

Report on New Brunswick MLA pensions, salaries & expenses



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September 2010

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Published in September of 2010 as a part of the launch of the CTF's Atlantic Division.

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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 74,000 supporters from coast-to-coast.

The CTF maintains a federal office in Ottawa as well as provincial and regional offices in British Columbia, Alberta, the Prairies, Ontario and Atlantic Canada. Provincial and regional offices conduct research and advocacy activities specific to their provinces and regions in addition to acting as regional organizers of nation-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate for the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published four times a year. *Action Updates* on current issues are sent to CTF supporters regularly. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nation wide.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect 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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Section I: Introduction

Introduction

The Canadian Taxpayers Federation is pleased to offer its first report in the province of New Brunswick on the subject MLA compensation. Specifically, this report offers a detailed analysis of the province's MLA pension plan.

The CTF's mission statement is lower taxes, less waste and accountable government. That mission begins with our elected officials. Simply put: they must lead by example. Efforts to balance budgets cannot be embraced by taxpayers or government workers if politicians are flagrant with their expenses or granting themselves benefits out of line with public expectations.

In every province where the CTF has established a full-time presence – from Ontario West – we've had success in reforming MLA compensation to be more transparent and in line with public expectations. Specifically, we've succeeded in efforts to make politicians salaries fully taxable and reform pensions around the principle that taxpayers should contribute no more than \$1 for every \$1 contributed by their elected representative. As this report details, New Brunswick's taxpayers are coughing up \$16 for every \$1 contributed by MLAs to their pension plan.

This report's primary recommendation is the appointment of a "citizens' panel" – randomly selected citizens to review and make recommendations surrounding how MLAs are compensated in New Brunswick. A citizen's panel is not made up of retired judges, politicians or university professors, but ordinary citizens from all walks of life that more accurately reflect the average New Brunswick household.

In the meantime - along with a full-time presence in the region - the CTF will circulate and present a petition in support of reforming the MLA pension plan to one that is self-funding and limits taxpayer liability to matching MLA contributions dollar for dollar.

This report's primary author is CTF National Research Director Derek Fildebrandt and was co-authored by CTF Atlantic Director Kevin Lacey. The CTF wishes to acknowledge its summer 2010 intern and Dalhousie University student Michael Kennedy for his research in making this paper possible.

Fact Summary

- Taxpayers contribute \$15.90 for every \$1 that MLAs contribute toward their pensions.
- MLA pensions cost taxpayers \$7.6 million per year.
- The premier and ministers receive \$46 per day in addition to their salaries for being in the capital or traveling and \$23 per day for being in their ridings as “show up for work pay” and “stay at home pay” respectively.
- MLAs earn an average annual salary of \$111,107, which is \$65,107 and 142% higher than that of an average, employed and unattached male of working age.

CTF Political Compensation Principles

- *Transparency:* MLA compensation should contain no hidden or obscure benefits.
- *Simplicity:* MLA compensation should be easily understandable by taxpaying citizens.
- *No Double Standards:* Compensation should not exceed what is available and permitted for New Brunswickers working in the private and public sectors.
- *Disclosure:* The hallmark of expense claim rules should be complete disclosure to ensure that MLAs are fully accountable. Expenses should be paid on the basis of what is required to carry out the duties of an MLA and be posted online.

Summary of Recommendations

The CTF calls on the Legislative Assembly and Province of New Brunswick to launch a “citizens’ panel” to review MLA compensation. CTF recommendations to such a panel would include, but not be limited to the following:

- 1. Replace the MLA pension plan regime with a dollar-for-dollar “RRSP-style” plan requiring MLAs to make equal contributions to taxpayers;*
- 2. Eliminate all non-receiptable expense claims including “show up for work pay” and “stay at home pay” allotted to ministers as a \$46 and \$23 per diem respectively; and*
- 3. Tie MLA salary increases or decreases to changes in key economic indicators related to performance.*

More detailed recommendations to the proposed citizen’s panel can be found in corresponding topical sections of this report.

