matter of great concern for MLAs and for their families and for the Premier. A dear friend of mine, the former Sergeant-at-Arms, Oscar Lacombe, used to drive for Premier Lougheed, and then he became Sergeant-at-Arms, one of the greatest sergeants-at-arms that we could hope for. He knows full well how many security problems there would have been with respect to the Premier of the day. I can only imagine that it has increased greatly. If you're an MLA who has a high profile and if you're being controversial, you'll need to worry about your security more.

In fact, sir, while I was Speaker, the Sergeant-at-Arms came to me and advised me to carry a small baseball bat under the front seat of my car because at that time I was being too controversial.

Justice Major: What about the gap between MLAs and cabinet ministers? Is it adequate? Let's go on as well to the Premier.

Dr. Carter: I would think that the MLAs need to have more salary because what's happening there, as was referred to twice before, is that these government committees are being used as some kind of a top-up to bring them up. I think for government MLAs that will help to dispel some of that. In my mind, the bit that I know about, some of those so-called policy advisory committees are not worth the comment.

Justice Major: Okay. If you increase the salary, would you eliminate the committees?

Dr. Carter: They would have to take a serious look at those government committees. Now, the legislative committees are committees of the Legislature, and they have valid work to do because it relates to the Ombudsman, the Auditor General, the Privacy Commissioner, and so forth.

Justice Major: Would you compensate them for serving on a legislative committee?

Dr. Carter: They already do, sir, by attendance at meetings.

Justice Major: I'm thinking of a situation where they are paid an increased amount and are then required to sit on a committee. Is there sense to paying them for their committee work?

Dr. Carter: Yes.

Another thing that I've mentioned briefly is that, in my understanding, the committees are formed at the beginning of a Legislature and voted on. For these all-party committees, say the Members' Services Committee in particular, they should be there in person. Again, at the recent Members' Services Committee, a thing that I documented in great detail, I was appalled to discover they can do it by conference calls, which means they then miss the ebb and flow of the committee and the body language.

As Speaker, I know body language. For example, in the House if I didn't keep track of what was happening with those 82 members out there and look them directly in the eye, I knew I was in for trouble. If I sat there leaned back in the chair, which happened to Speaker Bosley in the House of Commons – that's when the House of Commons question period really started to fall apart. What you're saying is, "Okay; come and get me," whereas if you lean forward like this and look them in the eye . . .

Justice Major: What about the Premier? What should the difference be between MLAs, cabinet ministers, and the Premier? What kind of a scale would you think is appropriate?

Dr. Carter: Well, that's a curve ball, sir. Thank you. I hasten to say that the Premier is certainly worth more than what she is currently getting compared to cabinet. I would go back to that other issue. Sorry, I'm a taxpayer, so I would say in all humility to the Premier that she should reduce the salary of that executive staff member because it's causing a lot of undercurrent stuff there that I'm aware of. I trust somebody has enough gumption to stand up and tell her.

Sir, I have one quick thing about the rest of the process, and it is this. If, indeed, they want to have openness and transparency, then after Members' Services Committee has met, because they're the ones that are duly empowered to relate back to the Legislature, and the government has formulated a bill – this is where the nitty-gritty really happens – then they take the bill to the House, they do not impose time limits, they do not impose closure, and they allow free and frank discussion. Finally, three members of the House can stand up and call for a standing vote. That means everybody in the House has to stand up and be counted and the vote recorded if you want complete openness and transparency.

Finally, sir, at the back of the document I gave you, I hereby put in as an exhibit the letter of the hon. the Premier to the Speaker in his role as Speaker of the Legislative Assembly and as nonpartisan chairman, one would hope, of the Members' Services Committee, because that's where all your recommendations go next.

Justice Major: Thank you, Dr. Carter.

Dr. Carter: Thank you very much.

Oscar Fech
Private Citizen

Mr. Fech: Justice Major, nice to see you again. I see you now and then downtown when you're walking, having lunch, or whatever. I

talk to you now and then. My name is Oscar Fech. I study world history. I was a developer and contractor. I've been to Ottawa at the Senate, and I've been at the House of Commons. I've been in the Legislature Building. I've known most the Premiers in the past: Ralph Klein, Lougheed, and Stelmach. I could go on and on.

Justice Major: What we really want to hear is what you think MLAs should be paid.

Mr. Fech: Okay. Well, you've had some good comments here, especially from the last two speakers, Dr. Carter and Ms Sorensen. We've got to use common sense and what's right for everybody, not just for politicians or government. The way we're going right now was indicated three years ago when they had an increase of 30 per cent in their wages. We create so many policies, rules, committees, subcommittees, consulting. This is all part of the whole problem.

4:00

We have gone away from what we had in the 1930s, '40s, '50s, '60s. Come the '70s, the whole world had changed. Come the 1980s, we almost had a world depression, but it the world hierarchy that ruled the world seemed to create all these illusions, systems within systems. Like, technology and money are the bricks and mortar now, Judge. It's almost frightening what's going to happen unless we stop manipulating the taxpayers that the governments need more money.

In reality – I study all this – money is created by the stroke of a pen. Money means nothing. It's the system that has been created. Governments before: the Roman Empire collapsed; in the 1930s it collapsed; in the 1980s it almost collapsed. Unless we stop it now, we are heading for another collapse. Why are we doing it?

We have to stand up for the taxpayers. I did run as a mayoral candidate, and I gave my opinion. But it's a no-no. We create and do too much behind closed doors. That's the whole problem. All three levels of government are playing three-way Ping-Pong. It's called blame, blame. I'm not knocking anybody, but that's the system that has been created from behind the scenes. Unless we stop all this, we are heading for collapse, and then we'll start over again.

You know, I can go on and on, but you've heard so many good comments. As far as the salaries, compensation, here it says: how much leaders of government, assistant government whip, chief should get in RRSP allowance, transition allowance, or consideration of a pension plan, health care benefits. And here: "The Panel would make appropriate compensation and benefit comparisons to other jurisdictions." See, we always flip-flop from one jurisdiction to another jurisdiction, use other cities, other countries, to jack up the wages.

We never talk about: we should be accountable to the taxpayers and look back at how much governments receive, how much they spend, and that what's left over should go back to the taxpayers. It seems like they're creating levies, user fees, increasing the taxes, but the money is not going anywhere; it's going to the main coffers. This is the problem. Not unless we look into all of this . . .

Justice Major: That may be a problem of government, but the only jurisdiction I have is to consider the MLAs, the payment to the MLAs, what they should earn, and cabinet ministers, the Premier. What recommendations can you make? What do you think of those? The other matters are outside our scope.

Mr. Fech: Right. Well, we have created an inflation democracy. It's all called funding, funding. At this time it seems like they must get an increase because that's the way the inflation has been created. My feeling is that most of the MLAs are common people, and they learn as they get put in as MLAs. Like was indicated, if they don't get elected, then they don't know what to do, and they try again to get re-elected.

The wages must compare to what the going rate is, but the going rate has been established. These big corporations get \$10 million, \$20 million a year, \$5 million, \$6 million. See, we almost create an illusion that the MLAs or the ministers should get much bigger wages according to the income and expense and the way the economy is going. Of course they need a bigger increase, but it's sort of fabricated to create inflation, like what happened in the 1930s. It crashed because how does a \$900 house, lot, everything included, within a few years go up to \$9,000? We've had the same thing happening here. I'm just throwing this out there. Unless we stop all this, we are heading for a crisis, and then we'll start over again, and we're going to start like in the 1930s Depression.

I know I'm rambling on a little bit, but it's hard. When you study what's going on across the world, it's almost frustrating to listen to anybody as to what's happening because nobody seems to know what's going on, and most people don't care anymore. It's all me, me, which was indicated also.

Justice Major, we're living in very crucial times. No one knows what to do anymore. It seems like we're going like the *Titanic*, and one of these days it's going to hit, and we're going to start over again. I mean, what else can I say? If there are any questions . . .

Justice Major: Before you finish, specifically, are you satisfied or dissatisfied with that the MLAs are making today?

Mr. Fech: Well, the mayor is getting now \$250,000 a year, but the Premier only gets a little over \$200,000. She's not receiving enough if you compare. But these comparisons are set up for everybody else to follow and then keep going up and up and up. This is what I'm saying. As far as the wages now, of course it should go higher as to what's happening in the world and what's happening in Alberta and across the world, but eventually we're going to fall apart like a balloon. If you blow it up, it eventually pops, and it seems like we're getting close to that point.

Justice Major: Well, that's a happy note to conclude on.

Mr. Fech: Thank you.

Justice Major: We're adjourned until 6.

[The meeting adjourned at 4:07 p.m.]



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MLA Compensation and Benefits Review
Transcript of Public Meeting

Honourable John C. (Jack) Major, CC, QC

Calgary

Thursday, February 2, 2012
6:04 p.m.

Transcript 27-4-4

Appendix
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Presenters

Kelly Ernst	Co-chair, North American Basic Income Guarantee Congress
Robert Kells	Private Citizen
Heather MacIntosh	Sheldon Chumir Foundation for Ethics in Leadership
Marilyn Marks	Private Citizen
John Schmal	Private Citizen
Dr. Raj Sherman	MLA for Edmonton-Meadowlark, Leader of the Official Opposition, Legislative Assembly of Alberta
Dave Taylor	MLA for Calgary-Currie, Alberta Party Caucus



February 2, 2012

MLA Compensation and Benefits Review – Calgary

MLA-51

6:04 p.m.

Thursday, February 2, 2012

[Justice Major in the chair]

Justice Major: Everybody ready?
Mr. Taylor.

**Dave Taylor, MLA, Calgary-Currie
Alberta Party Caucus**

Mr. Taylor: Justice Major, thank you for the opportunity to make this presentation to you. I understand that I have something like 20 minutes, and I don't think I'm going to need anywhere near that much time to make my point. I will be happy to answer any questions you might have to the best of my ability.

Justice Major: Why don't we start off with me asking you a question?

Mr. Taylor: Sure.

Justice Major: You were quoted rightly or wrongly being concerned about the degree to which this commission was publicized.

Mr. Taylor: Oh. I think you're mixing me up, sir, with my leader, Glenn Taylor. Yes, he was quoted as being concerned with the degree to which the commission was publicized.

Justice Major: I'll put it on the record anyhow and not attribute it to you. The procedure we followed was the same as the procedure for the Electoral Boundaries Commission Act. There was a website posted, as you know. There were close to a hundred weekly papers such as the *Jasper Fitzhugh*, the *Hinton Voice*, the *Athabasca Advocate*. We really flooded the province, and it was in eight of the main papers. The website got 2,000 visits. So I'm satisfied that it got about as wide a circulation as we could give it.

Mr. Taylor: How has the response been, if I may ask you a question?

Justice Major: Well, the response has been what you would expect. It has been mixed. I'd say that the people appearing personally, on their own, as you are, there'd be about 15. There were a few expert witnesses. It seems that it makes good coffee room talk, but then when you have to get off your butt and go and do something, as you're doing, the interest sort of fades.

The other thing that's interesting is that the whole issue of MLA pay reflects less than 1 per cent of the province's budget. It comes up in flurries. When it gets stirred up, there seems to be a great interest, but it seems to die almost as quickly as it arises.

Mr. Taylor: It's pretty transitory, isn't it?

Justice Major: Yeah. In any event, I just wanted to put you at ease if you were concerned that this wasn't adequately advertised.

Mr. Taylor: Thank you, sir. I will pass your comments along.

For the record my name is Dave Taylor. I am the MLA for Calgary-Currie. I represent the Alberta Party in the Alberta Legislature, and I will speak to you tonight . . .

Justice Major: Is Marda Loop in Calgary-Currie?

