



Reversing the Kowalski Legacy

Submission to the Alberta MLA Compensation Review

Scott Hennig, Alberta Director

Canadian Taxpayers Federation — P.O. Box 38029 RPO Capilano, Edmonton, AB T6A 3Y6

T: 1-800-661-0187 E: ab.director@taxpayer.com

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 71,000 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 Update* emails 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 nationwide.

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.

The CTF's Alberta office can be reached at:

P.O. Box 38029 RPO Capilano
Edmonton, AB
T6A 3Y6

Phone: 1-800-661-0187

Email: ab.director@taxpayer.com

Website: taxpayer.com

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Summary of Recommendations

CTF Recommendation: Fully reverse the 2008 increases to committee pay for backbench MLAs, cabinet and the premier.

CTF Recommendation: Gross-up MLA pay and eliminate the tax-free “expense allowance,” thereby creating a fully-taxable salary.

CTF Recommendation: Eliminate re-imbusement for fuel, oil changes, car washes, etc. and only provide MLAs with the \$0.37 per kilometer reimbursement for using their own private vehicle for MLA business.

CTF Recommendation: Follow the City of Toronto’s lead and place scanned receipts and itemized expense claims for MLA and cabinet expenses on-line.

CTF Recommendation: Add an additional \$26,115 to the base MLA pay in lieu of committee pay starting April 1, 2012 and ban MLAs from collecting any additional pay for serving or chairing any Legislative or government committee, including all secretariats, Parliamentary Assistants, commissions and additional positions.

CTF Recommendation: Reduce the statutory payments for serving as premier, cabinet minister, speaker or opposition leader by \$26,115 to reflect the addition to the base pay and the pre-2008 policy that indicated that their additional statutory pay covered all committee work.

CTF Recommendation: Begin on April 1, 2012 once again annually adjusting base MLA remuneration and additional statutory salary by the lesser of the 12-month rolling average change in Average Weekly Earnings of Albertans or the 12-month rolling average change in Alberta’s Consumer Price Index (inflation).

CTF Recommendation: Create a fully-taxable base pay for all MLAs of \$134,572, with additional pay for serving as a cabinet minister, speaker or leader of the official opposition of \$48,504 (\$183,007 total) and an additional \$68,819 (\$203,392 total) for the premier.

CTF Recommendation: Create an optional group RRSP for MLAs where the government will match dollar-for-dollar contributions from MLAs to a maximum of the RRSP contribution limit. Alternatively, allow MLAs to optionally enroll into the new Pooled Retirement Pension Plan (PRPP) recently created by the federal government. MLAs who opt-out of the retirement plan should not be paid the government contribution as cash.

CTF Recommendation: The “transition allowance” be completely eliminated.

CTF Recommendation: Retired or defeated MLAs should no longer be allowed to be part of the group benefit health plan, regardless of whether they or taxpayers cover all or a portion of the premiums.

CTF Recommendation: The Alberta government implement a similar law as British Columbia’s penalizing cabinet ministers 10% of their pay for not meeting their ministry’s own spending targets, as well as an additional 10% for not balancing the overall budget (not including transfers from the Sustainability Fund).

Introduction

Few have ever accused the Canadian Taxpayers Federation (CTF) of beating around the bush. The title and focus of this submission to the Alberta MLA Compensation Review committee – *Reversing the Kowalski Legacy* – is no exception.

We submit that over the past decade, the Speaker of the Legislative Assembly, Ken Kowalski, has been supportive of – if not the master-mind behind – changes to MLA compensation that have been largely out-of-step with public expectations, and have resulted in enriching himself and all MLAs.

Specifically, Mr. Kowalski's leadership on the Members' Services Committee have led to the doubling of "transition allowances" in 1998, a massive increase to MLA "transition allowances" in 2001, the creation of RRSP payments in 2001 and a 30% MLA pay hike in 2008.

None of these enhancements to MLA pay packages were recommended by any type of "independent committee." They were all implemented as a result of decisions by Mr. Kowalski's Members' Services Committee, not coincidentally, immediately following a general election.

In an ideal world, changes to MLA compensation would take place retroactively to ensure Mr. Kowalski does not ride off into the sunset with an estimated \$1.2 million 'transition allowance' on top of the \$97,975 he's received in RRSP contributions, on top of the additional \$164,750 he's received due to the committee pay hike for the past four years, on top of his, potentially \$54,000 annual MLA pension.¹

Setting aside Mr. Kowalski's own very generous compensation, the issue of MLA pay is larger than one man.

The province is currently running a \$3.1 billion deficit and a significant cost-driver for government are employee wages, pensions and benefits.

A recent study by the University of Calgary's School of Public Policy calculated that since 2000, the Alberta government's public service wage bill has increased by 119% – almost double the rate of growth in the rest of Canada.²

If the government is going to attempt to get spending on the public service under control, they will need to lead by example. Any changes to MLA compensation must be viewed in this context. The decision made by the MLA Compensation Review 'committee' will have an impact on the ability of the Alberta government to balance the budget in the future.

¹ Jeffs, A, "Veteran MLAs face golden retirement," *Edmonton Journal*, October 10, 1998, pg. A5
(<http://taxpayer.com/sites/default/files/CTF%20-%20Kowalski%20Pension.pdf>)

² <http://www.policyschool.ucalgary.ca/sites/default/files/research/boessenkool-public-wage.pdf>

The CTF's Long History on MLA Compensation

The CTF was founded in 1990 and while it has expanded across the country to cover every region with the exception of Quebec, it has operated in Alberta and Saskatchewan for its entire 22 year history.

The CTF's profile was raised to a very prominent level in 1993, due to our victory on the issue of MLA pensions.

However, prior to our pension victory, news reports back to 1992 quote CTF board directors calling on MLAs to eliminate the tax-free portion of their pay³ – a perk that remains in place today.

Following Ralph Klein's win of the PC leadership in 1992, an inordinate number of government MLAs opted for retirement. The CTF went to work calculating and releasing estimates of the hefty MLA pension payouts these retiring members.

The CTF also began calling for MLA pension reform, in particular, recommending the government eliminate the gold-plated, defined-benefit MLA pension plan and replace it with a matching dollar-for-dollar defined-contribution pension plan.

In what is now an infamous event, an angry Premier Klein went toe-to-toe with former CTF employee, and now federal cabinet minister, Jason Kenney, in the halls of the Legislature building over our campaign for MLA pension reform. Unfortunately for former Premier Klein, the media were interviewing Mr. Kenney at the time and captured the entire verbal altercation.

The public outcry for reform only increased after news reports and footage of the altercation were aired and Mr. Klein was forced to strong-arm his caucus, many of whom were only months away from retirement, into leapfrogging the CTF's recommendation and cancelling the MLA pension plan altogether in 1993.

In 1998, when Mr. Kowalski and his Members' Services Committee doubled what was then called the "re-establishment allowance" and re-branded it the "transition allowance," the CTF's Mark Milke opposed the "excessive" changes to the "transition allowance."⁴

Three years later in 2001, the CTF's John Carpay blew the whistle on Mr. Kowalski's committee's decision to once again significantly increase the "transition allowance."⁵

Due to the fact that the Legislative Assembly does not release exact "transition allowance" calculations for outgoing MLAs at the time of the election, the CTF has taken it upon itself following the 2004 and 2008 provincial elections to painstakingly calculate them.

Frankly, the CTF does an excellent job estimating these "transition allowances." Of the 29 known "transition allowances" from the 2008 election, 27 of them were estimated within a 5% variance of the actual amounts, seven of which were within a 1% variance. Only two estimates were outside of a 5% variance – 10.1% and

³ Gunter, L, "No longer a part time job. MLAs now earn 10 times what they did in Manning's era," *Alberta Report*, June 1, 1992, pg. 13

⁴ Jeffs, A, "MLAs vote themselves a 5% pay hike," *Calgary Herald*, October 6, 1998, pg. A3

⁵ <http://taxpayer.com/alberta/ctf-denounces-97-mla-pay-raise>. Accessed January 22, 2012.

