



If it ain't broke, don't fix it

**Canadian Taxpayers Federation Submission to the MLA
Compensation Panel, March 2007**

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. Today, the CTF has over 72,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a working partnership with Montreal-based Quebec Taxpayers League. Provincial offices and the League conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published six times a year. An issues and action update called *TaxAction* is produced each month. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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Summary Of Recommendations

The Canadian Taxpayers Federation (CTF) continues to support the 1996 compensation reforms recommended by the independent Citizens' Panel on MLA Remuneration. Those changes made British Columbia a leader in transparency, fairness and accountability of MLA compensation.

The CTF recommends the existing compensation package remain in place. The base salary and pension benefits far exceed those enjoyed by most taxpayers and the voters who elected them. Each and every MLA choose to campaign for office, to seek election with the full knowledge of the pay scale in place for provincial politicians.

The CTF recommends any proposed changes to the MLA compensation package not be implemented until *after* the next election. This would provide an opportunity for the legislators to defend and justify their increases to those that will be paying for it, the taxpayers.

The CTF recommends an annual report of the salary, allowances, pension contributions and incidentals for each of the 79 members of the legislature be published and readily available to the public. The provincial government has repeatedly committed to enhancing transparency and openness. Taxpayers, who pay the salaries and benefits of MLAs, have a right to know and access the annual cost of each MLA.

The CTF recommends the Legislative Assembly Management Committee (LAMC) record and disclose the minutes of all meetings concerned with MLA compensation, including pensions and special allowances. LAMC has members from both the government and opposition; they meet behind the closed doors and decide 'who gets what.' Taxpayers must be able to hold members accountable for their decisions. The only means to ensure transparency and accountability is to publicly disclose the minutes of all meetings of the LAMC concerned with compensation changes.

The Existing Compensation Package

Most voters and taxpayers recognize the hard work and contributions MLAs provide while in office. Sacrificing career advancement and time with family characterizes the job. **But, the job is voluntary.** Each and every one of the 79 members of the legislature campaigned and fought to be elected knowing full well the nature of the job and its pay.

Being elected should neither be profitable nor charitable; it should be fair for the member and the taxpayer. The existing MLA compensation package strikes a good balance and provides an annual, indexed, base salary, a generous RRSP contribution allowance and numerous incidental benefits like coverage of MSP premiums.

i. Base Salary

Currently, the base salary for an MLA is \$76,100 and will increase automatically as of April 1, 2007. Despite the claim that MLAs have not received a significant increase in years, the annual indexation formula has bumped up the base pay for MLAs \$6,200 in the past eight years. The indexation formula is based on several indicators including the consumer price index (CPI) and average weekly earnings. The 1996 Citizens' Panel recommended the formula because it links MLA pay increases to increases of the average income earner.

The table below sets out the annual increases in MLA salaries since the indexation formula has been in place.

Year	Dollar Increase (Rounded)	Effective Salary
01 April 1999	\$300	\$70,200
01 April 2000	\$800	\$71,000
01 April 2001	\$1,100	\$72,100
01 April 2002	\$200	\$72,300
01 April 2003	\$1,500	\$73,800
01 April 2004	\$1,300	\$75,100
01 April 2005	\$300	\$75,400
01 April 2006	\$700	\$76,100

By no means is it suggested that indexation amounts are overly generous; they closely reflect change in incomes for British Columbians. The average weekly earnings increased an estimated seven percent in British Columbia, while the base salary for MLAs increased a little under nine percent during the same time frame.

The MLA base salary of \$76,100 is far in excess of the median income in British Columbia of \$55,900 and nearly double the average weekly earnings of \$713 which on an annual basis grosses \$35,817. The base salary and indexation formula was originally

recommended by the 1996 Citizens' Panel after careful consideration and extensive public consultation. The annual indexation formula was expressly included to close the door on the issue of MLA compensation by providing a mechanism for annual increases.