Mr. Taylor: It certainly is. My office is in Marda Loop, and it's a wonderful neighbourhood.

Justice Major: Well, you're my MLA.

Mr. Taylor: Excellent. Tell me at any point if I get this wrong, in your opinion.

I will speak to you tonight on behalf of the Alberta Party caucus and my leader, Glenn Taylor, and I will also offer you some thoughts of my own based on my two terms as an MLA.

You should also know, if you don't already, that I have decided to retire from politics when the election is called this spring; therefore, your Honour, whatever recommendations you make in your final report will have no direct impact on me for better or for worse.

Justice Major: Tell me, if you don't mind my probing, are you resigning because of the pay?

Mr. Taylor: No, I'm certainly not.

Your Honour, the folks we work for, our constituents, who are focused on doing their jobs and paying their mortgages and raising their kids – and probably right about now, I'm guessing, a lot of them are trying to get a quick dinner into their kids so that they can drive one to indoor soccer and the other to ballet – send people like me to Edmonton trusting that we will do our best to look after their interests and not try to pull the wool over their eyes. Therefore, I'm going to try and make my presentation in plain English tonight so that they can tell what we're up to without having to figure out the difference between a member's indemnity allowance and a member's expense allowance and all these other arcane terms that we seem to be so good at coming up with.

Speaking first on behalf of the Alberta Party caucus, our position is that the tax exemption that MLAs receive on a portion of their pay should be eliminated for three reasons: to increase the transparency of how much MLAs are paid, to remove a tax benefit that's no longer required, and to remove a tax benefit that is not available to the population at large.

Justice Major: Can I stop you there? This raises an interesting question. Under the Income Tax Act, as you know, section 81 provides for the MLAs to get this tax-free allowance. A number of the provinces have discarded it. There are three left: Quebec, Alberta, and the Northwest Territories. If you eliminate the allowance and you want to keep the MLAs whole, it means increasing their pay to where they then pay the additional pay in income tax to the federal government.

6:10

Mr. Taylor: So that there is no difference in their net pay.

Justice Major: Their net pay remains the same. Rough calculations come to about a million dollars a year that would go from Albertans, generally, to the federal government. On most things in Alberta that is not very palatable, but there have been a number of people who take the position that transparency is worth the cost that it may be to the province. Have you thought of that?

Mr. Taylor: Yeah, I have. In the time that I've been an MLA and in the 10 years before that when I was a radio talk show host here in Calgary, the topic of MLA pay, as you say, ebbed and flowed as a hot topic. I think that the message I've heard most loudly and most clearly when it has flowed is that people want to know how our pay compares to the pay in the private sector, to their salaries, that sort of thing. They want to be able to make, if you will, an apples-to-apples comparison.

The other thing that certainly proved to be true to me in my interpretation of what my callers were telling me for all those

years in talk radio and what my constituents have been telling me for the last nearly eight years is that when somebody complains about their taxes being too high or they're having to send too many of their tax dollars off to Ottawa as opposed to sending them to Edmonton or down to city hall or whatever, if you drill down, you usually find out, I'd say 9 times out of 10 anyway, that people are really saying: "I can't follow my money. I don't mind paying my taxes if I know what's being done with my tax money. So be transparent. Be clearer about it. When you charge me a school tax, make sure that's going to education. When you charge me a highway tax, make sure that's going to paving the highways," that sort of thing. I think it's the same with MLA pay.

Justice Major: I understand that sentiment, but what I am curious about is: if the tax allowance was properly explained so that Albertans knew that eliminating it is a cost to the province, would they still be as anxious to see it eliminated? If we described it as a federal subsidy to Alberta, would that be any more palatable?

Mr. Taylor: I doubt it somehow.

Justice Major: You think that, all in all, you'd rather see, rounded off, a million dollars go to the feds, that it would result in the pay being more transparent.

Mr. Taylor: I think people would be gratified by more clarity around it.

There's another issue, too, with the one-third of our salary that is or used to be classified as tax free in that the ratios have changed. We're taxed just like the people we serve on the first approximately \$52,000 a year that we're paid. The next \$26,000 is the tax-free portion. That \$26,000 is called the member's expense allowance. Once upon a time, Your Honour, certainly before my time, it was aptly named, and it could be justified.

This is an unusual job that we do in that we are required to spend a good deal of our working time away from our homes up in the capital city. We need a place to sleep. We need food to eat. We need to travel regularly between our homes and the capital. There are other incidentals and sometimes significant expenses that we incur that directly relate to being an MLA, and we, of course, need to be able to pay for all that. Once upon a time, sir, that was what the member's expense allowance was for, to cover those expenses. Today those expenses are all covered by other allowances: housing allowance, mileage amounts . . .

Justice Major: I don't want to interrupt, but I think it's very clear that that tax allowance is really part of your pay. You have the ability to collect other expenses, whether it's a car allowance, with receipts or whatever method you use. None of the tax-free allowance as described goes to expenses now.

Mr. Taylor: Not anymore.

Justice Major: It may incidentally when you support somebody in a Terry Fox Run or something like that out of your own pocket. But it is part of your salary, and the only thing in its favour is that it's paid by the federal government.

Mr. Taylor: Yeah. But I can't think of another job in the real world where one-third of my basic gross income would be tax exempt. Whether it's being paid to me by the federal government or the provincial government or the municipal government, that money all came out of the same taxpayer's pocket. It's a benefit that's no longer required by us, nor is it available to our neighbours, and since in practical terms it's being used for a

purpose other than originally intended, I would argue and we would argue in the Alberta Party and in the Alberta Party caucus that there's a transparency issue here as well.

Justice Major: There's no doubt there's a transparency question because we've heard that, but there's also no doubt that the Income Tax Act is very clear. In section 81 of subdivision g, which you probably have looked at, it's 50 per cent of your salary as an MLA or a fixed amount, and they do describe it as an expense. There's nothing required by way of showing the expenses, and as you say – and I think it's a fact that's known – the MLAs consider it part of their pay.

Mr. Taylor: I think, and this is my opinion, sir, that if we consider it part of our base pay, then it should be taxed or it should be adjusted upwards perhaps – that's your call, not mine – and taxed just like it would be if it was salary in any other occupation, really. That's a decision that's been made by the federal government, by eight other provinces, and by at least one of the territories. I think that's a decision that's been made quite possibly for political purposes rather than legal purposes in that, you're absolutely right, the Income Tax Act aptly describes it, but the Income Tax Act, perhaps, in that section hasn't kept up with public opinion.

Justice Major: Or provincial-federal relations. They don't want to change the act.

Mr. Taylor: That could be.

Justice Major: There are only three provinces or three groups taking advantage of it. Rather than cause a federal-provincial argument, they leave it there. If Alberta decides they don't want it, then it's not costing the feds anything other than to Quebec. Anyway, I've pushed you off the topic.

Mr. Taylor: Okay. Well, from this point on, Your Honour, I would like you to take my remarks as my own, in part because they cover some areas of MLA compensation that we have not necessarily taken a position on at the party or caucus level and in part because they are my own opinions based on my personal experience as an MLA.

A couple of moments ago I said that one-third of an MLA's salary used to be tax free. Since we went on to talk about the fact that we still don't pay tax on that portion of our income, you might be wondering a little bit about what we're talking about here. So here's the deal.

In 2008 the Legislative Assembly Special Standing Committee on Members' Services, or Members' Services Committee for short, the committee of the Legislature which is actually charged with setting compensation rates for MLAs, voted to change the way in which MLAs were compensated for committee work. This was concurrent with the establishment of all-party standing policy committees. Previously standing policy committees had been populated by members of the government caucus only. What was approved was a pay rate of \$1,000 a month for each committee on which an MLA serves up to a maximum of three committees.

6:20

I don't have the numbers in front of me, sir, but this was a radical change from what existed before, when we were literally paid a per diem rate or an hourly rate for committee hearings that we attended. I will point out that at least this committee pay is taxable. Committee chairs, deputy chairs: they are paid slightly more. But here's the thing, Your Honour. There are enough

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committees of the Legislature that every MLA sits on at least three; therefore, on that day the Members' Services Committee voted every single one of us a minimum \$36,000 a year raise. Only two committee members voted no, myself and the Member for Calgary-Buffalo, Kent Hehr. So now our effective base salary is no longer \$78,000 a year. It's \$114,000 a year, \$26,000 of which, or now a little more than 20 per cent, is tax free.

Now, a philosophical question: as an occupation are we MLAs worth \$114,000 a year? My guess is: probably, in principle, give or take a little. We have significant responsibilities. We do work long hours. I would guess most of us average 60 to 70 hours a week. But there is a transparency issue here that goes well beyond the tax-free allowance. We work for the people, and my belief is that the people should be able to tell pretty much at a glance what it is that we're being paid for and whether we're actually doing that.

Here's the thing about committee pay. We're all being paid to sit on committees that rarely meet. Your Honour, if you determine that MLAs are worth X or Y or Z dollars a year for the totality of what we do, then that is what you should recommend that we be paid, but don't make up stuff. This notion that we are each being paid \$36,000 a year for all this all-party committee work, which I would argue should be happening in the public interest but which I can promise you is largely not happening: well, sir, that is darn near made up.

Your Honour, I haven't even touched on our capital residence allowance, our mileage allowance, plus our fleet cards to cover the cost of gas and oil changes and car washes – and, yes, we do get both – plus the annual RSP contribution, which I'm led to believe others have spoken to you about. By my calculation, when you add all that in, an MLA is making the equivalent of about 200,000-plus dollars a year for a job in the real world. So as to not be in a conflict . . .

Justice Major: I don't want to nitpick this, but the bona fide expenses that you incur should be taken out of that. I mean, the committees that don't sit are one thing, but if you are driving back and forth to your constituency, that's a bona fide charge.

Mr. Taylor: Agreed. I would certainly not sit here advocating that it be taken away from MLAs. It is a bona fide charge. It is very generous compensation, though.

I will tell you that in my own situation I have to travel back and forth to Edmonton on a weekly basis. Mileage from my door to the door of my office and back and a little bit of incidental travelling around Edmonton usually translates to a reimbursement of roughly \$275 for each trip. So I am being paid \$1,100 every four weeks to drive back and forth to Edmonton, plus my PHH card covers my gas and allows me to get a very nice car wash whenever I want it. I have to get my car serviced about every eight weeks because that's about how long it takes to ring up 8,000 kilometres in time for the next service interval. I would say that those service intervals probably average \$300 to \$400 when I take the major ones and the minor ones, and I have a pretty nice car. So I'm making a \$700 profit every eight weeks on that.

Justice Major: When I hear of car allowance, my only knowledge of that is so much a mile or so much a kilometre. What you're describing is something more than that or something different.

Mr. Taylor: Yeah. It's two things. It's the kilometre rate, which for MLAs is slightly lower than it is for government employees because we also get the credit card, the fleet card, to cover our gas

and oil and car washes. I've never taken advantage of it, but I believe you can even throw in a couple of detailings a year. I like to just try to keep my car clean.

Justice Major: A couple of which?

Mr. Taylor: Detailings, which can run you a fair amount of money.

So all that I'm saying, in pointing out these other allowances, is not that they are not bona fide expense reimbursements for MLAs but just that they are exceedingly generous relative to what it's actually costing us to do this.

I don't submit, for instance, a bill for my housing costs every month. I automatically get \$1,890 a month for capital residence allowance. My rent on my apartment, which is right across the road from the Legislature, is \$1,010 a month, parking included. When you add in the cost of electricity, the cost of cable, the cost of having a phone in the apartment – by the way, if I wanted to take advantage of it, I could have my phone paid for as well, but I pay for it myself – I'm averaging about \$1,125 a month in expenses to keep my residence in Edmonton, and I'm getting reimbursed to the tune of \$1,890 a month. So we are not hurting is I guess what I'm saying to you.

