

3.1 *Base Salary*

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

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

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

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

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

Recommendation 1:

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

Recommendation 2:

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

3.2 Offices Other Than MLA

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

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

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

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

Recommendation 3:

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

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

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

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

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

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

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

Recommendation 4:

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

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

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

Recommendation 5:

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

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

Recommendation 6:

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

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

Recommendation 7:

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

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

Recommendation 8:

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

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

Recommendation 9:

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

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

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

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

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

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

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

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

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

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

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

3.3 Tax-Free Allowance

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

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

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

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

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

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

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

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

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

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

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

Recommendation 10:

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

3.4 *Transition Allowance*

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

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

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

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

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

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

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

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

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

Recommendation 11:

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

3.5 Pension

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

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

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

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

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

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

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

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

23 Cockburn, pp. 11-13

24 Cockburn, p. 12

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

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

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

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

Accrual Rate:

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

Normal Retirement Age:

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

Vesting:

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

Member and Assembly Contributions:

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

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

Indexing:

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

Other Provisions:

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

Funding:

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

Implementation and Administration:

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

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

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

Recommendation 12:

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

3.6 *Other Benefits*

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

Recommendation 13:

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

3.7 Indexing

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

Recommendation 14:

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

3.8 Future Review

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

Recommendation 15:

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