10.9%.⁶ (Note: five MLAs have opted to spread their “transition allowances” over a longer period than four years and the total actual amount is not yet known).

Following the 2008 election, on May 21st, the Members’ Services Committee increased the pay for backbench government MLAs, opposition MLAs and the Speaker, Mr. Ken Kowalski, by on average, 30%.

This significant pay hike went virtually unnoticed by the media, despite the two Liberal MLAs on the Committee voting against it. In fact, only one reporter, the *Edmonton Journal’s* Jason Markusoff wrote a short, 320 word story about it.⁷ Unfortunately, it ran on page B5 of the paper and no other media outlet followed up.

Seven days later on May 28, 2008, the cabinet passed an Order-in-Council also giving themselves 30% raises.

The raises again went unnoticed until the Orders-in-Council were released on May 29, 2008, when the author of this report, Scott Hennig, found this change and had it confirmed by the premier’s communications office that it was, in fact, done in response to the May 21st change passed by the Members’ Services Committee.

The CTF alerted the media immediately to the secret pay hike. Two weeks later on June 13th, the CTF organized a phone-in pay-hike protest, where 1,500 Albertans all called the premier’s office on the same day demanding they reverse the decision – dwarfing the regular call volume of “50 to 75 calls.”⁸

During the 2011 PC leadership campaign, the CTF questioned all six candidates if they would implement a citizens’ commission review of MLA pay if elected. Then-candidate, now-Premier Alison Redford said:

Yes. Keeping MLA compensation reasonable and determining the exact level through a transparent and accountable process is overdue. The salaries of Alberta’s elected representatives should be treated no differently from voters’ salaries. Within the first 90 days of being elected, I will appoint an independent commission to set MLA pay. The commission will propose a comprehensive pay package that will be accepted by my government. Once in place, future increases will be indexed to inflation to avoid additional political interference.⁹

Mandate

While the Canadian Taxpayers Federation is keeping an open mind towards the current MLA Compensation Review, the mandate forced upon the review ‘committee’ is much too narrow and as such, creates the real potential to jaundice the outcome.

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<http://taxpayer.com/sites/default/files/2008%20Election%20Transition%20Allowance%20estimate%20ovs.%20comparison.pdf>

⁷ Markusoff, J, “MLAs give nod to own pay raises of up to \$42,000; Politicians cite extra committee work,” *The Edmonton Journal*, May 22, 2008.

⁸ McDougall, I, “Honest Ed’ gets and earful. Hundreds decry salary hike for Stelmach and cabinet,” *The Edmonton Sun*, June 14, 2008.

⁹ <http://taxpayer.com/sites/default/files/downloadable/A%20Fiscally%20Conservative%20Premier%20-%20final.pdf> pg.

30.

In order to achieve full independence, the mandate should have been minimal. In fact, the CTF would recommend the committee reject the current mandate and instead follow a simple, open-ended mandate:

Review and make recommendations on any issues relating to Alberta MLA compensation.

Instead, the mandate provided to the MLA Compensation Review Committee by the Members' Services Committee contained one assumption, a nine-point list of areas for review, five required 'benchmarks,' and two expectations.

The most offensive portion of the two page mandate letter is the 'benchmarks.'

The Panel would make appropriate compensation and benefit comparisons to other jurisdictions including:

1. Canadian federal, provincial and territorial parliaments
2. Comparable Commonwealth parliaments
3. Alberta Queen's Bench and Provincial Court Judges
4. Senior public servants in Alberta including provincial, university, municipal, education and health care sectors
5. Others as determined by the panel

It's fair to question why, in the first place, would the Ken Kowalski led MLA committee demand that MLA pay be compared to anyone's, let alone the narrow choice here?

By forcing the committee to compare the compensation for MLAs to individuals, such as Members of Parliament, other "Commonwealth parliaments," highly-paid judges and highly-paid "senior public servants," MLAs will appear to be receiving quite low pay.

On the other hand, had Mr. Kowalski and his MLA committee asked the committee to compare MLA compensation to the compensation of the positions some MLAs left to become elected officials, they could have compared them to bus drivers, farmers, real estate agents, police officers, teachers and nurses. In that comparison, the current MLA pay would appear to be substantially higher.

It's also worth noting that Mr. Kowalski's committee specifically opted to ask the review committee look at "Comparable *Commonwealth* parliaments," [emphasis added] rather than simply, "other elected officials."

Few, if any, Commonwealth parliaments have even remotely similar populations to that of Alberta. In fact, within Canada, only the province of British Columbia (4,592,034) would be within one-million citizens of Alberta (3,798,791).¹⁰ Further, of the 54 "Commonwealth" countries the only one with a population within one-million of Alberta's is New Zealand (4,317,972). A limited comparison, to be sure.

However, a look south of the border would provide us with 11 U.S. states with populations within one-million of Alberta's (South Carolina, Louisiana, Kentucky, Oregon, Oklahoma, Connecticut, Iowa, Mississippi, Arkansas, Kansas and Utah).

Perhaps this 'oversight' is due to the fact that most U.S. states pay their legislators significantly less than MLAs currently make in Alberta.

¹⁰ <http://www.statcan.gc.ca/pub/91-002-x/91-002-x2011003-eng.pdf> pg. 15

Chart 1 – Salary and Per Diem for U.S. State Legislators within One-Million Citizens of Alberta¹¹

State	Population	Annual Salary	Session Per Diem
South Carolina	4,679,230	\$10,400/year	\$119/day for meals and housing for each statewide session day and committee meeting.
Louisiana	4,574,836	\$16,800/year + additional \$6,000/year expense allowance = \$22,800	\$152/day
Kentucky	4,369,356	\$188.22/day = \$68,700/year	\$135.30/day
Oregon	3,871,859	\$21,612/year	\$109/day
Oklahoma	3,791,508	\$38,400/year	\$132/day
Connecticut	3,580,709	\$28,000/year	No per diem is paid.
Iowa	3,062,309	\$25,000/year	\$118/day. \$88.50/day for Polk County legislators. State mileage rates apply.
Mississippi	2,978,512	\$10,000/year	\$109/day
Arkansas	2,937,979	\$15,869 /year	\$136/day, plus mileage.
Kansas	2,871,238	\$88.66/day = \$32,361/year	\$123/day
Utah	2,817,222	\$117/day = \$42,705/year	\$95/day. Lodging allotment for each calendar day, tied to federal rate, \$61/day for meals.

In fact, no U.S. state representative is paid more than an Alberta MLA. The range is from a high in California of \$95,290.56 per year to a low of either New Mexico (\$0 annual salary and a per diem rate of \$153 per day they are in session) or New Hampshire (paid \$200 for every two-year session and no per diem is provided).

¹¹ <http://www.ncsl.org/legislatures-elections/legislators-legislative-staff-data/2011-ncsl-legislator-compensation-table.aspx> Accessed January 18, 2012.

Perhaps it was for this exact reason why only “Commonwealth” countries were required to be examined by the committee.

To be clear, we are not recommending that Alberta MLAs be paid the same as state representatives in New Mexico or New Hampshire. This is intended to clearly demonstrate the calculated decision by Mr. Kowalski’s committee to influence the outcome of the MLA compensation review.

Over-Arching Principles

There are two fundamental principles the CTF believes should be followed when determining elected officials compensation.

The first is that compensation must be transparent.

The second is that rules around compensation should be equivalent to the private sector, or 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.*

How Much Should an MLA Make?

There are three basic schools of thought on this matter. Pay them very little or nothing, pay them a great deal or pay them somewhere in the middle.