I absolutely agree with what you're saying. If it's a bona fide expense, it should be covered. I don't know whether you feel that your mandate extends to determining whether the rates for coverage are appropriate or not. That's not even particularly of interest to me as to whether you're going to weigh in on those things or not. I'm just trying to make a point, sir, that we are very well compensated. When you take that all in, it works out to the equivalent of about a \$200,000- to \$210,000-a-year job.

I won't discuss the merits and drawbacks of the MLA transition allowance since I'm about to take mine in a couple of months when the election is called.

Justice Major: I understand you can waive it if you choose.

Mr. Taylor: Well, I'm not going to choose to do that because I knew that the base salary, the tax-free allowance, the various expense allowances, and the transition allowance were all in place when I was first elected in 2004. I pretty much knew what I was getting into, including the controversy around the transition allowance. The only real surprise was that whopping big pay raise that we were all given that calls itself, euphemistically, committee pay.

My point, Your Honour, is this. I believe good MLAs work hard and should be fairly compensated, but their compensation rates absolutely should be set independently, as you are trying to do with this review that you're heading. To the fullest extent that you can achieve, you should design their compensation to clearly reflect the work that they do so that their constituents can easily determine that.

There is a challenge inherent to you in attempting to do so in that there is an impression among the public that MLAs are only actually working when the Legislative Assembly is in session. Sir, not to involve you in partisan politics but by way of comment and for the record I would note that one way to deal with that impression would be for the government to actually, oh, say, call the Assembly into session for more than a dozen or so weeks every year.

I repeat: to the fullest extent that you can, Your Honour, you should design MLA compensation to clearly reflect the work that they do. If that means declaring that the sum total of an MLA's job description and responsibilities equals X dollars or Y dollars

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or Z dollars per year, a lump sum that says to people, “This is the base salary of a Member of the Legislative Assembly of the province of Alberta,” then, sir, do it that way and tax it all. If, on the other hand, you choose to break it down into categories, please make sure the categories reflect reality.

Thank you.

Justice Major: Let me ask you about committees. Is there any room for committees? I mean, I don’t think there’s any argument that if committees don’t meet, they don’t serve any purpose. Are committees necessary as part of the legislative agenda? I’m talking about working committees.

Mr. Taylor: They are desirable. They are advisable. There is, in my experience, a level of partisanship that often expresses itself in the House that sometimes gets in the way of a collaborative approach to solving problems in the public interest that doesn’t show itself to the same extent in these all-party committees. They are smaller. They are a little more collegial. I’ve seen them do some very good work.

We have been through a strange couple of years in that there has been a turnover of leadership both in the governing and the Official Opposition parties. The way I believe it has been expressed on the government side has been that there has been little government legislation brought forward. Last year I believe we only dealt with 17 government bills in the entirety of 2011. When there’s no legislation coming forward, no leadership in place because the old guy is waiting for the replacement person to be chosen, there’s not much initiative to move ahead with an agenda that may be different from the successor’s agenda, and then there is not much work for the committees to do. But there could be more than was brought about.

6:30

This, I think, goes well beyond your mandate if I may be so bold as to tell you what your mandate is. If there was some serious work put into reviewing the rules and policies and standing orders of the Legislature in terms of how the Assembly does its business, if the Assembly sat more weeks per year, if more time during that sitting time was devoted to committee work as opposed to having the Legislature per se in session, if there was more time for private members’ business, which is ideally suited for vetting by the standing policy committees, and if the workload was in fact spread out over a longer period of time with regular opportunities for MLAs to come back to their constituents, check in with them and get feedback from their constituents, my opinion and that of my party certainly is that we as a people would be better served by their MLAs.

Justice Major: I take from what you’ve said that it would be hard to justify the number of committees that presently exist. Even if committees were working, there’s not enough work for three committees for every member.

Mr. Taylor: There has not been over the last two years. When the all-party committees were first set up, as I recall – and I would have to go back and check the record – several months passed before any of them really started to do any work. But then they did, and for a time there was a fair amount of activity. I think all the committees, the standing policy committees, were meeting regularly.

Now, understand, sir, there are standing policy committees – there are four or five of them, I believe – and then there are other committees such as the Members’ Services Committee that I described, the standing committee on privileges, elections, printing, and some other thing, which hardly ever meets – I mean, it goes years without meeting; it’s legendary in its ability to exist without

doing anything – and the Public Accounts Committee, and so on and so forth. The Public Accounts Committee is one of the busier committees. There’s no question about that.

There are committees in addition to these standing policy committees. Some work harder than others; some have more routine work to do, if you will, than others. The standing policy committees need either to have work referred to them by the Legislature, whether that be government or private bills, or a reference on a particular issue from the appropriate cabinet minister.

The other possibility is that the committee itself can decide that it wants to investigate something, but that, of course, requires the committee to come together and sit to discuss such things, and that’s at the call of the chair. The chair is a member of the government caucus, and if the government is between leaders effectively or an election is approaching and there’s not much work to do or this excuse or that reason or those circumstances over there, there’s not much motivation to call the committee into session. The committees could be working a lot harder if the will was there.

Justice Major: As the Assembly sits now, are there enough opposition members to have all-party members’ committees in any significant number?

Mr. Taylor: You would get different answers to that question from different opposition members in different opposition caucuses, I think. If the committees were going full bore – and there is one time of year that they do, and that time is coming up very shortly. The policy field committees, the standing policy committees, are all charged with specific government ministries, and when we go through the estimates process for budget debate, many of those departments come before their particular standing policy committee, and their estimates are heard there.

When we go back into session next week and the budget is delivered a week from today, I believe – Thursday, the 9th of February, is the date for the budget – those committees will start to sit for a period of about four to five weeks. They will work on a regular basis. When the committees are sitting on a scheduled regular basis like that, it does become difficult for some of the smaller opposition caucuses to cover off all the work that they’re supposed to do with their critic roles.

Remember, sir, we are assigned, and each committee is set up in terms of a certain number of government members, a lesser number of members from the Official Opposition, and then, frankly, a smattering of members from the other opposition parties, the same smattering number on each committee, but the actual players may change. We are all assigned three committees at minimum, some considerably more.

There you have it. That’s how the numbers work. Did that answer your question? I hope it did.

Justice Major: It came close.

Mr. Taylor: Okay.

Justice Major: I wanted to be clear on the capital allowance you’re given for housing. There’s only the one – isn’t there? – in your case, your cost of living in Edmonton.

Mr. Taylor: There are two in a sense. It’s two parts of the same allowance. The housing allowance consists of the capital residence allowance when we are not in session.

Justice Major: Is that Calgary?

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Mr. Taylor: No, no. That's for Edmonton.

Justice Major: Edmonton.

Mr. Taylor: Yeah.

That's for all MLAs except those who live within, I believe – and, again, I would have to check the standing orders on this – a 60-kilometre radius of the Legislature.

When we are not in session, if we have a property or a lease in Edmonton, we are paid \$1,890 a month for that. I believe that's scheduled to go up in the next fiscal year very modestly, but it will go up a little. It has been frozen for the last three years, I believe.

When we are in session, that switches from a monthly payment to a per diem of \$189. Every day that we're in session, we can bill for \$189.

Justice Major: You pay your rent out of that?

Mr. Taylor: Yeah.

The theory behind the per diem, of course, is that the per diem also applies to any MLA who does not have a temporary residence – I'm not sure what the term is there: a residence, a lease, or a mortgage or deed – in Edmonton but was staying in a furnished suite or a hotel or something like that. The per diem is designed to pay or to go a long way towards paying the cost of your stay in Edmonton for that particular night and the meals associated with that and any other incidental cost that you might have, some dry cleaning and that sort of thing.

Here's the thing if I may. I'm sure you wouldn't be putting up with some of these theatrics from me if we were in a courtroom, sir, but here's the thing. When we are in session, there is a little clause in the standing orders that says that if the Legislature adjourns for more than eight days, I believe it is, then the capital residence allowance in effect kicks back in.

6:40

We schedule our constituency weeks, as we call them, when we're in session on a roughly three weeks on, one week off basis. It doesn't always work out that way. It will apparently, until we get to the dropping of the writ this spring, whenever that will be, work out pretty much that way this spring. I've seen other years where we've come into session, we've been in session for two weeks, then we're off for one week, then we're back for four, then we're off for two, then we're back for five, we're off for one, and we come back for one or something like that in the spring session.

In any event, it always seems to work out so that we have a constituency week break which actually adds up to 10 days, 10 days we're not sitting while we're sitting, and you know what that means. It means we get the \$1,890 on top of the \$189 per diem. All you have to do is sit 10 working days in a month and be off for 10 working days or more and you've just doubled your money.

Justice Major: Does the per diem only relate to those people that have qualified for the capital allowance?

Mr. Taylor: No. The per diem relates when we are in session to those people who qualify for the capital allowance. I'm sorry. I misunderstood your question. In terms of those who live more than 60 kilometres from the Legislature, yes, you are right. If you're the MLA for Edmonton-Centre, for instance, you don't get to bill \$189 for a sitting day because it's presumed that you're going home to your principal residence, and you're eating groceries you would be buying in any event.

Justice Major: Well, Mr. Taylor, anything else?

Mr. Taylor: No. Just a thank you again for the opportunity to present here. Some of what I've said perhaps is the opportunity to say some things on my way out the door. I've tried to be fair and at least somewhat objective in my opinions if there is such a thing.

I wanted to take the opportunity to tell you this since you gave me the opportunity to speak to this. I'm not even going to get into what you ought to be paying an MLA. I'll leave that up to your wisdom, your guidance, the guidance you've received from the experts, and so on and so forth. Good luck with that.

It is my opinion that if you can make the compensation system clearer, more transparent, make it line up more with what it is that an MLA actually does for a living and deal with such issues as an expense allowance that is no longer for expenses – it's actually salary – and deal with such things as committee pay, which is very generous relative to the amount of work we actually do on committees whereas we're not specifically getting paid for some other task that we might perform, if you can make it clearer or just say at the end of your review period to Albertans, "This is what I believe an MLA is worth; this is what they should be paid per annum for the work that they do," I think we would be serving the public in doing that. We would be making things clearer and more open. I seldom think that moving in the direction of clarity and transparency is a bad thing.

Thank you.

Justice Major: Thank you.

Marilyn Marks
Private Citizen

Ms Marks: Thank you, Justice Major, for this opportunity to speak. I felt it was my duty as a regular citizen of Alberta and Calgary, that I needed to be responsible as a citizen and speak of my experiences in the hope that it might help in the future.

I'll just go through my pieces here, my numbers. I'll start with: when my MLA is paid a yearly salary to represent her constituents' concerns but does not, which is my case, how is it justified that she is entitled to receive this yearly salary when she was not interested in raising my issue in any form, such as a member's statement, tabling our petitions, raising a motion, or any other way that we could maybe get our issue addressed? This left me feeling abandoned and undervalued as her constituent.

I might also say that 11 years ago I was a founding member of the Alberta Grandparents Association, so I have been going up to the Legislature quite often over these years and have presented in front of the justice committee and so on. I just thought I'd add that little piece.

My second point is that Conservatives voted themselves a 30 per cent salary increase but later agreed it was too much. The last Premier did nothing about changing it. I feel this should be addressed by the present Premier and adjusted to be a more reasonable amount.

My third point is that MLAs receive extra pay for committee work even when the committees don't meet. For an example, an MLA who sits on the Standing Committee on Education, which has not met for over a year, receives \$1,000 per month in compensation, to a total of approximately \$18,000 to date. MLAs should not be paid for work not done while sitting on a committee. Should the MLAs' yearly salary and their other benefits not cover all committee work? Why should they be paid extra for sitting on these committees?