Section II: Salaries

What They Make

The CTF supports reasonable compensation levels for MLAs, but taxpayers have a right to demand their compensation be transparent and subject to the same rules which apply to taxpayers. Until 2007, MLAs collected a tax-free “allowance,” a method of compensation few would consider to be meeting either criterion. In a nutshell, this practice allowed MLAs to exempt up to one-third of their incomes from federal and provincial taxes. The move by New Brunswick’s MLAs to abolish these so-called allowances in 2007 is welcomed, but other related issues remain.¹

A MLA can earn a salary that varies from a base of \$85,000 for a backbencher without any additional duties, to \$164,000 for the premier. Between these two figures is an array of other positions, each carrying with them different pay levels for additional duties. On average, New Brunswick MLAs earned an annual salary of \$111,107 in 2010, which is \$65,107 and 142% higher than that of an average, employed and unattached male of working age.²

It is worth noting that a higher annual salary also yields a larger pension once an MLA leaves the Legislature.

¹ Ryan, Patrick. “*Report of the MLA Compensation Review Commission.*” MLA Compensation Review Commission, 2007

² “*Income in Canada, 2008.*” Statistics Canada. Accessed September 2010.

Salaries by Position^{3 4}

Office	Salary (\$)	Combined MLA & Additional Salary (\$)
Member	85,000	85,000
Premier	79,000	164,000
Leader of the Opposition	55,300	140,300
Minister	52,614	137,614
Speaker	52,614	137,614
Deputy Speaker	26,307	111,307
Government Whip	26,307	111,307
Government House Leader	26,307	111,307
Third Party Leader	19,750	104,750
Opposition Whip	19,730	104,730
Opposition House Leader	19,730	104,730
Member	85,000	85,000

³ Ryan, Patrick. "Report of the MLA Compensation Review Commission." MLA Compensation Review Commission, 2007.

⁴ Boudreau, Victor (Hon.). "Budget 2009-2010." 25. Department of Finance, 2009

Estimated Salaries of MLAs Serving up to the September 2010 General Election⁴

Member ¹	Party	Position	Estimated Salary 2010 (\$)
Graham, Shawn (Hon.)	Liberal	Premier	164,000
Alward, David	PC	Leader of the Opposition	140,300
Albert, Hédard (Hon.)	Liberal	Minister	137,614
Arsenault, Donald (Hon.)	Liberal	Minister	137,614
Boudreau, Roy (Hon.)	Liberal	Speaker	137,614
Boudreau, Victor (Hon.)	Liberal	Minister	137,614
Brewer, Rick (Hon.)	Liberal	Minister	137,614
Byrne, Greg (Hon.)	Liberal	Minister	137,614
Collins, Chris (Hon.)	Liberal	Minister	137,614
Doherty, Ed (Hon.)	Liberal	Minister	137,614
Doucet, Rick (Hon.)	Liberal	Minister	137,614
Foran, John Winston (Hon.)	Liberal	Minister	137,614
Haché, Roland (Hon.)	Liberal	Minister	137,614
Keir, Jack (Hon.)	Liberal	Minister	137,614
Kenny, Brian (Hon.)	Liberal	Minister	137,614
Lamrock, Kelly (Hon.)	Liberal	Minister	137,614
Landry, Denis (Hon.)	Liberal	Minister	137,614
Lavoie, Cheryl (Hon.)	Liberal	Minister	137,614
LeBlanc, Bernard (Hon.)	Liberal	Minister	137,614
Miles, Rick (Hon.)	Liberal	Minister	137,614
Ouellette, Ronald (Hon.)	Liberal	Minister	137,614
Schryer, Mary (Hon.)	Liberal	Minister	137,614
Stiles, Wally (Hon.)	Liberal	Minister	137,614
Fraser, Bill	Liberal	Deputy Speaker	111,307
Paulin, Burt	Liberal	Government Whip	111,307
Robichaud, Carmel	Liberal	Deputy Speaker	111,307
Northrup, Bruce	PC	Opposition Whip	104,730
Robichaud, Paul	PC	Opposition House Leader	104,730
Betts, John	PC	MLA	85,000
Blaney, Margaret-Ann	PC	MLA	85,000
Burke, Thomas	Liberal	MLA	85,000
Carr, Jack	PC	MLA	85,000
Carr, Jody	PC	MLA	85,000
Dubé, Madeleine	PC	MLA	85,000
Fitch, Bruce	PC	MLA	85,000
Graham, Dale	PC	MLA	85,000

⁴ Canadian Taxpayers Federation calculation. August 2010.

¹ "MLA Bios – 56th Legislature." Government of New Brunswick. Accessed July 2010.