Those who favour paying little or nothing believe this ensures their elected officials are doing the job as a “public service” and not for money. Others prefer this because they think that it will make the job of being MLA “part-time” as the person filling the position will have to retain other employment to be able to feed their family. As referenced previously, this type of system is employed in New Hampshire and New Mexico.

Former Calgary Mayor, Rod Sykes, argues in the forward to the book *Take Back City Hall* that increasing political compensation has led to less qualified candidates seeking office because the compensation has created professional politicians thereby replacing “civic duty.”

Benjamin Franklin argued in 1787 that:

Place before the eyes of such men a post of honor, that shall, at the same time, be a place of profit, and they will move heaven and earth to obtain it.

... indeed, in all cases of public service, the less the profit, the greater the honor.

... I think we shall never be without a sufficient number of wise and good men to undertake and execute well and faithfully the office in question.¹²

Those who argue that elected officials should be extremely well compensated, both during their time in office and after, believe that it keeps the politicians from engaging in theft, graft or pandering to potential future employers. This type of system is in place in Singapore where the Prime Minister is paid the equivalent of \$1.75 million (CDN), after recently being reduced by 36%.¹³ This may be one reason why Singapore tied for top spot in *Transparency International's* Corruption Perceptions Index in 2010.¹⁴ However, Canada was not far behind.

In this report the CTF does not recommend radical changes to the way we compensate MLAs. We agree with Benjamin Franklin that ultimately we shall never be short of good people to seek public office, regardless of the compensation. We believe you could significantly reduce or increase the pay for elected officials and the quality of candidate will not significantly change.

In this report, we make various recommendations that neither seek to enrich or impoverish our MLAs, but rather to improve the way we compensate them. If followed, we believe the transparency and accountability of the compensation system will be improved.

¹² <http://www.bartleby.com/268/8/12.html>. Accessed January 23, 2012.

¹³ <http://www.dailymail.co.uk/news/article-2082124/Lee-Hsien-Loong-Singapores-Prime-Minister-earn-1-7m-36-pay-cut.html>. Accessed January 23, 2012.

¹⁴ http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results. Accessed January 23, 2012.

Current Situation

Currently, MLA compensation in Alberta violates both of the over-arching principles laid out above. It is far from transparent and it contains various perks that are generally not available or the norm in the private sector.

Starting with transparency, if an Albertan wanted to know how much a backbench MLA earns, a quick search of the Legislative Assembly website would lead them to believe MLAs make \$78,138.

Snapshot from Legislative Assembly MLA Remuneration Website:¹⁵

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	\$81,312.00
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
Deputy Chair of Committees	\$15,984.00
Leader of a recognized opposition party	\$28,392.00

The problem is it's not remotely true.

For starters, one-third of the base pay for MLAs is tax-free. This means that on the base portion of the salary

¹⁵ <http://www.assembly.ab.ca/lao/hr/MLA/MLA%20Remuneration%20April%202011.htm>. Accessed January 20, 2012.

and “tax-free expense allowance,” the after-tax, take home pay is \$65,614.¹⁶ This alone means that regular Albertans would have to earn \$90,707, to have the same take-home income as the base pay for MLAs.

However, not even one of the 83 MLAs earned only the base MLA salary in 2010-11. In fact, the lowest additional pay of \$36,000 was earned by opposition MLAs Guy Boutilier, Paul Hinman, Rachel Notley and Kevin Taft.¹⁷

This puts the bare minimum pay for MLAs at the full-tax equivalent of \$126,707. However, 79 MLAs earned more – some significantly more. Obviously, the premier is the highest paid, earning an annual full-tax equivalent pay of \$217,897.¹⁸ But it’s little known that due to the 3% roll-back of cabinet minister’s salaries in 2009,¹⁹ the second highest paid MLA is actually a tie between the Speaker and the Leader of the Opposition.

The both receive an annual full-tax equivalent pay of \$200,702.²⁰

Those two are followed by cabinet ministers who receive a full-tax equivalent pay of \$194,305.²¹

After that, the water becomes much murkier.

In 2010-11 the highest paid backbencher was Len Mitzel who collected an additional \$69,984 for serving as Deputy Chair of Committees as well as chairing four committees (including the Montana/Alberta Bilateral Advisory Council) and sitting on three others. Mr. Mitzel received the full-tax equivalent of \$164,267.²²

In essence, backbench and opposition MLAs earn the full-tax equivalent of between \$126,707 and \$164,267, with the average for all MLAs being \$136,486. On average, in 2010-11 MLAs received \$44,506 in additional committee pay.

¹⁶ <http://www.taxtips.ca/calculators/taxcalculator.htm> (After tax calculation of \$52,092 (\$39,568) plus the tax-free expense allowance (\$26,046))

¹⁷ <http://www.treasuryboard.alberta.ca/docs/Selected-Payments-to-MLAs-2010-11.pdf>. Accessed January 20, 2012.

¹⁸ <http://www.taxtips.ca/calculators/taxcalculator.htm> (After tax calculation of \$175,200 (\$118,405) plus the tax-free expense allowance (\$26,046))

¹⁹ <http://taxpayer.com/alberta/ab-reality-check-cabinet-pay-cuts>. Accessed January 22, 2012.

²⁰ <http://www.taxtips.ca/calculators/taxcalculator.htm> (After tax calculation of \$158,004 (\$107,916) plus the tax-free expense allowance (\$26,046))

²¹ <http://www.taxtips.ca/calculators/taxcalculator.htm> (After tax calculation of \$151,608 (\$104,014) plus the tax-free expense allowance (\$26,046))

²² <http://www.taxtips.ca/calculators/taxcalculator.htm> (After tax calculation of \$122,076 (\$85,690) plus the tax-free expense allowance (\$26,046))

Chart 2 – Current Compensation for Alberta MLAs (excluding RRSP allowance)

Position	Official Pay	Full-Tax Equivalent Pay
Premier	\$201,246	\$217,897
Speaker & Official Opposition Leader	\$184,050	\$200,702
Cabinet Minister	\$177,654	\$194,305
Backbench MLA (high)	\$148,122	\$164,267
Average MLA	\$122,644	\$136,486
Backbench MLA (low)	\$114,138	\$126,707

Knowing where any given opposition or backbench MLA fits within that \$37,560 range is a task in and of itself.

In addition to the various official statutory payments there are dozens of committees, with different payments depending on the type.

There are three main types of committees:

1. Legislative committees
2. Cabinet Policy committees
3. Government committees

Opposition and government MLAs both serve on Legislative committees, however, only government backbenchers and cabinet ministers serve on Cabinet Policy committees and government committees.

Legislative committees

While Legislative committees are one subset of committees, there are four types of committees within this subset. Category A, Category B and Category C as well as one-off special committees.

Whether a committee meets once a week or once a year, members are paid \$12,000 per year (\$1,000 per month) for serving on any of the Category A or C committee, \$15,000 for being a vice-chair and \$18,000 for being the chair. There is a \$42,000 annual maximum for serving on these committees.

Despite there being a complex pay grid depending on the length of the meeting for Category B committees, there are no Category B committees.

Snapshot from Legislative Assembly MLA Remuneration Website:²³

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

Category B Committees:
(none at this time)

Special or one-off committees, such as the Select Special Information and Privacy Commissioner Search Committee or the Select Special Chief Electoral Officer Search Committee are created from time-to-time, but it's unclear as to how much MLAs are paid to sit on these committees, if anything.

Cabinet Policy Committees

There are five Cabinet Policy Committees (CPC). As mentioned previously, only backbench government MLAs and cabinet ministers sit on these committees.

The pay for sitting on these committees is slightly different than Legislative committees, with the chair of any CPC being paid \$30,000 annually (\$2,500 per month), but then is not eligible to collect any more for sitting on any additional CPCs.²⁴

A backbench MLA who sits on a CPC is paid \$12,000 per year (\$1,000 per month), with the maximum being \$18,000 per year if the MLA sits on more than one CPC.