My fourth and last point is that Conservatives can sit on three or more committees and are paid for being on each committee. They

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can be on as many committees as they wish. I feel that my MLA, as a Conservative, has made sitting on committees her priority, not representing me as her constituent. Now, I speak to that because when she was running for re-election, many times I would go to her forums and she would speak extensively about the wonderful work she was doing on these many, many committees, but at the same time she would not take up our cause or, you know, represent me in any way. Opposition members can sit on up to three committees. Being a Conservative, she can go on as many as she is able to choose to go on. I'm wondering: why is there a discrepancy here, when a Conservative member can go on as many committees as she chooses, but the opposition parties can only sit on up to three?

That's basically what I came to speak to as a regular citizen of Calgary and Alberta trying to be responsible but also as a founding member of an organization which has tried to change the Family Law Statutes Amendment Act and, previous to that, the Family Law Act because there are inadequacies in that act. It treats some grandparents differently than other grandparents, depending on what situation their grandchild lives in. As I say, my MLA would not entertain representing my issues, so I had to go shopping for other MLAs who'd be willing to help me, and that left me feeling pretty not valued by my own MLA.

Before I came here, I went to interview an MLA who is leaving, who is not going back, and he told to me say: when you are making your recommendations to the Assembly, sir, we would request that you use your own personal experience and discretion, not anyone else's, when deciding on what compensation and benefits are justifiable and deserved.

Thank you.

6:50

Justice Major: Thank you for coming.

Ms Marks: You're welcome.

Robert Kells
Private Citizen

Justice Major: I got your submission, so I'm partway there.

Mr. Kells: Well, thank you very much, Your Honour.

Justice Major: You're here as a right.

Mr. Kells: It's nice to be here and nice to hear what others have to say. I have this presentation. I will go through this, and if there are any questions at any time, of course you can stop and ask me. Some of what you are going to hear tonight you've already heard from Mr. Taylor. Nevertheless, I would like to address you today with respect to the process through which MLAs are being compensated and offer an approach which I think will better serve the MLAs and the Alberta taxpayer.

I'm not going to address the amount of remuneration each MLA should receive other than to say that their remuneration should be commensurate with the compensation of others in Alberta and the rest of Canada who have similar responsibilities in federal, provincial, and municipal governments. I know there are more qualified people than I to be able to address the issue of the actual dollar amounts. What I am most interested in is seeing that the process is one that is independent of the elected representatives and is both transparent and accountable to Alberta taxpayers, neither of which is the case today.

I'd like to begin by stating that I'm a former member of the Royal Canadian Mounted Police, having retired at the rank of

superintendent after 30 years of service. During my 30-year career I was employed in the commercial crime field for 17 years, four of which were at the national level. During that time I oversaw all the criminal investigations of politicians across Canada conducted by the RCMP. I have witnessed professional people, including lawyers, doctors, accountants, businessmen, and politicians from all parties, engaged in criminal activity. No one is above the law, nor is anyone not susceptible to breaking the law when an opportunity presents itself. One of the overriding fundamental factors in most cases is the lack of transparency and accountability.

After I retired from the RCMP, I was employed by a major international oil and gas company and travelled extensively to a number of countries that rank very high on the list of the most corrupt countries in the world. I have seen first-hand the corruption that exists in those countries that do not have high standards of transparency and accountability.

The present system in Alberta allows the Premier to be paid from both the general revenue fund and the provincial party which she or he represents. All MLAs are paid a base salary and then are on a commission-based system, where they are remunerated for the number of meetings or the committees that they attend and other ways in which to raise their level of pay, including providing MLAs with a tax-free portion of their salary. I did hear your comments and the exchange that you had earlier on.

Also included in this type of top-up are the benefits accrued to the MLAs when they leave office. The first speaker tonight did not address that point. The present golden handshake is well beyond what the average Albertan receives in their employment and must be changed.

Additionally, the tax-free portion, something no other Albertan receives, should be terminated. This approach lacks transparency and credibility with Albertans and gives rise to the potential for abuse.

I would suggest that the average person in Alberta would not know how much any MLA is actually paid even though they're on the public payroll. What I can say is that where there is a lack of transparency and a lack of accountability, there sometimes is the perception of corruption, whether it is real or simply perceived. The hallmarks of a corrupt society are often the lack of transparency and accountability. The present system in Alberta does just that. It gives the taxpayer, the person who is footing the bill, the uneasy feeling that politicians have something to hide when they pay themselves in this type of convoluted manner. I realize there is a reporting of sorts on the amount of money that they are receiving, however not to the degree or the manner that should be demanded or required by the taxpayer.

During the last number of years the Premier has been paid by the taxpayer both through a salary process as well as a top-up from the party in power. The present system often begs the question: why does the Premier not want to divulge what he or she is receiving from the provincial party? For what reason is the party funding her expenses or salary? Is the Premier working for the party or for the citizens of Alberta? What is he or she providing in return for these payments? While we do not know the answers, there are many scenarios one can speculate on.

How much and for what reason the remuneration is given is not known. What is known is that the time is ripe to dispense with this type of process. The taxpayer is footing the bill in both instances. Either it is through the direct taxation process, a salary from the general revenue fund, or indirectly through tax credits given to those who fund political parties. It matters not how the funding is received; the taxpayer is still paying the salary and/or the expenses.

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Now, sir, I wish to be very clear that I am not suggesting that any of the Premiers or any of the MLAs have received any money in a corrupt manner. However, the present process does leave the door open for that to happen. From my observations and personal experience, once there is a loophole, it can be taken advantage of.

So what is the solution that will make a difference? I would be remiss if I did not provide a solution which, I believe, is workable, transparent, and accountable. Firstly, all MLAs, including the Premier, should be paid their entire remuneration from the general revenue fund. At no time should a provincial party, constituency association, or any other source be funding any one of these individuals. The salaries, of course, should be set at an appropriate level to ensure that all MLAs are paid appropriately for the responsibilities they have to perform; however, Albertans should know the remuneration that each is receiving in a clear, precise, and easy-to-read format.

Secondly, at the end of the fiscal year an annual report should be provided or published in a daily newspaper, whichever, to all Albertans, indicating the salaries paid to each of the MLAs together with a list of the expenses paid to each throughout the year. Perhaps there should also be a reporting of the different meetings held and the attendance of the MLAs at those meetings. I believe this will go a long way to addressing both the transparency and accountability issues and remove any perception of a hidden agenda, a perceived conflict, or perceived corruption.

Thirdly, to discourage an MLA from receiving any type of remuneration from any of their provincial parties, constituency offices, or other sources, regulations should be passed prohibiting this type of action, with an administrative penalty to be paid by the receiving offender of twice the amount of money received. In addition, the provincial party and/or the constituency office should be penalized an equal amount. In this regard I see two types of penalties: one, where an illegal amount is paid to an MLA and, two, the failure to report such a payment. Even where the provincial party or constituency office pays for the expenses of the MLA, this amount should be reportable. In this case there could be a base limit such as: any amount greater than \$100 would be reportable. What is essential is the reporting. It is to keep all payments transparent and accountable.

For far too long there has not been the openness and transparency of the process of MLA compensation. In many instances it takes a request for access to information for this to become known. This should not be necessary. There should be a requirement for public reporting of this information. After all, the taxpayer has the absolute right to know.

What appears to be missing in Alberta at the provincial level is a clear compensation philosophy that outlines the principles of how elected representatives are to be compensated. This philosophy should be based on their total compensation, including the base salary, additional amounts for increased responsibilities such as cabinet ministers, the Premier, and opposition leaders, and all their benefits and pension entitlements.

7:00

A total compensation benchmark methodology should also be developed that includes a public-sector universe from other federal, provincial, and municipal governments and, in addition, reflects the economic realities in Alberta in terms of similar employment opportunities in both the public and the private sectors. The composition of this universe should be made public, and a comparison to the universe would then determine the annual increases for elected representatives. The process needs to be at arm's length from elected representatives and the results implemented without political interference. I believe a similar

approach is currently in place in the city of Calgary for determining compensation for city councillors and the mayor.

Alberta has led the country in many respects, and this is another example where Alberta can show great leadership by redefining the process for MLA compensation.

Those, Mr. Major, are the points that I wanted to cover.

Justice Major: You raised a number of points, but I'd like your opinion on the value of having salaries paid from general revenue.

Mr. Kells: Versus?

Justice Major: I'm not familiar with how the final cheque is written, but I see that you say that the Premier should be paid from general revenue.

Mr. Kells: Right.

Justice Major: At the moment how is she paid?

Mr. Kells: I don't know. I'm only assuming that she gets paid from the general revenue fund and that part of it comes from the provincial party in power, the amount and for what reason we do not know.

Justice Major: Her responsibilities as Premier, leaving aside the politics for a moment: to your understanding that portion comes from general revenue?

Mr. Kells: That's my understanding.

Justice Major: On the political side, when politicians go to conventions and different things that keep the parties active, there are expenses involved in that, which, I presume, the Premier is compensated for by the party. I don't know that, but it's a reasonable assumption. Is there anything wrong with that?

Mr. Kells: No, I don't believe there's anything wrong with that as long as it is transparent and accountable. So that would have to be a published number. The people ought to know that the Premier received X number of dollars in compensation from the provincial party.

Justice Major: There's one other point, Mr. Kells, and this is just for clarification. In your second-last paragraph you say that a total compensation benchmark methodology should be developed which includes a public-sector universe. What do you mean by that?

Mr. Kells: Well, I guess if I go back to my former occupation as a police officer, the salary was looked at for a number of different police departments across Canada, and collectively they determined what the salary would be for a member of the RCMP. They did not want to be in first place, but they did not want to be in eighth place. I believe that at that time there were eight in the universe. I think a similar thing could happen here. They could take a number of salaries based on the other provinces as well as maybe some larger municipal governments and define the universe that they were trying to compare their salaries to. It was easy to understand that the salary should be based on something other than somebody pulling a number out of the air.

Justice Major: So you're referring to comparators.

Mr. Kells: That's right.

Justice Major: Okay. Thank you very much.

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Mr. Kells: I'd just make one other comment, sir, because of what I've already said.

Justice Major: Go ahead.

Mr. Kells: It just happened by coincidence, obviously, that I picked up the latest edition of *Maclean's* magazine, dated February 6, 2012, and I see that the former leader of the Bloc Québécois, Mr. Duceppe, is under investigation for using parliamentary funds to pay his director general, which was inappropriate. The reason I want to just bring that up is that it happens to everyone; nobody is above the law. I've seen this thing time and time again while I was in the police force.

Justice Major: Wasn't the same person, Duceppe, also in trouble for writing a book out of his office in the Commons?

Mr. Kells: Well, it mentions that in here.

Justice Major: Not that it matters much. I take your point.

Mr. Kells: No. That's right. He was paying the spouse of his chief of staff and allowing her to use parliamentary resources as she produced a book commemorating the Bloc's 20 years in Ottawa, again using taxpayers' funds inappropriately.

Justice Major: I take your point. Thank you.

Mr. Kells: Okay. Thank you.

Justice Major: Mr. Schmal, you've turned grey since I saw you last.

Mr. Schmal: Well, I notice that you have a few less hairs than when I saw you last. I think it was in the late '70s, when we worked together on a civic matter that was very important to many citizens in this city.

Justice Major: And they never did build that agricultural centre.

Mr. Schmal: No, they didn't.