However, if the panel recommends a change to the base salary and the indexation formula, the CTF recommends those changes not be implemented until after the next election.

ii. Allowances

In addition to the base salary most MLAs also receive special allowances for additional duties and/or appointments. More than half of the current 79 members enjoy some form of an allowance. The table below lists the available annual allowances.

Position	Base Pay	Allowance	Total
All MLAs	76,100		76,100
Premier	76,100	45,000	121,100
Member of executive council with portfolio	76,100	39,000	115,100
Member of executive without portfolio	76,100	25,000	101,100
Parliamentary Secretary	76,100	6,000	82,100
Speaker	76,100	39,000	115,100
Deputy Speaker	76,100	19,500	95,600
Deputy Chair, Committee of the Whole	76,100	9,000	85,100
Leader of the Official Opposition	76,100	39,000	115,100
Chair of Government Caucus Committee	76,100	6,000	82,100
Government Whip	76,100	9,000	85,100
Deputy Government Whip	76,100	6,000	82,100
Opposition House Leader	76,100	9,000	85,100
Official Opposition Whip	76,100	9,000	85,100
Government Caucus Chair	76,100	9,000	85,100
Official Opposition Caucus Chair	76,100	9,000	85,100
Chair of select, standing, or special committee (13 MLAs)	76,100	6,000	82,100
Deputy Chair of select, standing or special committee (13 MLAs)	76,100	3,000	79,100

The allowance amounts vary depending on the duty or requirements of the appointed position. Undoubtedly, these positions require additional commitments from members and the annual allowance is an attempt to recognize such commitments. However, when the number of allowances approximates the number of members in the legislature it risks becoming an income supplement. This is especially true when the sitting government expands the number of members appointed to cabinet—which carries a \$39,000 annual allowance.

Additional allowances should be commensurate with additional duties, and there should be limits on the number of allowances handed out every year.

iii. Pension

Prior to the 1996 Citizens' Panel recommendations, members of the legislature had pension plans that no taxpayer could even dream of. In fact, the benefit accrual rate was more than double what is allowable under the *Income Tax Act*. It was a defined benefit plan, that is, the annual pension payout upon eligibility was based on earning years, not contributions made. The result: taxpayers kicked in roughly five dollars for every dollar an MLA contributed. In a nutshell, the plan multiplied the years of service times five per cent. A member could earn up to a maximum of 75 per cent of their best income earning years. Members could start drawing down on their pension at the age of 55, or earlier, if their age plus years of service equaled 60 or greater.

As an example, former MLA Moe Sihota would be eligible for \$46,849 in his first year of benefits and with indexation, draw \$92,460 annual when he is 75. The accumulated pension benefits for Mr. Sihota by age 75 will be an estimated \$1.2 million. Certainly Mr. Sihota was a committed member of the legislature and deserves a pension benefit for his years of service, but at a cost of over a million dollars to taxpayers?

Defined benefit pensions schemes are being replaced by other provincial governments across the country. Reviews of MLA compensation in the Saskatchewan, Alberta, Manitoba and Ontario have all resulted in defined benefit pension plans being scrapped. Such plans are almost impossible to find in the private sector. Liabilities of defined benefit pensions are ongoing and often face funding problems. In the public sector, the funding issues are always put on the backs of taxpayers. As Serge Charbonneau of Morneau Sobeco succinctly puts it, "In terms of security in the public sector, it doesn't matter so much if the plan is underfunded because employees know very well the employer is always going to be around to make up the promise." The employer—government—always makes up the promise with tax dollars.

The defined benefit plan that MLAs enjoyed prior to the 1996 reforms put the liability burden on taxpayers. Therefore, reforming the pension plan was one of the key recommendations made by the Citizens' Plan on Remuneration. The defined benefit plan was sensibly replaced with a defined contribution plan, a group-style RRSP.

The reformed pension plan provides 9 percent of the base salary to be contributed, courtesy of the taxpayer, with the MLA able to match that contribution amount each year. Regardless of whether an MLA contributes to the RRSP, their employer—taxpayers—contribute to the plan, also a rarity in the private sector. MLAs could set aside the maximum allowable annual RRSP contribution of 18 percent of income, if they contribute their 9 percent.