²³ <http://www.assembly.ab.ca/lao/hr/MLA/MLA%20Remuneration%20April%202011.htm>. Accessed January 20, 2012.

²⁴ http://www.qp.alberta.ca/documents/orders/orders_in_council/2011/1011/2011_450.html. Accessed January 21, 2012.

Government Committees

There are three primary government committees: Treasury Board, Agendas and Priorities and the Operations Committee. Primarily cabinet ministers make up the bulk of these committees, but there are a handful of backbench government MLAs on each of them.

Cabinet ministers are paid an additional \$35,604 per year (\$2,967 per month) for sitting on any CPC or government committees (which they all do). The premier is paid an additional \$41,796 per year (\$3,483 per month) for sitting on any committee.

Parliamentary Assistants

Despite Parliamentary Assistants having to be sworn in, much like cabinet ministers, there is no official compensation listed for them on the Legislative Assembly website. Parliamentary Assistants are to be paid \$15,000 per year (\$1,250 per month) unless they also sit on a CPC as well, then they can receive an additional \$12,000 per year (\$1,000 per month) bringing their additional pay up to \$27,000 per year.

Government Appointments

At the digression of the premier, any backbench MLA can be appointed to lead up a commission, council, secretariat or serve on a one-time committee.

The compensation for these additional government appointments are generally not known and only available when 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"²⁵ is released.

Although, if they have maxed out their compensation because of a combination of being a Parliamentary Assistant, chair of a CPC or having sat on more than one CPC, they cannot be paid for additional appointments.

The Government Discovers the Internet in 2011

The only document that contains both the annual pension payments to retired MLAs as well as the detailed and complex remuneration for current MLAs is 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." This report is not normally made public until the fall session following a fiscal year (ie. it's often released in October or November for the fiscal year that ended in the previous April). However, the report has, at times, not been released until the spring session the year following (ie. released in February, nine months following the end of the fiscal year). Until the fall of 2011, this document was only available in the Legislature Library in Edmonton with copies only available if a person photocopies the document themselves in the library and pays the associated fees. The CTF photocopied, scanned and converted the 2009-10 report into a searchable pdf document which was made available on its website. For the first time in 2011, the 2010-11 report is available on the Treasury Board website.

²⁵ <http://www.treasuryboard.alberta.ca/docs/Selected-Payments-to-MLAs-2010-11.pdf>. Accessed January 20, 2012.

How to figure out how much a backbench government MLA is making...

Just for the sake of an example, let's look at Calgary-Bow MLA Alana DeLong. If you wanted to know how much Ms. DeLong was making currently, you would likely start by looking at the MLA remuneration section on the Legislative Assembly website.

There you would learn she was getting \$52,092 as her "MLA indemnity" and a \$26,046 "MLA Tax Free Allowance."

However, if you checked out Ms. DeLong's biography on the Legislative Assembly website, you would see her additional duties:

Ms. DeLong is parliamentary assistant for Seniors and chairs the Seniors Advisory Council for Alberta. She is also a Member on each of the following Committees: Cabinet Policy Committee on Public Health & 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. She is also assigned to the Pacific North West Economic Region Committee and as such co-chaired the 2010 PNWER Calgary Summit Host Committee.²⁶

If you happened to notice on the MLA remuneration website that there were additional payments for committees and that only three of her committees fell within the Category A or C of Legislative committees, serving on three committees would indicate she would be in line for an additional \$3,000 per month (\$36,000 per year).

That would leave her additional duties of being a Parliamentary Assistant, chairing the Seniors Advisory Council, being a member of the CPC for Public Health & Safety and her duties on the Pacific North West Economic Region Committee.

Unfortunately, nowhere on the Legislative Assembly website does it list additional pay for any of these duties.

For that you would have to know to search the hundreds of Orders-in-Council on the Queen's Printers website.

If you miraculously were able to find O.C. 450/2011

(http://www.qp.alberta.ca/documents/orders/orders_in_council/2011/1011/2011_450.html) you would be able to read that:

(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.

Meaning that because Ms. DeLong is both a Parliamentary Assistant and serves on a CPC, she's eligible for an additional \$2,250 per month or \$27,000 per year.

²⁶ http://www.assembly.ab.ca/net/index.aspx?p=mla_bio&rnumber=02. Accessed January 23, 2012.

However, the last line in Section 2 of the Order-in-Council "but is not eligible to receive any other fees for serving on any other committee," might confuse you as you know she serves on various Legislative committees. It requires you to have read and understood Section 1:

- 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.

This also means that because Ms. DeLong is a Parliamentary Assistant and sits on a CPC, she is not eligible to receive additional compensation for her positions as Chair of the Seniors Advisory Council or on the Pacific North West Economic Region Committee.

In total, you would add together \$52,092 + \$26,046 + \$36,000 + \$27,000 to come up with \$141,138.

However, the \$26,046 is tax-free, so the \$141,138 figure still wouldn't give you an accurate picture of Ms. DeLong's compensation. For that you would have to know how to gross-up the salary, which few people would be able to calculate.

For the record, it's the full-tax equivalent of: \$156,939.

Of course, this is based on her holding all these same positions from April 1, 2011 to March 31, 2012, which we know not to be true, as she was only appointed the Parliamentary Assistant for Seniors in October. In short we won't know how much Ms. DeLong is currently making until the fall of 2012.

Tax-Free Pay

Starting as far back as 1947 (1945 for Members of Parliament), elected officials in Canada have been able to claim one-third of their salaries tax-free – a perk reserved only for politicians.²⁷

Technically, the tax-free salary is called an “expense allowance,” as it was intended to compensate elected officials for costs they incurred that were otherwise not covered by existing expense allowances. These costs might include meals, transportation, parking, flights, security for their homes, temporary accommodations, etc.

Over the years, MLAs in Alberta as well as most elected officials have been provided with receipt-able and non-receipt-able expense reimbursements to cover off extraordinary costs.

For example, MLAs whose primary residences are further than 60 km away from the Legislature Building in Edmonton, may get a temporary residence in Edmonton for which they are compensated \$189 per day the Legislature is sitting.²⁹ If they own or lease a secondary residence in Edmonton, they can automatically receive up to \$1,890 per month. This equals out to \$22,680 per year.

MLAs from outside of Edmonton can also claim meal costs. In 2010-11 six MLAs claimed \$0 in for their subsistence allowance and an additional 16 MLAs claimed amounts that were under \$2,000. The other 61 MLAs claimed on average \$31,942 for meals and temporary residence.³⁰

In total, for those 61 MLAs outside of the Edmonton region, a total of \$1.9 million was paid for their meals and temporary residence in 2010-11.

As for travel costs, MLAs “are entitled to unlimited regularly scheduled air travel between their constituencies or normal places of residence and Edmonton,”³¹ as well as reimbursement for the cost of “fuel, oil, lubrication

In Theory...

In theory, an out-of-town MLA could purchase a \$200,000 condominium with a monthly mortgage payment of \$1,890 per month and have that condo completely paid off in less than 12 years²⁸ or three terms as MLA using their temporary allowance payment. After which the MLA would be the full owner a potentially \$200,000 asset that was paid for by taxpayers.

²⁷ <http://www.parl.gc.ca/parlinfo/lists/Salaries.aspx?Menu=HOC-Politic&Section=03d93c58-f843-49b3-9653-84275c23f3fb>. Accessed January 21, 2012.

²⁸ <https://www.rbcroyalbank.com/cgi-bin/mortgage/mpc/start.cgi/start>. Calculation based on a 5% interest rate

²⁹

http://www.assembly.ab.ca/lao/MembersGuide/6_ALLOWANCES%20AND%20SERVICES_ALLOWANCES%20AND%20SERVICES.pdf pg. 24. Accessed January 21, 2012.

http://www.assembly.ab.ca/ISYS/LADDAR_files/docs/committees/ms/legislature_27/session_4/20111116_1000_01_ms.pdf pg. MS-160. Accessed January 21, 2012.