John Schmal
Private Citizen

Mr. Schmal: Your Honour, I'm very happy to be here before you to give you a couple of my comments. You might be aware that I was a member of city council for 18 years. I retired in October of 2004. Our mutual friend Milt Harradence wasn't there, obviously, but his articling friend Alain Hepner did come. I was very pleased to have him there. I just thought I'd mention that. Brings back some real memories.

In any event, coming back to the issue of the reviews, the independent reviews of compensation and benefits almost – and I say almost – never seem to recommend reductions in compensation and benefits packages. Instead, the beneficiaries, in this case the MLAs, likely anticipate that your recommendations of this review will produce an overall increase in the compensation and benefits; in other words, a positive outcome for them. Similar reviews by consulting firms for CEOs and upper management of public services and also private-sector ones never seem to recommend reductions in compensation and benefits packages. If they did, they would likely not be in business very long. In your case, Mr. Chairman, you likely would not have to worry about that.

I'm really here on behalf of seniors. I'm an advocate for seniors, and I've been working with them ever since I retired. How do you

think Alberta seniors feel about this review, especially those who are held to fixed incomes and very low inflation increases? Believe me, they have very little faith in the system. In fact, many Albertans appear very skeptical even about this process.

7:10

I would be inclined to suggest to you that in order to set a fair base for compensation and benefits, you may want to go back to the year 2008, when former Premier Stelmach awarded MLAs the most generous and very irregular and, yes, the highest ever compensation and benefits package, a package that was so attractive that even opposition leaders accepted it very gracefully and without the normal opposition comments that one would expect from those leaders and their party MLAs. That's how good it was. Having established a 2008 base, you could add more reasonable and acceptable inflation increases from 2008 to date, to 2012. That change alone may allow Alberta citizens to buy into this compensation and benefits review process.

I've talked about the huge MLA pay raises and increased benefits in 2008. As far as the benefits are concerned – and, of course, that becomes part of the salary as well – as was the practice prior to 2008, I strongly suggest that MLAs serve on committees without extra pay. Having served city council for 18 years, I served on many city standing committees and many other committees, always without extra pay. The only exception was when I served on the hospital board or the Calgary Regional Planning Commission. In that case I would receive an honorarium.

I understand that cheques are issued and payments accepted by MLAs for attending meetings but that payments are also accepted even if they do not attend these meetings. Members of the public want to know if such handouts are really ethical, and many also wonder if honesty may be in question. I'd like to say to you that even if I was sitting there as an MLA and received that pay for a so-called meeting and in my heart I knew that I wasn't there, that I didn't attend that meeting, I'd have every option to return the cheque. As a politician if I felt strongly about it, I think I would return that cheque. I don't see them doing that, not even the members of the opposition, and that really surprises me.

Then we get down to the matter of inflation increases. For 2012 Alberta seniors – and I think you probably know this because you'd be a recipient – will receive . . .

Justice Major: Do I look that old?

Mr. Schmal: No, you don't, but I think you're with me on that. I'm there.

We're going to be receiving a 2.8 per cent increase in the Canada pension plan payment, CPP, while MLAs received a 5.35 per cent increase, almost double, tied directly to annual adjustments in average weekly earnings for Alberta workers. Robert Remington, a writer for the *Calgary Herald*, has made it very clear that using the annual adjustments in average weekly earnings for Alberta workers, which has an inflation rate established by Stats Canada, is not appropriate. If senior citizens are tied to a Stats Canada inflation increase of 2.8 per cent, so should politicians, and that includes city council here in Calgary.

Justice Major: Does that 2.8 per cent track the rate of inflation, or is that just an arbitrary number?

Mr. Schmal: Well, it's a way of determining what has gone up and what goes down.

Justice Major: But do they look at the cost of living?

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Mr. Schmal: The cost-of-living increase.

Justice Major: It determines what they'll allow, and that's why the 2.8 per cent?

Mr. Schmal: That is correct. The question is: why should there be two inflation rates, one for seniors and other people and another for politicians? That would obviously benefit them at a much higher income. To apply 5.35 per cent on \$100,000 versus 2.8 per cent on \$6,000 is quite the difference.

You know, there's a saying that we all buy the same loaf of bread, but it appears that politicians will be purchasing multigrain bread while seniors and not-so-well-to-do people may be expected to consume discounted, day-old bread because that's the type of increases that they will be receiving.

In regard to severance packages and other benefits Albertans resent the handouts of multimillion-dollar severance packages for retired MLAs or MLAs who do not get re-elected. Based on policy or public outcry, the packages are too sweet and should be cut back substantially. I could give you an example. City council here in Calgary gives two months per year; with the provincial government it's three months per year.

Justice Major: Is there any limit on city council? They give you two months per year for every year you serve?

Mr. Schmal: That's correct.

Justice Major: Regardless of how many years?

Mr. Schmal: It doesn't say for how many years. It just says: two months for every year.

Justice Major: Well, that's what caused some of the furor recently, when for the MLAs that were retiring, it became public news that they had received three months for every year they served, and in cases where they served for 15 or 20 years, it amounted to a very substantial amount of money. Is the same true of city council, that if you're there for 10 years, you get 20 months?

Mr. Schmal: That's correct. I'm not saying that that's . . .

Justice Major: You're not saying whether that's right or wrong. I'm not asking you. I just wanted to be clear.

Mr. Schmal: I'm just simply saying that you have some way of comparing.

I wanted to say that it may be appropriate for me to mention that the same public outcry applies to gold-plated pension and severance packages given to Members of Parliament, the same problem. I understand that RRSP contributions have some type of matching formula, and when taking advantage of maximum contributions, that should accumulate reasonable funds to allow for a very decent retirement for MLAs.

Also, many MLAs who live outside of Edmonton get government living allowances, and I understand these MLAs can use those allowances towards mortgage payments on homes they purchase, so many end up with a second home in Edmonton. That is a considerable asset, and it is, obviously, a very good benefit.

In summary, it is time that governments cut back on their own expenses, and a good start is for government representatives like MLAs and the Members of Parliament to cut back in their own backyards. Some other provinces have far fewer MLAs per capita than Alberta. Instead of adding MLAs, we should be reducing those numbers. A good example is that the city of Calgary, with a

population of 1.2 million people, is served by 14 aldermen versus 23 MLAs and 26 MLAs in the next election. We're now looking at 14 versus 26. It's almost double.

With today's technology, that includes computers, cellphones, faxes, constituents can be contacted within minutes, so MLAs should be able to take on much larger areas and substantially more population in representing Albertans. I'm aware that this is not part of the review. I just thought I'd make that a comment; that's all.

That's my presentation to you.

Justice Major: Well, thanks for coming.

Mr. Schmal: I'd like to present you with a copy. In fact, I'd also like to give you a copy of a letter I wrote to the *Calgary Herald* just very recently. It hasn't been printed yet, but it hits the same area.

7:20

Justice Major: Give it to us, and we'll put it up on the web ahead of the *Calgary Herald*.

Mr. Schmal: Okay. Whom could I give this to?

Justice Major: This lady right here.

Mr. Schmal: Thank you once again for listening to me. It was a pleasure seeing you.

Justice Major: Well, it's good to see you again, Mr. Schmal.

Mr. Ernst: Good evening, Mr. Major.

Justice Major: Good evening. Did you file a paper?

Mr. Ernst: I did.

Justice Major: I thought I saw yours.

Mr. Ernst: I'll go through the paper.

Justice Major: Yeah. That's fine. I just want to get my copy. Thank you.

Kelly Ernst
Private Citizen

Mr. Ernst: First of all, let me begin by thanking you for this opportunity to speak about MLA pay. I'm Kelly Ernst. I'm presenting today as a private person, but I think it's fair for you to know that I've been involved with volunteerism and in my professional role on committees such as Basic Income Canada. I am co-chair of the North American Basic Income Guarantee Congress. I've led a number of studies on income and the economic downturn in Alberta and have consulted with people on the subject as well. Through this experience I'm basing this presentation.

My recommendations will really be concerning not only MLA pay but focusing in on the fairness of that pay and giving recommendations around comparators, in particular how to base that pay. Unlike a couple of your previous presenters, I'll actually target that in particular. I offer as well to please stop me at any point for questions. I'm more than happy to answer your questions.

I'd like to begin by giving a little bit of context about why I'm doing this and why I'm doing it in this manner because it's slightly different, I think, than your other presenters. Since 2008

and the economic downturn considerable debate has been sparked about how Alberta has fared economically. For many of us in Alberta there was no impact, for many it was quite substantial, and many people did well. There is no one particular way that you can say that the impact since 2008 has been in one direction, but in retrospect, when you actually look at the stats and you actually go beyond the economic downturn, one thing that you can say for sure is that over the past few decades and the last decade in particular there have been particular groups that have not fared well, that have not gone through the booms that Alberta has gone through and done particularly well. Many of us just have not kept pace.

In fact, the economic difficulties that we are having now simply accentuate the people that are living with difficulty in the lowest levels of income in Alberta and the difficulties that they're having. For them, the economic advantage of being in Alberta simply has not crystallized whereas in other cohorts that isn't true. In the upper incomes, of course, the advantaged have done very well. They've done very well. Others in the middle may have done a little bit better, but I think we have to take into account that we saw the cost of living also increase, so any gains that many of the middle-income people have seen have not crystallized either. So there's been this growing disparity in Alberta.

The media story in Alberta that we're all doing very well in this province really is not substantiated by the data. The statistics on income growth for each of the cohorts doesn't back up that myth that Alberta has equally benefited. It's simply not true. Economic disparity in our province is growing.

Justice Major: I accept that, but I'd like you to tie that in to the MLAs. There's no doubt in my mind that what you're saying is true.

Mr. Ernst: What I'm going to be forwarding is an idea about what comparators do you use to ensure that MLA pay and the policy around MLA pay are not done in such a way that it accentuates the economic difficulties that people are having and reinforces politicians for making policy decisions to accentuate that pay?

The recommendations I would like to forward really do talk about these comparators. One of the comparators that keeps coming up is a comparator to other provinces. I would suggest that MLAs here in Alberta are not competing for positions in politics in New Brunswick, Ontario, Quebec, or any other province, nor are they competing for political positions outside of Canada. I've seen people saying: well, we should compare it to, you know, places like New Zealand, states in the United States, or somewhere in Europe. I think those types of comparisons are incorrect. Politicians in Alberta, as you know, are only able to work here. They're only qualified to work here. It's the workers of Alberta, really, that politicians are competing with, and that is the comparison that we should be making.

Ideally, also, political representatives act for the entire public, from every walk of life, every type of position, so another type of comparator that I think is completely valid is to again look at Martha and Henry Alberta and not necessarily pick one particular profession such as an administrator, a professional role – doctor, lawyer – and so on. I think that is also in many ways quite inappropriate.

Another comparator that often gets used when you take a look at Albertans as a whole are three different ways of looking at the different cohorts. One of those ways is looking at average income. I would actually suggest that average income is also an incorrect way of looking at it. As you know, average income is taking

everybody's income and dividing it by the total number of people in that group, but the problem with average income is that average income can actually increase while the upper income people do really well and everybody else does not or even the lower income people do poorer.

Justice Major: I understand average, and I understand median.

Mr. Ernst: Median is the same way. Median income can also do the same thing, so again I wouldn't suggest that.

Where my presentation actually goes is to look at the bottom-rung people, the people in the lower fifth cohort. It's those people, I think, that are a group that we can pay particular attention to. From a statistical standpoint when the lower groups in our society do better, typically all of us do better, not only in terms of our income, but also there's a whole level of costs of poverty to our society that we also should take into consideration. I didn't put many of those types of costs into this report. I may later in the final submission. But when we attach MLA pay to these lower levels, I think that is a particular type of policy that might have actual promise.