Harrison, Bev	PC	MLA	85,000
Holder, Trevor	PC	MLA	85,000
Huntjens, Tony	PC	MLA	85,000
Jamieson, Stuart	Independent	MLA	85,000
Kennedy, Larry	Liberal	MLA	85,000
Landry, Claude	PC	MLA	85,000
LeBlanc, Abel	Liberal	MLA	85,000
LeBlanc, Cy	PC	MLA	85,000
MacAlpine-Stiles, Joan	Liberal	MLA	85,000
MacDonald, Kirk	PC	MLA	85,000
MacIntyre, Roly	Liberal	MLA	85,000
McGinley, Eugene	Liberal	MLA	85,000
Olscamp, Mike	PC	MLA	85,000
Steeves, Wayne	PC	MLA	85,000
Urquhart, Carl	PC	MLA	85,000
Volpé, Jeannot	PC	MLA	85,000

Note: Salaries are estimates based on information provided by the Legislative Assembly of New Brunswick

Salary Reform Proposals

Salary levels for New Brunswick's MLAs appear to be in line with other Canadian jurisdictions, such as Saskatchewan² and Nova Scotia.³ While occasional increases in salary are appropriate, an easier and ongoing methodology would be to tie increases or decreases to key economic indicators that reflect on job performance such as average weekly earnings or gross domestic product (GDP) per capita. Using these indicators, MLA salary increases or decreases would be in line with what taxpaying constituents are experiencing. Additionally, tying salary increases to objective measurements removes the inherent conflict of interest whereby politicians determine their own pay, often behind closed doors.

Therefore, the CTF calls on the Legislative Assembly and Province of New Brunswick to launch a "citizens' panel" to review MLA compensation, including salaries. CTF recommendations to such a panel would include, but not be limited to:

- *Tie MLA salary increases or decreases to changes in key economic indicators.*

² "BOIE Directives." Legislative Assembly of Saskatchewan. 2009.

³ "MLA Remuneration." Nova Scotia House of Assembly. January 1, 2009.

Section III: Pensions

Gold Plated Pensions

Like many politicians in Canada, New Brunswick's MLA's enjoy a rich, taxpayer-funded pension plan. The CTF supports reasonable compensation for public servants, which includes retirement pensions. Unfortunately, the MLA pension regime in New Brunswick does not meet the common-sense test of what is reasonable.

Qualification

In order to qualify for a pension, MLAs are required to make contributions to the plan (discussed below) and serve in a minimum of eight sessions, a period of time lasting approximately eight years. In order to begin collecting, MLAs must reach the age of 60 or, reduce their amount payable and collect at any age.⁴

Contributions

MLAs must contribute 9 percent of their salary (and an additional 6 percent for ministers and other senior members). Taxpayers not only match the MLAs contribution, but also contribute more than *fifteen times* as much.⁵ Using actuary reports published by the Province of New Brunswick, the CTF calculated that taxpayer contributions toward pensions for retired, recipient MLAs were \$5,691,600 while politicians contributed \$476,700. Put another way, taxpayers contributed \$11.90 for every \$1.00 contributed by politicians. Additionally, taxpayers paid \$1,878,300 towards the balance owing to sitting MLAs from general revenues, bringing the total taxpayer contribution towards MLA pensions to \$7,569,900, or \$15.90 for every \$1.00 that MLAs contribute.⁶

Plan Type

Beyond government benefits, most Canadians have no pension plan at all. While 86 percent of those working in the public sector enjoy a retirement pension plan, only 27 percent of those in the private sector have the same benefit.⁷

⁴ "Members' Pension Act." Government of New Brunswick. 1993.

⁵ Canadian Taxpayers Federation calculation. August 2010.

⁶ Ferguson, Conrad, FSA, FCIA. "Results of the Actuarial Valuation of the Members Superannuation Act and the Members' Pension Act on an Accounting Basis as at April 1, 2008." Morneau Sobeco Human Resource Consulting and Administrative Solutions. December 19, 2009.

⁷ Charron, Lucie. "Canada's Pension Predicament." 4. Canadian Federation of Independent Business. January 2007.