³⁰ Kleiss, K, *Edmonton Journal* <https://opendata.socrata.com/dataset/MLA-Pay/38qd-gac2>. Accessed January 22, 2012. Calculations by author.

In Theory...

In theory, a rural MLA from the Calgary region could bill taxpayers for 52 return trips to the Alberta Legislature amounting to 650 km each time (33,800 km total) in a year, plus the 80,000 km maximum for driving around their constituency (113,800 km total). At \$0.37 per km that would provide them with \$42,106 annually.

In theory, they could purchase a \$42,000 vehicle and have it completely paid off in one year from their mileage (remember, all their gas, oil changes, car washes and two full car detailings per year are reimbursed on top of this). In theory, they could sell this one-year old vehicle, albeit with 113,800 km on it, for roughly \$25,000, which would be their profit.

fluid, antifreeze, gas line antifreeze, transmission fluid, brake fluid, steering fluid, windshield washer fluid and car washing and waxing, including labour. Members may have two reasonably priced detailing services done during each fiscal year.³²

In addition to having virtually their entire vehicle costs reimbursed, they are able to claim \$0.37 per kilometer up to 80,000 km per year for rural constituencies and 35,000 km for urban constituencies. The first 18,000 km and 10,000 km, respectively, do not require any proof or receipts.³³

This means that in addition to not having to pay for gas, oil changes, window washer fluid or car washes, rural MLAs can claim up to \$29,600 in car expenses. Urban MLAs can claim up to \$12,950. Additionally, MLAs can claim \$0.37 per kilometer for up to 52 return trips to their constituency. On average, MLAs claimed \$24,654 on travel costs as part of their MLA duties.³⁴

MLAs are also provided with an underground, heated parking spot, at the Legislature at no charge.³⁵ Frequent flyer miles (areoplan miles, air miles, etc.) are retained by the MLA and can be used for personal travel.³⁶

Ultimately, due to these many and generous expense allowances, the need for MLAs to have an additional \$26,046 as a tax-free "expense allowance," is completely unnecessary.

Furthermore, this perk ends up masking the true compensation level of MLAs, violating the basic principle of transparency. Elected officials are able to advertise a lower salary than they actually enjoy. When reported by

³¹

http://www.assembly.ab.ca/lao/MembersGuide/6_ALLOWANCES%20AND%20SERVICES_ALLOWANCES%20AND%20SERVICES.pdf. Pg. 25. Accessed January 21, 2012.

³²

http://www.assembly.ab.ca/lao/MembersGuide/6_ALLOWANCES%20AND%20SERVICES_ALLOWANCES%20AND%20SERVICES.pdf. Pg. 26. Accessed January 21, 2012.

³³

http://www.assembly.ab.ca/lao/MembersGuide/6_ALLOWANCES%20AND%20SERVICES_ALLOWANCES%20AND%20SERVICES.pdf. Pg. 27. Accessed January 21, 2012.

³⁴ Kleiss, K, *Edmonton Journal* <https://opendata.socrata.com/dataset/MLA-Pay/38qd-gac2>. Accessed January 22, 2012. Calculations by author.

³⁵

http://www.assembly.ab.ca/lao/MembersGuide/6_ALLOWANCES%20AND%20SERVICES_ALLOWANCES%20AND%20SERVICES.pdf. Pg. 52. Accessed January 21, 2012.

³⁶

http://www.assembly.ab.ca/lao/MembersGuide/6_ALLOWANCES%20AND%20SERVICES_ALLOWANCES%20AND%20SERVICES.pdf. Pg. 26. Accessed January 21, 2012.

the media, many will explain that one-third of the salary is tax-free, but few taxpayers are able to quickly quantify or understand the significance of this subsidy.

Moreover, potential candidates may also not understand the impact of this outdated perk and believe that MLAs are compensated less than what they really are.

Fundamentally, having a perk that allows elected officials to avoid paying all of the taxes they levy upon Albertans seems hypocritical and violates the second basic principle of compensation of not providing perks to MLAs that are not normally available in the private sector.

Lastly, Alberta is one of only a few jurisdictions left in Canada to retain this tax-free status. Only Quebec, Northwest Territories, Yukon and Alberta still provide their provincial representatives this tax-free perk. Alberta is the only one of the four that places it at the legal maximum of 33.3%. Yukon's is at 16.1%, Quebec's is at 15.5% and Northwest Territories set theirs at 6.7% and 12.6% depending on where the MLA lives.³⁷

Even within Alberta, the City of Calgary and the Calgary Board of Education have eliminated the tax-free portions of their elected officials pay, based on CTF recommendations.

Not discussed in this report, but there are also Legislature and constituency office budgets for each MLA.

Due to recent politician expense scandals in Newfoundland and Labrador, Nova Scotia and over in the UK, increased transparency is being demanded of how our elected officials spend tax dollars on their expenses.

During the recent Alberta PC leadership election, the CTF questioned all six candidates if they would agree to put copies of all MLA and ministerial expenses and receipts on-line as done in the City of Toronto? Then-candidate, now-premier Alison Redford's response was:

Yes. Greater transparency in government is needed and Albertans have the right to know how MLAs are spending their tax dollars.³⁸

CTF Recommendation: Gross-up MLA pay and eliminate the tax-free "expense allowance," thereby creating a fully-taxable salary.

CTF Recommendation: Eliminate re-imbusement for fuel, oil changes, car washes, etc. and only provide MLAs with the \$0.37 per kilometer reimbursement for using their own private vehicle for MLA business.

CTF Recommendation: Follow the City of Toronto's lead and place scanned receipts and itemized expense claims for MLA and cabinet expenses on-line.

³⁷ <http://www.assembly.ab.ca/lao/hr/MLA/Cross%20Canada%20Member%20Indemnity%20-%20as%20of%20April%201,%202011.pdf>. Accessed January 22, 2012.

³⁸ <http://taxpayer.com/sites/default/files/downloadable/A%20Fiscally%20Conservative%20Premier%20-%20final.pdf>. Pg. 32. Accessed January 23, 2012.

Committee Pay

As established on pages 13 to 15 the additional pay received by MLAs for serving on various Legislature or government committees is very significant. Yet, it hasn't always been that way.

Until May 21, 2008, the additional pay received by MLAs for serving on committees amounted to significantly less. In fact, for committee pay alone the average backbench MLA earned an additional \$22,368.³⁹ If that number was adjusted by the increase in Average Weekly Earnings of Albertans, it would be \$26,115 starting on April 1, 2012.

To further the example on pages 16-17 for Calgary-Bow MLA Alana DeLong; she currently receives \$63,000 in additional committee pay. In 2007-08 she received \$12,086.

Alana DeLong Compensation 2007-08⁴⁰

A. DeLong	
1. Remuneration and Benefits:	
	<u>2007-08</u>
MLA indemnity:	
Statutory amount paid to an MLA which is subject to tax	\$ 49,836
RRSP allowance, subject to tax	9,500
Expense allowance:	
Allowance not subject to tax, to pay for expenses incidental to the discharge of an MLA's duties	24,918
Fees:	
Amounts paid for serving as Chair of Standing Committee of the Legislative Assembly	4,608
Amounts paid for serving on Standing Committees of the Legislative Assembly	2,001
Amounts paid for serving on Regulatory Review Secretariat	5,477
Amounts paid for serving as Co-Chair of Alberta Life Sciences Institute	-
Amounts paid for serving on Pacific NorthWest Economic Region	-
Amounts paid for serving on Cabinet Policy Committees	-
Benefits:	
Standard employer contributions to the Canada Pension Plan, Alberta Health Care, Alberta Blue Cross, group life insurance, dental coverage, etc.	7,206
	<u>\$ 103,546</u>

Prior to May 28, 2008 cabinet ministers and the premier were not provided with any additional pay for serving on committees like Treasury Board or a CPC, however, they are now provided with \$35,604 and \$41,796 respectively.