7:30

Justice Major: Have you done any figures on that?

Mr. Ernst: Yes. I'm going to get to that now.

What I'm not suggesting is that any MLA be paid minimum wage. I think it is fair also for MLAs to be paid well for the level and responsibility of the work that they do. I have no problem with that. What I would suggest is to take a look at the lower level cohort, the lower one-fifth, and look at the ways in which that group is compensated or the way in which you can compare MLAs to that particular group.

Two ways come to mind. One is minimum wage; the other is low-income cut-off. When you actually take a look at minimum wage and you calculate out what minimum wage is annually – it's about \$18,500 per year – it's very similar to the low-income cut-off, slightly less but a little bit lower. When you compare that to the MLA wage, so you take just the indemnity and the tax-free allowance, that's slightly four times greater than minimum wage. The Premier's pay, for example, is 12 times that rate. When you take into account the average MLA, according to the Canadian Taxpayers Federation it's seven times approximately. So if you were to tie the MLA wage to minimum wage through a factor, you could also say: well, MLAs get paid always seven times the rate of minimum wage, and the Premier, if you keep it constant to now, 12 times, and then the various levels of deputies and ministers and so on could be paid in between, again, as factors to minimum wage.

Part of the reason I'm also suggesting this is that I'm also forwarding the principle that MLAs should really be paid no differently than other Albertans. There shouldn't be one way or method of paying MLAs and then another method for just Joe Average in our society. We need to be compensated fairly and equally in terms of the method that we get compensated as well.

I would agree with some of your earlier speakers on a number of other points with respect to how MLAs are compensated; for example, the tax-free income. Albertans have to pay taxes. When I or you or anybody else in Alberta earns money, we have to file taxes and pay taxes on that income.

Justice Major: You've been here, and you've heard the discussion about the fact that it's income tax exempt by the federal government.

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Mr. Ernst: Yes.

Justice Major: I take it that you think it would be preferable to forgo that tax advantage and let the province pay the difference?

Mr. Ernst: Yes.

Another piece of the payment, of course, is the expense allowance. Most Albertans certainly don't have an expense allowance, so MLAs should be treated similarly.

Justice Major: Well, what about money they actually expend?

Mr. Ernst: Yes. I have that in my presentation as well. If they have receipted expenses, I have no problem with that, and I think that is fair. Again, if most Albertans have receipted expenses in the course of their day-to-day work, then I have no problem with that, including giving invoices for the number of miles that they may have driven in their personal vehicles. Those types of expenses I think are fine. Anything beyond that, where there doesn't need to be a receipted expense or there's no receipt being submitted, I think is inappropriate.

The other piece of this is sort of dual compensation for the role or double-dipping. I'm not in favour as well for committee work to be reimbursed separately from the core salary of an MLA or the core compensation. It simply appears to the public that there is double-dipping, and I think that doesn't serve Alberta well in terms of confidence in our whole democratic system when we put forward MLAs as having a method of payment that no one else in Alberta seems to get.

The idea of excessive compensation has also come up. Whenever politicians become millionaires by any type of compensation that they're getting, it simply raises cynicism, doubts, and questions about the integrity and ethical conduct of politicians. That, for all of us I think, undermines the public confidence that we have in our entire democratic system. So I would be in complete favour of abolishing the pension scheme that seems to occur at the moment. However, that being said, I think what is reasonable is, say, a matching pension allowance such as the RRSP allowance that currently occurs in MLA compensation, as many other Albertans get, but not beyond that.

The other thing I'd like you to consider with respect to the transition allowance is that I would abolish the transition allowance completely as well. When MLAs or any politician stands for office, it's for a set term. Politicians and the public know that going in. In effect, in my mind politicians are very much like a contract worker. They're going in for a set period, getting reimbursed for that particular period, but there's no guarantee after that period has ended that they're going to have any contract renewed. After the writ is dropped, basically the contract is done, and now we're into a new contract only if that contract gets renewed. So there should not be transition allowances. It's in everybody's knowledge, including the politician, that going into such a role you take that risk.

Justice Major: Well, except we have heard evidence that the transition from an MLA back into normal society is more difficult.

Mr. Ernst: I would poke holes a bit in that evidence, and I'd like to see more of that.

Justice Major: Well, if you look at Mr. Speaker's evidence, he went into some detail on that, and you can see that on the web. I have no personal knowledge of whether that's correct or not, but assuming that it is, would that be an exception to what you're saying?

Mr. Ernst: Well, no. I would not consider anecdotal evidence necessarily something to fall back on.

Justice Major: To be fair to Mr. Speaker, you know, he was an MLA for 20 years. It's hardly anecdotal. It's pretty real.

Mr. Ernst: Yeah. I'm certain of that. However, the risk is that when you go into politics, you know that going in.

Justice Major: I understand what you're saying. I just wanted to be clear.

Let me back up a little bit. When you speak of the lowest income and that the MLAs should be paid a multiple of that, have you settled in your own mind what the multiple should be? I think you've said that it's presently four times. What do you think it should be?

Mr. Ernst: Well, it depends on what you include in that particular reimbursement. For the indemnity and tax-free allowance, yes, it's four times, but if you include, then, the other pieces of pay to actually . . .

Justice Major: Well, take the whole thing.

Mr. Ernst: It would be seven. It's more around seven.

Justice Major: Do you think seven is too much? Have you formed an opinion on what the multiplier should be, not what it is but what you think it should be?

7:40

Mr. Ernst: I think the current level of pay should not exceed or go beyond what MLAs are getting now. If it starts to go beyond that particular level, then I think people start to feel that there's an injustice being done or an unfairness.

I think people in Alberta do understand the fact that we have a politician who's giving great public service to the province and who should be reimbursed to a higher degree than what an average person might get paid.

The figure of seven is interesting because in some research that figure is a common figure between the lowest sort of cohort or one-fifth and the highest one-fifth. If you look over time, there's this figure of seven that often divides those cohorts. So that's not a bad figure to use, to be quite honest.

Justice Major: Okay.

Mr. Ernst: The final point I would like to address has to do with how the general public is informed about compensation. I would also forward the idea that compensation should be transparent and routinely proactively disclosed. It should be very simple for Albertans to understand.

If you go to the Alberta Treasury website at the moment and you look at how people are compensated and the list of MLAs and all of their compensation, I would say that it's far too complex for most people to grasp what is really going on there. I would simplify the way that MLAs get paid so that it is more transparent and understandable to all citizens. The total compensation and reimbursement for receipted expenses as well I think needs to be clarified. There needs to be much greater detail about that because when too little detail gets put on the receipted expense side, I think it simply invites questions and cynicism about how politicians are being reimbursed.

Although the Treasury website does list MLA salaries one by one and some of the receipted expenses, I think there needs to be far greater simplification with respect to their general salary or

compensation and far greater detail with respect to the receipts, and it should be all in one spot. The principle I'm forwarding is routine proactive disclosure for you.

The final thought I'd really like to leave you with is not in here, but it's more one about fairness. People don't forget when they're treated unfairly. They don't like to feel that they're in the middle of an injustice. MLA pay and setting that MLA pay and how you compare it to the rest of Alberta I think is a really important question that needs to be decided because if it's not done correctly, then people will feel a great injustice.

Deutsche Bank yesterday came out and said that we're in for another social explosion if we don't pay attention to economic disparity around the world. It's little things like MLA pay that really add to the basket of injustice if we don't pay attention and do a good job of ensuring that that is fair and attends to the constituents that MLAs need to represent.

Justice Major: Thank you very much.

Mr. Ernst: Thank you.

Justice Major: Is there nobody here? We'll adjourn for 10 minutes and see if the others show up.

You're all welcome to stay, but I won't feel hurt if you leave.

[The meeting adjourned from 7:45 p.m. to 7:56 p.m.]

**Dr. Raj Sherman, MLA, Edmonton-Meadowlark
Leader of the Official Opposition**

Dr. Sherman: Justice Major, first of all, I'd like to thank you for the opportunity to present on what is a very important issue, I believe, in a democracy. Thank you for taking time out of your life to help us make a very important decision.

Justice Major: One of the things I want to ask you, Dr. Sherman, is that there seems to be some confusion on the extent to which this commission was advertised. We followed the same format as that for Electoral Boundaries, which had quite a sizable turnout. To be more specific, there were 125 newspapers advised, some of course weeklies on weekends, and two notices were run in eight of the major newspapers in the province. There were 67 articles written about it. The weekly papers: the *Morinville Free Press*, I don't expect many people read, but the province was virtually blanketed with some notice. So I hope that puts your mind at rest if you were in any doubt about people being advised of this. My feelings were getting hurt.

Dr. Sherman: If it's any consolation, people usually know when elections are. Despite all the work and effort we put in to encourage people to vote, only 40 per cent voted. Nevertheless, I thank you and everyone here for taking the time and putting in your effort.

When I first ran for public service, I ran for two reasons. One was to give back to a province that has given me and my family so much. I didn't come with much when I came to Alberta as a student in 1984, just one box full of clothes. For the opportunities that were given to me by the people who built this province and by the education I received, I felt it my moral duty to give back. The other reason I ran was that as somebody who worked in the front lines of society in an inner-city emergency room department, I saw many problems and learned many things and felt it was also my duty to contribute to the conversation.

It was against the advice of many of my colleagues and family, who questioned why I would be willing to take a break from a

fantastic career as a trauma physician and businessman and take such a big pay cut. They couldn't understand. You know, friends would say: hey, why are you going to earn \$79,000 a year?

After having been elected, I have to say that it's the best, the toughest, the hardest working job, and the most fulfilling. In fact, it's not a job; it's a labour of love. That's what it is. I've been honoured and humbled to have had the opportunity to face the challenges and opportunities to improve and elevate the level of conversation and debate.

The challenges that I had were when we first got elected. The Premier and cabinet voted themselves a 34 per cent pay raise. I felt that in an economic downturn as public servants our job is to be the moral compass, to set an example for society, having had parents who struggled and worked hard and laboured each and every day. My father worked in a mill, and my mother cleaned hotel rooms. I'll tell you: they worked hard. My dad worked overtime in the mill. My mother worked evenings and weekends seven days a week.

As a public servant your job is to be a role model for hardworking people, to give them hope when there isn't any hope. They need to know that their leaders understand the pain and suffering they go through. This should not be a job, and it should not be the best or highest paying job that you've ever had. I realized the income of MLAs was more than I was led to believe it was. It was \$79,000, and then I came to realize that there was this tax-free allowance. My feeling is that there should be no tax-free allowance. We should get our income, a T4 like any Albertan, and pay tax on our full income.

Justice Major: I've asked others about this, and I'm interested in your view. There has been the expression by a number of people that the tax-free allowance should be discontinued. The consequence of doing that is that to keep the MLAs at the same pay, you would have to increase their pay sufficiently so that they could pay the income tax.

There is a specific exemption in the Income Tax Act, that you are probably aware of, section 81, that permits MLAs a tax-exempt status. It's a subsidy, if you like, from the federal government that permits no tax on the \$25,000, or 50 per cent of your income. In order to eliminate that and to keep the MLAs whole, you would have to increase their pay by a sufficient amount so that they could pay. Suppose it's \$100,000. You would have to increase it to \$125,000 so they could pay income tax on what the federal government at the moment has said we don't collect tax on. It would be the province of Alberta that would pay somewhere around a million dollars collectively by the members if you took away the tax-free allowance. On an economic basis it's difficult to see why the province, given the scimmages we've had with Ottawa, would want to send them a million dollars.