Pension plans enjoyed by public sector workers like politicians and bureaucrats are generally known as “defined benefit” plans. That is to say, regardless of how monies contributed to a pension fund are invested or saved, recipients are guaranteed a defined payment, for life. When such pension plans become insolvent (like GM) or are not invested at all (like federal MPs and New Brunswick MLAs), taxpayers are stuck with the bill.⁸

By contrast, most pension plans that exist in the private sector are “RRSP-style” plans, sometimes known as “defined contribution” pension plans. In these plans, members contribute a defined amount from their paycheques, which is matched equally by employers. Benefits under these plans are limited to the savings accumulated over time. There is no guaranteed “benefit” that require a top-up from employers or taxpayers.

Pension Benefits

Pension benefits are calculated by the number of years an MLA has served multiplied by an MLA’s highest three-year average salary, multiplied by 4.5 percent.⁹

For example, a backbencher that serves for 15 years with no additional salary for other duties with an average three-year salary of \$85,000 would earn an annual pension of 57,375.¹⁰

$$\begin{aligned} & \text{average salary } (S) \times \text{years service } (Y) \times 4.5\% = \text{pension} \\ & \text{or} \\ & \$85,000 \times 15 \times 4.5\% = \$57,375 \\ & \text{unless} \\ & \text{MLA serves } < 8 \text{ sessions} \end{aligned}$$

In addition to this, a similar formula is used to determine the pension value for additional offices held. This means that the premier, opposition leaders, ministers, speaker and deputy speaker are eligible for larger pensions based upon their larger salaries after 6 months of service. What makes this additional pension different from the standard MLA plan is that rather than multiplying the average MLA salary by years of service and 4.5 percent, the first two items (years of service and average additional salary) are multiplied by 3 percent.

It is worth noting that New Brunswick’s MLA pension plan – as do several other pension plans - uses loopholes in the federal Income Tax Act to enrich it beyond limits imposed on registered plans. To achieve this, MLAs

⁸ McCarthy, Shawn. “Taxpayers to fork out billions for GM pension aid.” The Globe & Mail. May 23, 2009.

⁹ “Members’ Pension Act.” Government of New Brunswick. 1993.

¹⁰ Canadian Taxpayers Federation calculation. August 2010.

also contribute to a supplementary plan, producing a higher effective rate of accruing years of pensionable service.

While other Canadian jurisdictions with similarly generous pension plans have limits placed upon the years of pensionable service an MLA can accrue, New Brunswick has none. Without any limits placed on this, an MLA may be eligible to collect more than 100 percent of their annual salary upon retirement.

Upon leaving office, MLAs pensions continue to increase with the national Consumer Price Index (CPI).¹¹ Over the previous 15 years, the annual change in the CPI has averaged 2 percent.¹² CTF lifetime calculations extrapolate using this figure and a “conservative” life expectancy of 75 years.

¹¹ “*Members’ Pension Act.*” s. 11(3). Government of New Brunswick. 1993.

¹² “*Consumer Price Index, Historical Summary.*” Statistics Canada. accessed July 2010.

Estimated Pensions MLAs Serving up to the September 2010 General Election¹³

Calculated for December 31, 2010

Member ^{14, 15}	Party	Annual Pension (\$)	Lifetime Pension (\$)
Kennedy, Larry	Liberal	89,053	1,422,530
Harrison, Bev	PC	86,634	644,059
Jamieson, Stuart*	Independent	85,117	1,471,961
Graham, Dale*	PC	69,318	1,198,746
Volpé, Jeannot	PC	69,253	1,197,617
Graham, Shawn (Hon.)*	Liberal	67,157	1,161,367
McGinley, Eugene	Liberal	53,133	0**
Alward, David*	PC	52,382	905,857
Blaney, Margaret-Ann	PC	52,365	905,576
MacAlpine-Stiles, Joan*	Liberal	52,362	905,523
Landry, Denis (Hon.)*	Liberal	49,401	854,318
Robichaud, Paul*	PC	48,932	846,202
MacIntyre, Roly	Liberal	48,278	414,368
Haché, Roland (Hon.)	Liberal	47,943	643,013
Dubé, Madeleine*	PC	47,668	824,337
Huntjens, Tony	PC	46,285	190,770
Holder, Trevor*	PC	45,920	794,106
Stiles, Wally (Hon.)	Liberal	45,337	784,037
Steeves, Wayne	PC	44,722	773,391
Betts, John	PC	44,288	707,459
Carr, Jody*	PC	44,253	765,292
MacDonald, Kirk*	PC	44,253	765,292
LeBlanc, Cy*	PC	44,244	765,134
Poirier, Rose-May ***	PC	41,728	721,628
Byrne, Greg (Hon.)*	Liberal	38,371	663,563
Williams, Claude*	PC	37,222	643,690
Avg. Pension		55,825	838,793
Total Pension		1,395,619	20,969,836

*Not yet age 60

**Currently age 75

***Appointed to the Senate February 29, 2010

Note (1): Pension figures are estimates only and are based upon information provided by the Legislative Assembly of New Brunswick

Note (2): Figures and MLA eligibility are calculated for December 31, 2010

¹³ Canadian Taxpayers Federation calculation. August 2010.