According to Benefits Interface, a benefit brokerage firm in Toronto, most RRSP's are employer matching formulas that fall within 50 to 100 percent of the employee contribution to a maximum of three to five percent of earnings. The current MLA pension plan is much more generous and if the member matches their employer contribution, each year in office could net close to \$13,000 in retirement savings and in one term an

estimated total of \$54,400. The current pension plan is certainly adequate, especially when compared to the pension plans that are offered in the private sector.

The compensation and pension reforms that were adopted in 1997 had the full support of both the governing NDP of the day and the opposition Liberals. The then opposition leader, now premier, was particularly supportive of the pension reforms urging the government of the day to get on with changes and advocated a groupstyle RRSP, similar to the current pension plan.

The CTF recommends the existing group style RRSP remain in place for MLAs.

Extras

Prior to the 1996 reforms, members of the legislative assembly enjoyed countless extras. Each year members were provided 52 constituency-Victoria return trips, a capital city allowance up to \$6,000, free ferry passes, toll-free Coquihalla passes, up to \$6,600 for in-constituency travel and \$100 per day for committee meetings if the legislature was adjourned. In addition to these special benefits, members also received a tax-free allowance of \$16,406 per year to cover expenses. For members of the public it was almost impossible to find out how much their elected member was making each year.

The 1996 reforms scrapped most of the perks, the excessive defined benefit pension plan and set out a fully taxable base salary that is indexed each year. The goal was transparency and accountability. However, some incidental benefits have remained. For example, members have their MSP premiums paid and are provided with a capital city and transportation allowance.

Further, if an MLA is defeated—in essence, fired—they are provided with a severance package to help make the transition back into the workforce. Few, if any, employers provide a lump sum payout for employees that have been fired.

MLAs enjoy an annual, indexed salary of \$76,100 much higher than most of the British Columbians they are elected to represent. All members also enjoy a healthy RRSP, a severance package, if “fired”, and a generous benefits package. The Citizens’ Panel of 1996 looked at all aspects of remuneration and struck a balance for taxpayers and members. MLAs work hard but so do taxpayers and the current compensation package recognizes the value of our MLAs while respecting the taxpayer.

The CTF recommends to the existing compensation package remain in place.

Each MLA receives:

Position	Base Pay	Pension Contribution	Constituency Budget	Total
All MLAs	76,100	6,849	84,100	167,049

Transparency

i. Annual Reporting of MLA Compensation

The government has repeatedly embraced the principles of transparency and accountability. British Columbia led the way to simpler and more transparent MLA compensation with the 1996 reforms. However, the government does not publicly report the total annual cost of each of the 79 elected members of the legislature. The expenses and salaries of most of the legislature's staff as well as employees in crown corporations are available for public consumption and the same should hold for MLAs. Accountability first starts with transparency and disclosure.

The CTF recommends an annual report of the salary, allowances, pension contributions and incidentals for each of the 79 members of the legislature be published and readily available to the public.

ii. Legislative Assembly Management Committee (LAMC)

LAMC is made up of members from both the government and opposition. The committee has the power to set the amount of special allowances (see the chart on page 7 for a comprehensive list) as well as setting travel allowances, constituency budgets and any matter it considers necessary for the efficient and effective operation of the legislative assembly. This committee operates beyond the scrutiny of the public and yet has the authority to drastically increase the annual cost of the legislature.

There are no minutes of its meetings that are publicly available and of course are exempt from the *Freedom of Information Act*. It does produce an annual report that is so vague as to render it useless and is almost impossible to access.

In the spirit of transparency and accountability, the minutes of the meetings regarding spending public monies for any and all types of MLA compensations should be publicly available.

The CTF recommends the Legislative Assembly Management Committee (LAMC) record and disclose the minutes of all meetings concerned with MLA compensation, including pensions and special allowances.