The other side of the coin as presented by others is that it's worth that amount to demonstrate transparency to the citizens that they don't get from seeing an expense-free allowance. The net gainers of eliminating it would be the federal government. Now, some people say it's worth it. Other provinces have done it, and they've said: "We prefer to look pure, to be upfront, to be transparent. We're prepared to forgo that subsidy." Do you have any thoughts about that?

8:05

Dr. Sherman: You raise points that others have raised. There are only 87 of us out of a province of 3.7 million. If the average hard-working Albertan doesn't get a tax-free allowance, nor should their elected leaders.

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Justice Major: My point is that all the Albertans, you know, a modest amount, would pay the federal government to eliminate the tax-free allowance.

Dr. Sherman: If it was a question of having to raise the salaries to allow for that, so be it. This is more about being the moral compass and setting an example.

Justice Major: So your view is, as others have expressed, that you would eliminate it, pay whatever comes from the tax but make the amount transparent so that it was clear?

Dr. Sherman: Yes. Absolutely.

Justice Major: Okay.

Dr. Sherman: The other issue is committee pay. Having been in government, an independent member, and now Leader of the Opposition, there is a committee pay of \$1,000 a month. On the average most members are on three committees, plus or minus. Now, the challenge I had was that many of the committees didn't meet frequently. In fact, some met once or twice a year. To be granted \$1,000 a month salary for a committee that hadn't met, I don't think is right. If there had to be an adjustment in the pay of the MLA, that may be a more reasonable approach.

Many of the committees for the government members in the government that I was a member of met behind closed doors. These meetings weren't open to the public. We rarely changed – in fact, I don't believe we changed any policy when I was in government. On the government side they have an opportunity to vet the process through cabinet, through Agenda and Priorities, through Treasury Board. These cabinet policy committees were created, in my mind, as a job creation project for the multitude of government MLAs. Then the issues would go to caucus, and then they would go to the floor of the Legislature. I don't feel it's right to have behind-closed-doors committees and have the taxpayer pay. If those committees are to be held and people are to be paid, they should be held in the open and in public.

The other issue is the transition allowance. We all make a great sacrifice from our personal lives and businesses and careers, from the previous lives that we've come from. I do understand that they got rid of the pension plan, and we are the only province in the country that doesn't have a pension plan. Now, with respect to the transition allowance some of the transition allowances have been obscene, upwards of a million dollars, \$700,000, \$800,000. I don't believe that's right. When a person can get a job the day after the election, they don't need a transition allowance of \$800,000.

Justice Major: Do you think there should be any transition allowance? We heard evidence that MLAs seeking employment when they leave frequently have a very difficult time. When they're defeated, they sometimes I wouldn't say go into a depression, but they go into a lull. We've heard evidence that having been an MLA is not a great recommendation for finding a job in the private sector. So a case is being made that they need some time to adjust, similar to people leaving employment in the private sector who are given what's commonly called a parachute, something that gives them a soft landing. Is there any place for that with an MLA?

Dr. Sherman: I do agree with having a transition allowance. It's the amount that concerns me. Even myself as a highly trained trauma physician it's unlikely after eight or 12 years of public service that I can go back to the same emergency department.

Justice Major: You would have no difficulty.

Dr. Sherman: I would still have to spend time . . .

Justice Major: No. Excuse me for interrupting, but being medically trained, you could look to a future. You may have to do some retraining and get ready, but your prospects would be reasonable.

Dr. Sherman: Absolutely. For me personally it's not as big an issue, but for many others who work in the nongovernmental sector, it is a big problem finding employment afterwards, as you mentioned. In fact, it's even more acute a problem if you're not a government member, as you know, even if you run for the Liberal Party in this province and you're unelected. I know that many past Liberal members have had difficulty finding employment for years, but I do know that if you're on the government side, there's employment almost guaranteed in the form of government relations work or contracts. It is a challenge for many opposition members.

I suggest that there should be a maximum cap. I don't know what that number should be, but it definitely shouldn't be a million dollars or \$900,000 or \$800,000 or \$700,000 or \$600,000 or \$500,000. There should be a maximum cap, perhaps in the neighbourhood of \$250,000 or perhaps one or two months per year of service for a maximum of eight years. I don't think it's right to be paid 40, 50, 60, 90 months' pay, three years' worth of transition allowance.

The other issue – I don't know if it's under your purview under MLA compensation – is the pay of the Premier and cabinet. I don't believe the Premier and cabinet should be setting their own pay. It should be set independently.

Justice Major: On that point the difficulty that seems to be present is who. They speak of a committee, an independent committee. How is the committee chosen? Let's assume you have a government that's less than open. If they set the committee, if larceny is in their heart, they can pick the committee that will do as they ask them to do. How would you suggest that a committee be formed? Who would be on the committee, or where would it come from?

Dr. Sherman: I believe the government definitely shouldn't be the one setting that committee. That I do know. Elected members should not be on that committee. Maybe have one voice on the committee, but definitely government members should not be in the majority on that committee. Perhaps a committee of community leaders.

Justice Major: I don't want to pursue this too long, but would, say, the mayor of a city be a member of a committee, or do you want it out of politics completely? Should we go to the chambers of commerce, for instance? It's a question I'm interested in. The committee is fine, but who's on the committee, and who appoints the committee?

Dr. Sherman: It should be free of political interference. It needs to have the trust of the public.

Justice Major: "The public" is too general, doctor. I don't expect you to have the answer off the top of your head, but forming a committee that's independent of government, which is desirable, how do you form it? Who do you go to? Who's on the committee? You could say, well, the chambers of commerce, but that's not always going to be satisfactory.

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Dr. Sherman: I don't have all the answers to this, but what I do know is that it should not be the process that we have had. That I do know.

Justice Major: I gathered that.

Dr. Sherman: Perhaps there are many wiser people, wiser than I, who can give you that answer.

Justice Major: Well, they haven't shown up.

Dr. Sherman: MLA pay needs to be simplified so the public and the MLAs themselves understand what the pay structure is. I don't believe there's a full understanding of what MLAs do and what they get paid and how they are compensated. These are answers that we will look to you to provide after you listen to all the presenters, but I can certainly say that a committee made of elected members should not be making these decisions. It's like the fox guarding the henhouse.

8:15

Justice Major: I get the point, but let me move back to committees. I take it from what has come before you that some committees are necessary. There is some skepticism expressed that it's necessary to have so many committees, particularly committees that don't meet. It seems pretty obvious that they're not contributing much. But is there a role, in your opinion, for all-party committees? You said earlier that they should be public, but there are some things, perhaps, that government can't discuss in committee in public but could make a recommendation on. Do you agree with any of that?

Dr. Sherman: For me personally in public office I believe all decisions for which we are paid other than caucus positions should be public decisions. I believe the all-party public committees are a very good thing. In fact, it's an opportunity to work in a bipartisan manner and debate bills that are contentious and get the input in a committee where we actually show respect for one another and may change our positions. I do not believe in these cabinet policy committees for which government members are getting paid, and I myself was a recipient of that pay. I believe the public deserves to get better value and more openness and more accountability from their elected officials.

One of our major issues is to set the moral compass. Yes, public service is a lot of work, and if you're a good public servant, it's 16 hours a day, seven days a week sometimes. Many times you're missing your own family's birthday parties while you're going to society's birthday parties, but it's a choice that we make. It's a conscious choice we make. It's finding a balance. If the pay is too low, you only have those who are wealthy and affluent running, and if it's too high, it should not be the best job you've ever had, and it should not become a career.

I have a different point of view, being a physician. I'll tell you, I took a very big pay cut. I compare myself to my brothers and to other members of the community in which I was raised, and they all work just as hard. My father worked way harder than I do as an MLA, and he didn't have the perks and benefits that I have. My older brother works harder than I do. I believe we need to be a moral compass. At a time when we have economic uncertainty in the world, we make difficult decisions. We are saying no to hard-working employees who earn \$15 an hour caring for seniors and no to cleaning staff who clean the hallways of our hospitals and our schools.

It was very difficult for me as a public servant in the government for our government to have voted themselves a 34 per

cent pay raise and then have said no to the public. For us it's about leadership and setting the moral bar. Moving forward, we do need to be the moral compass of society. I believe changing how MLAs are paid must be done in an open, honest, accountable way. It should be free of any political interference.

We are the best province in the best country in the world. This world is struggling. It's looking to be led by leaders willing to serve the public. There must be no perception that we are serving ourselves and not the people. We must remove all fingerprints of self-service. I understand as a leader how difficult it is to recruit candidates to run. I've met many fantastic candidates who are willing to make the same sacrifice that many others before me have made.

Justice Major: I think you expressed a standard that we all aspire to. It's getting there that's the problem.

Dr. Sherman: As an emergency doctor I spent my life making decisions, good decisions. Most of those times, in fact almost all of those times, those decisions were made in collaboration with a team. We always together as a team decided what was the right thing to do. We always pretended that if the shoe was on the other foot, how should we measure ourselves? That's how, I believe, these decisions should be made, not through the eyes of politicians, who do work very hard, and public servants but through the eyes of somebody cleaning your hotel room, somebody working hard in a mill every day, somebody working in a gas station.

Justice Major: What you say, of course, is true, and you earlier made mention of the dilemma, that the compensation can't be so low that you attract no one, nor can it be so high that you attract many that are attracted only by the money. What is the balance? I mean, that's what we're all searching for. What's reasonable considering what's expected of an MLA? How do you put a monetary value on it?

Dr. Sherman: Well, that balance is a decision that you will make after you've listened to all our submissions.

Justice Major: Thanks very much.

Dr. Sherman: As I said, what I do know is that the process that we have had is not right.

Justice Major: I gathered that. I took that from what you said.

Dr. Sherman: And it's not the fact that MLAs are paid; it's how the decisions are made. That's what is not right. I support this process. It must be free of political interference. It must be fully independent. It must be simplified. A million dollar golden parachute should not be there. There should be no tax-free allowances, and behind-the-scenes committee pay should not exist. In addition, the wages for MLAs on the government side are typically higher than the MLAs of all the other parties on the opposition side, and the workload is much more for the MLAs on the opposition sides.

That's why I felt it was important for me to make this submission. I thank you for taking on this arduous task.

Justice Major: It's made easier when people come and testify, so I'm grateful that you found the time to do that.

Dr. Sherman: Thank you, and I wish you the best in preparing your final report.

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Justice Major: Time will tell.

Dr. Sherman: Thank you. Have a good night.

Justice Major: Ms MacIntosh, you're last but not least, as that old expression goes.

8:25

Ms MacIntosh: Thank you very much.

Yesterday I sent a one-page summary of our key talking points, and I just wanted to make sure that you do have a copy of that. No? Okay. That's all right.

Justice Major: Sheldon Chumir was a partner of mine.

Ms MacIntosh: Was he? It's been a privilege for me to work for the foundation and learn a little bit about his life, his political role, his role in law and in human rights and civil liberties.

Justice Major: He had a lot of admirable qualities, but he couldn't keep his office clean.

Ms MacIntosh: So I hear.

Justice Major: He never threw away a newspaper.

Ms MacIntosh: Oh, my gosh.

Heather MacIntosh

Sheldon Chumir Foundation for Ethics in Leadership

Ms MacIntosh: It's a pleasure to be here, and I am representing the Sheldon Chumir Foundation for Ethics in Leadership. I wanted to start by saying that MLAs do play an incredibly important role in Alberta. How they are compensated, at what level, and using which processes are significant not only for them but also for the public service, for taxpayers, and for all Albertans.

I wanted to focus first on principles for setting compensation levels. We are not recommending a specific compensation level, but we do think that the principles for setting pay matter. MLAs must be fairly compensated to reflect the incredibly important role they do play. Not everyone will agree on what is fair, so the commission needs to be both courageous and transparent in explaining and justifying its criteria and decisions. In our view the commission needs to be responsive to the public's notion of fairness, also not easy to determine.