³⁹ Legislative Assembly, "Report of Selected Payments to the Members and Former Members of the Legislative Assembly and Persons Directly Associated with Members of the Legislative Assembly, 2007-08." Author calculation.

⁴⁰ Legislative Assembly, "Report of Selected Payments to the Members and Former Members of the Legislative Assembly and Persons Directly Associated with Members of the Legislative Assembly, 2007-08," pg. 29.

Premier Stelmach's compensation 2007-08⁴¹

Honourable E. Stelmach	
1. Remuneration and Benefits:	
	<u>2007-08</u>
MLA indemnity:	
Statutory amount paid to an MLA which is subject to tax	\$ 49,836
RRSP allowance, subject to tax	9,500
Expense allowance:	
Allowance not subject to tax, to pay for expenses incidental to the discharge of an MLA's duties	24,918
Fees:	
Amounts paid for serving as Vice-Chair of Treasury Board	-
Amounts paid for serving as Chair of Agenda and Priorities Committee	-
Statutory salary:	
The statutory amount paid to an MLA who holds an office in addition to that of an MLA, including Premier, Minister, Leader of the Official Opposition, Leader of a recognized Opposition party, etc.	77,784
Benefits:	
Standard employer contributions to the Canada Pension Plan, Alberta Health Care, Alberta Blue Cross, group life insurance, dental coverage, etc.	8,323
	<u>\$ 170,361</u>

Premier Stelmach's compensation 2008-09⁴²

Honourable E. Stelmach	
1. Remuneration and Benefits:	
	<u>2008-09</u>
MLA indemnity:	
Statutory amount paid to an MLA which is subject to tax	\$ 52,092
RRSP allowance, subject to tax	10,000
Expense allowance:	
Allowance not subject to tax, to pay for expenses incidental to the discharge of an MLA's duties	26,046
Fees:	
Amounts paid for serving as Chair of the Agenda and Priorities Committee and Vice-Chair of the Treasury Board	45,592
Amounts paid for serving as Vice-President of the Alberta Branch of the Commonwealth Parliamentary	-
Statutory salary:	
The statutory amount paid to an MLA who holds an office in addition to that of an MLA, including Premier, Minister, Leader of the Official Opposition, Leader of a recognized Opposition party, etc.	81,312
Benefits:	
Standard employer contributions to the Canada Pension Plan, Alberta Health Care, Alberta Blue Cross, group life insurance, dental coverage, etc.	9,536
	<u>\$ 224,578</u>

⁴¹ Legislative Assembly, "Report of Selected Payments to the Members and Former Members of the Legislative Assembly and Persons Directly Associated with Members of the Legislative Assembly, 2007-08," pg. 29.

⁴² Legislative Assembly, "Report of Selected Payments to the Members and Former Members of the Legislative Assembly and Persons Directly Associated with Members of the Legislative Assembly, 2008-09," pg. 75.

Fundamentally, the job of MLA is different than working as a baker, barber or candlestick maker, as it is not a 9-5 job where upon leaving work they are no longer expected to carry out the duties of their profession. A baker is not stopped on the street on a Sunday evening and asked to produce a loaf of bread, but an MLA could be stopped on the street on a Sunday evening and be asked questions about a recent bill or upcoming budget.

As such, compensating them, sometimes extremely generously, for serving on a committee that may or may not meet regularly, but not compensating them for meeting with constituents or attending community meetings, sends the message that MLAs only work when they are in the Legislature. This is wrong-headed and simply not true.

Moreover, even if it was felt that sitting on these additional committees required additional compensation, it is absurd that the pay is based on a monthly stipend, rather than for actually attending the meeting.

'Best Committee Ever': The Standing Committee on Privileges and Elections, Standing Orders and Printing currently has a full one-quarter of the entire Legislative Assembly (21 MLAs) serving on it. Each of these MLAs are eligible to collect a minimum of \$12,000 per year for doing so, with the vice-chair (Mr. Snelgrove) and chair (Mr. Prins) 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 and five times in 2008, but zero times since.

In 2011-12 alone, \$261,000 will be paid out to MLAs for 'serving' on this committee that never once met.

It is clear that the changes to committee pay in 2008 were nothing more than a thinly veiled pay hike. Much like the changes to the transition allowance in 1998 and 2001, it was a pay hike that was done without the recommendation of a citizens' panel or the support of Albertans.

Chart 3 - 2008 Cabinet Pay Hike & 2009 Cabinet Pay Cut

April 1, 2008 - May 28, 2008		
	premier	cabinet
MLA base pay	\$52,092	\$52,092
tax-free portion	\$26,046	\$26,046
premier/cabinet pay	\$81,312	\$63,912
committee pay	\$0	\$0
Total	\$159,450	\$142,050
Total Full-Tax Equivalent	\$176,138	\$158,349
May 28, 2008 - October 14, 2009		
	premier	cabinet
MLA base pay	\$52,092	\$52,092
tax-free portion	\$26,046	\$26,046
premier/cabinet pay	\$81,312	\$63,912
committee pay	\$54,000	\$42,000
Total	\$213,450	\$184,050
Total Full-Tax Equivalent	\$230,102	\$200,702
Pay hike	30.6%	26.7%
October 15, 2009		
	premier	cabinet
MLA base pay	\$52,092	\$52,092
tax-free portion	\$26,046	\$26,046
premier/cabinet pay	\$81,312	\$63,912
committee pay	\$41,796	\$35,604
Total	\$201,246	\$177,654
Total Full-Tax Equivalent	\$217,899	\$194,307
Pay cut	-5.3%	-3.2%
Increase over 2008	23.7%	22.7%

CTF Recommendation: Add an additional \$26,115 to the base MLA pay in lieu of committee pay starting April 1, 2012 and ban MLAs from collecting any additional pay for serving or chairing any Legislative or government committee, including all secretariats, Parliamentary Assistants, commissions and additional positions.

CTF Recommendation: Reduce the statutory payments for serving as premier, cabinet minister, speaker or opposition leader by \$26,115 to reflect the addition to the base pay and the pre-2008 policy that indicated that their additional statutory pay covered all committee work.

Annual Adjustments

Since 1998, MLAs have had their compensation increased each year on April 1st based on the January to January change in *Average Weekly Earnings (AWE)* of Albertans (as calculated by Stats Canada). They opted to freeze their pay in 2009 following the 30% pay hike they voted for themselves. As such, the base pay and statutory payments for serving as premier, cabinet minister, opposition leader, etc. have also been frozen since.

The Canadian Taxpayers Federation was supportive in the past of the system of annual compensation adjustment, thanks to its transparency, hands-off approach and reflection of the economic reality of Albertans.

Allowing MLAs to adjust their pay as they see fit is a clear conflict of interest and should be illegal. Also, allowing so-called expert, independent or non-partisan committees to occasionally adjust council salaries opens the door to the possibility of political meddling (see section on Mandate on page 6). Our preference is that a truly independent, citizens' assembly of randomly selected Albertans make recommendations on MLA compensation. If the changes are significant, the option for citizens to launch a petition drive and put it on the ballot should be available.

Regardless, had MLAs continued to adjust their pay in 2009, 2010, 2011 and for 2012 it would have increased to a base pay of \$91,229, with one-third of that still being tax-free.⁴³

Taking into consideration our previous recommendations to gross-up and eliminate the tax-free "expense allowance," eliminate all committee or additional (non-statutory) pay and instead replace it with a higher base pay, reduce cabinet and premier statutory pay by the same amount as the additional base pay in lieu of committee pay, how much should we be paying MLAs?