¹⁴ "MLA Bios – 56th Legislature." Government of New Brunswick. Accessed July 2010.

¹⁵ "NB Ministers and Deputy Ministers." New Brunswick Legislative Library. 2009.

Pension Reform Proposals

The CTF does not begrudge politicians a reasonable retirement package. Such a package should be commiserate with norms in the private sector (where retirement plans exist at all) and politicians should not unreasonably burden taxpayers by funding large shortfalls out of general revenues. Rather, MLA pensions should have matching dollar-for-dollar contributions, which are invested into a retirement fund.

New Brunswick's politicians must set an example for the rest of the public sector. Doing so would equip New Brunswick's MLAs with the moral authority to introduce broader reforms to pension plans throughout the public sector. Therefore, the CTF calls on the Legislative Assembly and Province of New Brunswick to launch a "citizens' panel" to review MLA compensation, including pensions. CTF recommendations to such a panel would include, but not be limited to the following:

- 1. Replace the MLA "defined benefit" pension plan regime with a "RRSP-style"/"defined contribution" plan;*
- 2. Reduce the taxpayer-to-MLA contribution ratio from \$15.90/\$1.00 to \$1.00/\$1.00; and*
- 3. Eliminate supplementary pension plans for MLAs, restricting pensions to purely registered plans.*

Section IV: Perks

Benefits

Like most public servants, MLAs receive a generous health and dental benefits package with an option to upgrade. It is not unreasonable to include such measures as a part of an MLA's overall compensation package. Keeping this in mind, not all MLA benefits stay within the bounds of what is acceptable.

Expenses & Perks

MLAs should be reimbursed for expenses incurred directly related to carrying out their duties and not face financial costs related to their proximity to the Legislature. Reimbursement for such costs however should always require receipts and be posted online in detail for the public's viewing.

"Show Up For Work Pay"

While New Brunswick's politicians commendably eliminated tax-free salaries for themselves in 2007, several unaccountable allowances and per diems were left in place. Members of the cabinet receive a variety of bonuses for just about everything. For example, ministers receive a \$46 per diem without receipts for attending sittings of the Legislature - the most basic of duties for an MLA - in *addition* to an accommodation allowance. When not attending sittings of the Legislature, ministers are also awarded a \$46 per diem for travel, again with no receipts required. Regular MLAs who are not members of the cabinet are also entitled to both a living and travel allowance, requiring receipts for reimbursement.

As has been witnessed in Nova Scotia, Newfoundland and Labrador and the United Kingdom, non-receiptable expense allowances and per diems are vulnerable to abuse. With no way of knowing how such per diems are spent, they should more appropriately be considered a top-up to existing MLA salaries and known as "show up for work pay."

"Stay At Home Pay"

While ministers are paid extra for simply showing up to work, they are also paid a \$23 per diem for being in their constituency. If ministers' per diems for attending the Legislature and traveling - in addition to expense allowances - can be considered "show up for work pay," then per diems for being in one's constituency might better be known as "stay at home pay."

Expense Reform Proposals

MLAs are entitled to a myriad of expense claims: many of which are entirely legitimate; some of which may well be legitimate but lack appropriate accountability and oversight measures; and some that are outright spurious. The expense entitlements noted above are not an exhaustive list, but provide a general overview of New Brunswick's MLA expense regime. In order to address the issues noted above, the CTF is calling on the Legislative Assembly and Province of New Brunswick to launch a "citizens' panel" to review MLA compensation, including expense claims and per diems. CTF recommendations to such a panel would include, but are not limited to the following:

- 1. Eliminate all non-receiptable expense claims including the \$46 "work" per diems and \$26 "home" per diem; and*
- 2. Post all expense claims online with corresponding receipts.*