Political service is a privilege, as has been noted, and compensation should reflect that perspective. At the same time, similar to what we heard from the past speaker, we feel that salary should not unduly discourage those in professional categories such as doctors, lawyers, and engineers, for example, who are generally higher compensated in the private or public service, from running for elected office.

Albertans benefit from highly qualified and competent representatives from diverse backgrounds. Above all, the commission must demonstrate prudent judgment in public- and private-sector market comparisons and must be responsive to public concern, anticipating what levels are likely to be accepted as legitimate.

From an ethical leadership perspective we think that the process for setting compensation levels matters greatly in a democracy and says much about the health of the Legislature.

Moving on to a few specific points, there is a basic conflict of interest when MLAs set their own pay. The situation is ameliorated somewhat when an external committee or an external

commissioner such as yourself reviews compensation levels and makes recommendations, and we congratulate the government on taking this step. This brings Alberta more in line with other provinces such as Manitoba, Nova Scotia, Ontario, and B.C., which routinely conduct external reviews. We strongly encourage Alberta to legislate an external review of compensation rates to avoid the real conflict as well as perception of conflict that exists when MLAs determine their own pay.

The next point relates to transparency of the package. How easy is it for Albertans to determine the total amount an MLA makes, including all salary, allowances, committee pay, and associated benefits? This is incredibly important. Albertans deserve to know the full compensation levels of their representatives. Lack of transparency or even public perception that some costs may be hidden leads to cynicism and damages democracy in the long run, which I'm sure you've heard previously.

I want to consider specifically the member indemnity and expense allowance comparisons provided in exhibit 5 on the website. I had some concerns about them. Alberta representatives appear to be among the worst compensated in Canada. Is this an accurate picture? How are committee rates calculated elsewhere? Are they included in the compensation in other provinces or not? In Alberta committee compensation can add as much as \$40,000, \$50,000, or sometimes more than \$60,000 to MLA pay. Citizens are supposed to hold their elected officials to account – it's part of our role in the democratic process – and Albertans need full, complete, and easily accessible information to fulfill this responsibility. Here we're strongly encouraging the commissioner to put forward full and complete compensation figures, easily understood and accessible, and that will set a better standard for transparency in the province.

My next point relates to separating the party and the government. While it's essential to compare Alberta to other provinces and territories as well as to the federal government, we also need to consider our specific context here. After 40 years of rule by the same political party lines between the party and the government can become blurred. An example of this in Alberta is the one-party committee pays, the government committees. In other provinces and, in fact, other parliamentary democracies around the world this is considered setting policy for the party and is not funded by the taxpayer. We think that this should be clearly delineated from policy for the government, which traditionally is set by multiple parties in the Legislative Assembly, and we strongly recommend that pay for one-party committees be abolished.

Our third point relates to the transition allowance. The government of Alberta publishes transition allowance levels for all members, which is to be applauded as a positive transparency measure. As we understand it, the transition allowance is intended to enable an MLA who has lost election, retires, or resigns to find meaningful employment after they leave office and to make a transition to whatever comes next. I'd like to respectfully disagree with some of the other submissions which we've noticed on the website, which contend the transition allowance should be eliminated. We think that the transition allowance not only facilitates reintegration but also supports cooling-off periods for politicians, which are an essential component of conflict-of-interest prevention.

Then the questions are: is the transition allowance serving those purposes effectively? Is it fair? Is it generally viewed as legitimate? The comparatively high transition allowances have been criticized and should be reviewed by the committee for fairness, in our view. Is the transition allowance used in practice to bolster pensions? I

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notice that's something that the Canadian Taxpayers Federation has asked. If so, then perhaps a pension review is warranted. We believe that any component of compensation should serve the purpose for which it is intended. Is the transition allowance of reasonable length, or is it excessive? That also has been questioned. Should there be a maximum period? Do we, in fact, need additional transition support such as retraining or counselling options? These are all questions that we encourage the commission to explore.

Transition allowance and pay for members of government-only committees have been contentious issues in MLA compensation. The public needs grounds for greater confidence in these two components, we would argue. We encourage the commission to deal with the transition allowance particularly carefully with a view to ensuring a reasonable and justifiable rate and that it is used only to meet the intended purpose.

Thank you so much for the work that you're doing and the opportunity to present.

Justice Major: Thank you. On the question of setting MLAs' pay, you encourage a regular process but by a third person or party or committee. What is it that you would suggest? A committee sounds fine until you try to think of who's on the committee and who appoints the committee.

Ms MacIntosh: Right. Different provinces have dealt with that in different ways. I think it's useful to take a look at how that's been handled elsewhere.

Justice Major: Do you know any province where a committee sets the pay?

Ms MacIntosh: I believe that's the case in B.C.

Justice Major: That was true of Vancouver, but is it true of the Legislature? Do you know?

Ms MacIntosh: They did a 2007 review, and I noticed that they had an external committee presenting a paper.

Justice Major: But do you know how the committee was formed?

Ms MacIntosh: No, I don't. I do know that, for example, with electoral boundaries legislation we have details in there about how the committee is formed, and that's legislated. They want to have someone who doesn't have a direct political affiliation. Sometimes that's specified. Sometimes we look specifically for a judge or a legislative officer to head a committee, that sort of thing.

Justice Major: Well, it's something to puzzle. Thank you. Is there anything else?

Ms MacIntosh: No. Thank you.


Justice Major: Thank you.

I hate to disappoint you all, but we're now adjourned.


[The meeting adjourned at 8:35 p.m.]

appendix M

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N Member total compensation comparisons and proposed Alberta salary and pension (FULLY TAXABLE)



O Member total compensation comparisons and proposed Alberta salary and pension (w/ TAX-FREE ALLOWANCE)


APPENDIX O

MEMBER TOTAL COMPENSATION COMPARISONS
 (based on information available as of March 1, 2012)
 ALBERTA PROPOSED SALARY AND PENSION
 \$75,000; TFA \$37,500 (\$134,000 Taxable Equivalent)

Jurisdiction	Indemnity	Tax Free Expense Allowance	* Committee Pay	RRSP Allowance	TOTAL	** Grossed up TOTAL	Employer Contribution to Pension	% of Salary	TOTAL Compensation
House of Commons	\$157,731.00				\$157,731.00	\$157,731.00	\$70,033.00	44.4%	\$227,764.00
Senate	\$132,300.00				\$132,300.00	\$132,300.00	\$58,741.00	44.4%	\$191,041.00
NWT (2) beyond commuting distance	\$96,615.00	\$13,924.00			\$110,539.00	\$117,223.00	\$67,755.00	57.8%	\$184,978.00
NWT (1) within commuting distance	\$96,615.00	\$6,962.00			\$103,577.00	\$106,919.00	\$61,799.00	57.8%	\$168,718.00
Quebec	\$85,338.00	\$15,538.00			\$100,876.00	\$108,424.00	\$58,115.00	53.6%	\$166,539.00
Alberta	\$75,000.00	\$37,500.00			\$112,500.00	\$134,000.00	\$25,313.00	22.5%	\$159,313.00
Nunavut	\$90,396.00				\$90,396.00	\$90,396.00	\$68,249.00	75.5%	\$158,645.00
Yukon	\$69,531.00	\$13,371.00			\$82,902.00	\$89,320.00	\$67,437.00	75.5%	\$156,757.00
British Columbia	\$101,859.00				\$101,859.00	\$101,859.00	\$41,457.00	40.7%	\$143,316.00
Newfoundland/Labrador	\$95,357.00				\$95,357.00	\$95,357.00	\$38,143.00	40.0%	\$133,500.00
Ontario	\$116,550.00				\$116,550.00	\$116,550.00	\$11,655.00	10.0%	\$128,205.00
Nova Scotia	\$86,619.00				\$86,619.00	\$86,619.00	\$39,498.00	45.6%	\$126,117.00
New Brunswick	\$85,000.00				\$85,000.00	\$85,500.00	\$32,045.00	37.7%	\$117,545.00
Manitoba	\$85,564.00				\$85,564.00	\$85,564.00	\$20,108.00	23.5%	\$105,672.00
Saskatchewan	\$89,300.00				\$89,300.00	\$89,300.00	\$9,823.00	11.0%	\$99,123.00
Prince Edward Island	\$65,344.00				\$65,344.00	\$63,344.00	\$32,672.00	50.0%	\$96,016.00

* Average Committee pay from all sources (Legislative and Government) excluding Chair and Deputy Chair pay

** Tax Free Allowance amount is grossed-up to equivalent taxable amount



P Cabinet Minister total compensation comparisons and present Alberta Cabinet salary


Appendix D
EXISTING CABINET TOTAL COMPENSATION COMPARISONS
 (based on information available as of March 1, 2012)

Jurisdiction	Indemnity	Tax Free Expense Allowance	*Committee Pay	RRSP Allowance	Cabinet Pay	TOTAL	** Grossed up TOTAL	Employer Contribution to Pension	% of Salary	TOTAL Compensation
House of Commons	\$157,731.00				\$75,516.00	\$233,247.00	\$233,347.00	\$103,606.00	44.4%	\$336,953.00
NWT (2) beyond commuting distance	\$96,615.00	\$13,924.00			\$73,482.00	\$184,021.00	\$190,705.00	\$110,224.00	57.6%	\$300,929.00
NWT (1) within commuting distance	\$96,615.00	\$6,962.00			\$73,482.00	\$184,021.00	\$187,363.00	\$108,296.00	57.8%	\$295,659.00
Nunavut	\$90,396.00				\$70,109.00	\$160,505.00	\$160,505.00	\$121,181.00	75.5%	\$281,686.00
Quebec	\$85,338.00	\$15,538.00			\$64,041.00	\$164,917.00	\$172,375.00	\$92,393.00	53.6%	\$264,768.00
Yukon	\$69,531.00	\$13,371.00			\$38,388.00	\$121,290.00	\$127,658.00	\$96,382.00	75.5%	\$224,040.00
British Columbia	\$101,859.00				\$50,930.00	\$152,789.00	\$152,789.00	\$62,185.00	40.7%	\$214,974.00
Newfoundland/Labrador	\$95,357.00				\$54,072.00	\$149,429.00	\$149,429.00	\$59,772.00	40.0%	\$209,201.00
Nova Scotia	\$86,619.00				\$47,609.00	\$134,228.00	\$134,228.00	\$61,208.00	45.6%	\$195,436.00
New Brunswick	\$85,000.00				\$52,614.00	\$137,614.00	\$137,614.00	\$51,880.00	37.7%	\$189,494.00
Ontario	\$116,550.00				\$49,301.00	\$165,851.00	\$165,851.00	\$16,584.00	10.0%	\$182,435.00
Prince Edward Island	\$65,344.00				\$45,688.00	\$111,032.00	\$111,032.00	\$55,516.00	50.0%	\$166,548.00
Manitoba	\$85,564.00				\$37,370.00	\$122,934.00	\$122,934.00	\$20,809.00	23.5%	\$151,823.00
Saskatchewan	\$89,300.00				\$46,738.00	\$136,038.00	\$136,038.00	\$14,964.00	11.0%	\$151,002.00
Senate	\$132,300.00									


* Average Committee pay from all sources (Legislative and Government) excluding Chair and Deputy Chair pay

** Tax Free Allowance amount is grossed up to equivalent taxable amount

*** Value of transition allowance as calculated by May Group



Q Cabinet Minister total compensation comparisons and proposed Alberta Cabinet salary (FULLY TAXABLE)



R Cabinet Minister total compensation comparisons and proposed Alberta Cabinet salary (w/ TAX-FREE ALLOWANCE)



ALBERTA