Chart 4 – Proposed Compensation for Alberta MLAs as of April 1, 2012

Position	Full-Taxable Pay
Premier	\$203,392
Speaker & Official Opposition Leader	\$183,077
Cabinet Minister	\$183,077
Backbench MLA	\$134,572

There is a fair debate over whether MLA compensation should be adjusted by the Average Weekly Earnings (AWE) of Albertans or by Alberta's inflation rate (Consumer Price Index or CPI).

⁴³ Authors calculation based on Average Weekly Earnings increases. Assumption of 2.44% increase in 2011. Figures not available yet.

Both are transparent and are calculated by an independent third-party (Statistics Canada), making them both good candidates as an adjustment factor.

Historically, changes to AWE and CPI have tended to be fairly close, however, over the past three or four years, the CPI has been much lower than AWE.

Chart 5 – Change in Average Weekly Earnings of Albertans (AWE) vs. Change in Alberta’s Inflation (CPI)

Year	AWE	CPI*	Difference
2000	3.34%	3.49%	-0.15%
2001	2.81%	2.27%	0.54%
2002	2.25%	3.47%	-1.22%
2003	1.36%	4.46%	-3.10%
2004	3.17%	1.41%	1.76%
2005	5.23%	2.14%	3.09%
2006	4.92%	3.88%	1.04%
2007	4.53%	4.93%	-0.40%
2008	5.93%	3.18%	2.75%
2009	2.92%	-0.13%	3.05%
2010	4.54%	1.00%	3.54%
2011	N/A	2.44%	N/A

* CPI calculation based on 12-month rolling average from December to December

Public sector unions often use MLA pay adjustments as ammunition for their own wage demands. While there is little justification to increase the pay for 100,000 public sector workers in the province based on the increase given to 83 people, that doesn't stop the comparison from being made.

Two days after the CTF revealed the 30% MLA pay hike in 2008, the then Alberta Union of Provincial Employees (AUPE) president, Doug Knight said: "We are still at the bargaining table... We are hopeful of getting an agreement next week considering the raises they just gave themselves."⁴⁴

In recent years where AWE changes have been considerably higher than inflation, the case can be made for moving full-time to adjusting MLA wages by the CPI. However, in years when the CPI was higher than the AWE, the political optics of taking the higher number would not be changed.

Considering the political pressure that is placed upon the annual adjustments, perhaps it would be wise to adjust MLA pay each year by the lesser of the change in Average Weekly Earnings or the Consumer Price Index.

CTF Recommendation: Begin on April 1, 2012 once again annually adjusting base MLA remuneration and additional statutory salary by the lesser of the 12-month rolling average change in Average Weekly Earnings of Albertans or the 12-month rolling average change in Alberta's Consumer Price Index (inflation).

CTF Recommendation: Create a fully-taxable base pay for all MLAs of \$134,572, with additional pay for serving as a cabinet minister, speaker or leader of the official opposition of \$48,504 (\$183,007 total) and an additional \$68,819 (\$203,392 total) for the premier.

Retirement Benefits

Currently there are two significant retirement benefits for MLAs, the RRSP contribution and the transition allowance.

Pension

As detailed on page 5, former Premier Ralph Klein eliminated MLA pensions in 1993, retroactive to 1989. However, three decisions by the Members' Services Committee in 1998 and 2001 created significant retirement payments to MLAs.

One of those decisions in 2001 was to create a RRSP contribution for MLAs. It is calculated at 50% of the maximum allowable RRSP contribution. In 2011 the maximum is \$22,450, meaning MLAs receive \$11,225 each towards their own retirement funds.

Those elected in 2001 or prior have received a total of \$97,975 in RRSP contributions over the past decade. This payment is tax-able, however, once invested into an RRSP it becomes tax-deductible.

The payment is not required to be placed into an RRSP account.

⁴⁴ Daliesio, R, "Alberta Tories under fire for 'arrogance' of pay hikes," *Calgary Herald*, May 31, 2008 (http://www.canada.com/story_print.html?id=e39db765-f9cc-403d-848b-a1fab78796e3&sponsor=). Accessed January 22, 2012.

MLAs are also not required to match the payment.

As such, this can be viewed as additional pay, rather than a retirement benefit.

The CTF is proud of its hard-fought battle to eliminate the old gold-plated MLA pension plan and we will strongly oppose any recommendations to re-introduce any similar defined-benefit pension plan for MLAs.

However, we're not opposed to a dollar-for-dollar matching defined-contribution or group RRSP plan.

CTF Recommendation: Create an optional group RRSP for MLAs where the government will match dollar-for-dollar contributions from MLAs to a maximum of the RRSP contribution limit. Alternatively, allow MLAs to optionally enroll into the new Pooled Retirement Pension Plan (PRPP) recently created by the federal government. MLAs who opt-out of the retirement plan should not be paid the government contribution as cash.

Transition Allowance

Prior to 1998 retiring or defeated MLAs were able to access a "re-establishment allowance." That allowance was equivalent to one month of their highest base MLA salary for every year served, with a minimum of six months and a maximum of 12 months.

On October 5, 1998 the Members' Services Committee doubled the size of the payments and re-branded it a "transition allowance." Post-1998, the "transition allowance" was based on two month's base salary for every year served, with no minimum and a doubled maximum of up to 24 month's pay.⁴⁵

In Theory...

In theory, a long-term MLA who spent their last three or four years in cabinet or as premier and was retiring could be eligible to collect a \$1 million "transition allowance." If this MLA was age 65, they could spread the collection of that allowance over 20 years to age 85 with annual payments of \$50,000. Sounds a bit like a pension.

On August 7, 2001, less than three years after doubling the "transition allowance," Mr. Kowalski's committee was back at it, increasing the calculation to three month's salary for every year served. No longer was the salary calculation done on only the base MLA salary – any additional committee pay, statutory pay and, incredibly, even RRSP allowances were included. And fret not for those who may have been dropped from cabinet and were in the back-benches; the calculation was based on the three highest years of pay, not just the recent one. Lastly, much like a defined-benefit pension plan, a death benefit was created ensuring the family of a deceased MLA would be provided the full "transition allowance."

⁴⁵

http://www.assembly.ab.ca/ISYS/LADDAR_files/docs/committees/ms/legislature_24/session_2/19981005_1200_01_ms.pdf. Accessed January 22, 2012.

Originally the “re-establishment allowance” and “transition allowance” could be taken over a maximum of four years, but that was amended sometime after 2007 to allow for MLAs to take the payment over as many years as they want.

While admittedly still cheaper for taxpayers than a gold-plated defined-benefit pension plan, it’s debatable whether this was meant originally as a retirement payment. If so, why was the RRSP allowance also created?

If it was intended to be a severance payment, it’s out of line with both public expectations and private sector norms.

The principle that governs severance in the private sector suggests that those terminated with just cause should not be eligible for compensation. It is the CTF’s view that when voters choose to defeat an incumbent they do so with just cause, and therefore have no obligation to pay severance to the member in whom they no longer have confidence. Of course, someone retiring or resigning their position in the private sector would also not be eligible for a severance payment.

Alternatively, being an MLA could be viewed as being hired for a maximum five year contract with options for renewal upon the calling of a new election. In the private sector, if a contract is not renewed, severance isn’t necessary, as the terms of the contract were known when signed.

Chart 6 – CTF Estimated Transition Allowances for Currently Known Retiring MLAs in 2012

Name	Party	Estimated Transition Allowance*
Ken Kowalski	PC	\$1,189,000
Ed Stelmach	PC	\$991,000
Rob Renner	PC	\$872,000
Barry McFarland	PC	\$720,000
Iris Evans	PC	\$698,000
Janis Tarchuk	PC	\$645,000
Richard Marz	PC	\$544,000
Mel Knight	PC	\$512,000
Lloyd Snelgrove	PC	\$512,000
Hugh MacDonald	LIB	\$491,000
Kevin Taft	LIB	\$405,000
Ron Liepert	PC	\$348,000
George Groeneveld	PC	\$312,000
Fred Lindsay	PC	\$309,000
Arthur Johnston	PC	\$261,000

Dave Taylor	AB	\$231,000
Harry Chase	LIB	\$229,000
Lindsay Blackett	PC	\$183,000
Broyce Jacobs	PC	\$147,000
Doug Elniski	PC	\$146,000
Ken Allred	PC	\$131,000
Total		\$9,876,000
* Estimate based on publicly available information for a theoretical April 1, 2012 election		

Chart 7 - Estimated Transition Allowances for MLAs Currently Expected to Run for Re-Election in 2012

Name	Party	Estimated Transition Allowance*
Gene Zwozdesky	PC	\$871,000
Yvonne Fritz	PC	\$870,000
Ty Lund	PC	\$828,000
Pearl Calahasen	PC	\$809,000
David Hancock	PC	\$713,000
Moe Amery	PC	\$628,000
Heather Forsyth	WAP	\$625,000
Wayne Cao	PC	\$545,000
Laurie Blakeman	LIB	\$531,000
Mary Anne Jablonski	PC	\$529,000
Guy Boutilier	WAP	\$525,000
Ray Danyluk	PC	\$523,000
Cindy Ady	PC	\$512,000
Hector Goudreau	PC	\$512,000
Luke Ouellette	PC	\$512,000
Doug Horner	PC	\$504,000
Ted Morton	PC	\$503,000
Thomas Lukaszuk	PC	\$483,000

George VanderBurg	PC	\$405,000
Alana DeLong	PC	\$390,000
Brian Mason	NDP	\$385,000
Doug Griffiths	PC	\$338,000
David Swann	LIB	\$334,000
Frank Oberle	PC	\$331,000
Len Webber	PC	\$313,000
Neil Brown	PC	\$273,000
Leonard Mitzel	PC	\$273,000
Ray Prins	PC	\$272,000
George Rogers	PC	\$266,000
David Rodney	PC	\$257,000
Bridget Pastoor	PC	\$232,000
Jack Hayden	PC	\$227,000
Heather Klimchuk	PC	\$193,000
Alison Redford	PC	\$179,000
Jonathan Denis	PC	\$175,000
Robin Campbell	PC	\$154,000
Cal Dallas	PC	\$149,000
Manmeet Bhullar	PC	\$148,000
Arno Doerksen	PC	\$148,000
Greg Weadick	PC	\$147,000
Wayne Drysdale	PC	\$146,000
Evan Berger	PC	\$145,000
Fred Horne	PC	\$145,000
Verlyn Olson	PC	\$145,000
Kyle Fawcett	PC	\$144,000
Genia Leskiw	PC	\$144,000
Diana McQueen	PC	\$144,000
Tony Vandermeer	PC	\$143,000

Naresh Bhardwaj	PC	\$142,000
Jeff Johnson	PC	\$142,000
David Quest	PC	\$142,000
Teresa Woo-Paw	PC	\$142,000
Janice Sarich	PC	\$140,000
Carl Benito	PC	\$139,000
Raj Sherman	LIB	\$138,000
Peter Sandu	PC	\$137,000
Rob Anderson	WAP	\$137,000
David Xiao	PC	\$136,000
Kent Hehr	LIB	\$130,000
Darshan Kang	LIB	\$130,000
Rachel Notley	NDP	\$127,000
Paul Hinman	WAP	\$76,000
Total		\$19,626,000
* Estimate based on publicly available information for a theoretical April 1, 2012 election		

If an election were held on April 1, 2012, the CTF estimates the total cost to retire all 83 MLAs would be roughly \$29.5 million. The 21 retiring MLAs, could be walking away with transition allowances totaling \$9.9 million.

CTF Recommendation: The “transition allowance” be completely eliminated.

Health Benefits

MLAs have access to group-benefit health coverage for dental, prescription drugs, eye exams and “vision care,” psychologists, hospital stays, home nursing care and travel insurance.⁴⁶ MLAs also have life and disability insurance.

Basic coverage is completely paid for by taxpayers with extended benefits provided on a cost-shared basis.

⁴⁶

http://www.assembly.ab.ca/lao/MembersGuide/5_REMUNERATION%20AND%20BENEFITS_REMUNERATION%20AND%20BENEFITS.pdf. Pg. 18-19. Accessed January 23, 2012.

In 2010-11 on average, each MLA's health benefit coverage cost taxpayers \$8,255.

For the most part, this health plan coverage is not out of the ordinary for public or private sector employees.

However, there is one more health benefit of note. It is the "Extended Benefits Option."

Basically, provided they are under the age of 70, MLAs can stay on the Legislature group health coverage after they retire or are defeated in an election. Incredibly, taxpayers will continue to pick up the tab for five years. After five years, these former MLAs can opt to continue with the plan, but will be required to cover all of their premiums.⁴⁷

It is extremely rare for an employer to allow a former employee to stay on their group health coverage, let alone, continue to cover their premiums for five years.

The "Extended Benefits Option" violates one of the over-arching principles that perks not available in the private sector, shouldn't be available in the public sector either.

CTF Recommendation: Retired or defeated MLAs should no longer be allowed to be part of the group benefit health plan, regardless of whether they or taxpayers cover all or a portion of the premiums.

Performance Pay

It's often suggested to the CTF that our politicians be paid on some merit basis. While this sounds great in theory, it's not exactly possible in practice.

While basic democratic tools like the ability to recall elected officials would solve some of those issues, this is likely beyond even a more open-ended scope for this committee.

However, there is a form of pay penalty in place currently for MLAs who have unexcused absences from the Alberta Legislature.

A Member may miss 10 sitting days in a session without penalty. For each day beyond that, \$100 is deducted from the indemnity and \$50 from the expense allowance. Attendance at a legislative committee meeting counts as attendance at session for that day. No deductions will be made for absences due to illness or injury, bereavement or public or official business. In these cases, the Member advises the Speaker in writing of the reason for the absence.⁴⁸

It does not appear that this deduction has been applied to any MLA in the recent past.

⁴⁷

http://www.assembly.ab.ca/lao/MembersGuide/5_REMUNERATION%20AND%20BENEFITS_REMUNERATION%20AND%20BENEFITS.pdf. Pg. 21. Accessed January 23, 2012.

⁴⁸

http://www.assembly.ab.ca/lao/MembersGuide/5_REMUNERATION%20AND%20BENEFITS_REMUNERATION%20AND%20BENEFITS.pdf. Pg. 11. Accessed January 23, 2012.

In Theory...

In 2011, the Alberta Legislature sat for 47 days.⁴⁹ In theory, had an MLA not showed up to even one of those days or any committee meetings, they would have only had \$5,550 deducted from their pay.

In British Columbia, the premier and cabinet have a unique incentive to balance the provincial budget and not overspend within their own departments.

Under the *Balanced Budget and Ministerial Accountability Act*, the premier and cabinet

have 20% of their salaries withheld each year. They receive half of that back if the government, overall, runs a balanced budget or surplus. They receive the other half of it back if their own department does not exceed spending levels tabled in the estimates.⁵⁰

Until the repeal of their law, Manitoba had even tougher balanced budget incentives. If the budget was not balanced in a year, cabinet took a 20% reduction in their ministerial pay. If this happened for a second consecutive year, the pay reduction doubled to 40%.⁵¹

CTF Recommendation: The Alberta government implement a similar law as British Columbia's penalizing cabinet ministers 10% of their pay for not meeting their ministry's own spending targets, as well as an additional 10% for not balancing the overall budget (not including transfers from the Sustainability Fund).

⁴⁹ <http://www.parl.gc.ca/ParlInfo/Compilations/ProvinceTerritory/SittingDays.aspx>. Accessed January 23, 2012.

⁵⁰ http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/00_01028_01. Accessed January 23, 2012.

⁵¹ <http://www.revparl.ca/english/issue.asp?param=157&art=1068>. Accessed January 23, 2012.