Legislative Assembly of Alberta

The 28th Legislature
First Session

Special Standing Committee on Members' Services

Thursday, September 27, 2012
9:31 a.m.

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Special Standing Committee on Members' Services

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Anderson, Rob, Airdrie (W)*
Calahasen, Pearl, Lesser Slave Lake (PC)
Dorward, David C., Edmonton-Gold Bar (PC)
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Jablonski, Mary Anne, Red Deer-North (PC)
Mason, Brian, Edmonton-Highlands-Norwood (ND)
Quest, Dave, Strathcona-Sherwood Park (PC)
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Special Standing Committee on Members' Services

Participant

Aon Hewitt
Don Ireland, Partner

9:31 a.m. Thursday, September 27, 2012

[Mr. Zwozdesky in the chair]

The Chair: All right. Welcome, everybody, and thank you for joining us. It is 9:31 a.m., and I'm pleased to call this meeting of the Members' Services Committee to order. I know that it has been a very busy summer for everyone because I've heard from so many of you, and I'm delighted to see how busy we all are serving our constituents.

We have a lot on our agenda today. I want to begin by ensuring that we have a proper quorum. Let me begin by having members introduce themselves, please. I think we'll start with the deputy chair, Mr. Young. Your name and your constituency, please.

Mr. Young: Steve Young, Edmonton-Riverview.

Mrs. Jablonski: Good morning, everyone. Mary Anne Jablonski, MLA, Red Deer-North.

Mr. Dorward: David Dorward, Edmonton-Gold Bar.

Ms Calahasen: Pearl Calahasen, Lesser Slave Lake.

The Chair: Let's scoot over here to Mr. Goudreau.

Mr. Goudreau: Hector Goudreau, Dunvegan-Central Peace-Notley.

Mr. Quest: Dave Quest, Strathcona-Sherwood Park.

Dr. Sherman: Raj Sherman, Edmonton-Meadowlark.

Mr. Anderson: Rob Anderson, Airdrie.

Mrs. Towle: Kerry Towle, Innisfail-Sylvan Lake.

The Chair: Can I just stop there? Would you please identify if you're subbing for someone on the committee.

Let's go back to Rob Anderson.

Mr. Anderson: Yeah. Rob Anderson, substituting for Danielle Smith.

Mrs. Towle: Kerry Towle, substituting for Heather Forsyth.

The Chair: Thank you.

Are there any others joining us by audioconferencing? Any members?

Hearing none, I would just note, then, that we are still anticipating the arrival of Mr. Brian Mason. He did not indicate that he would be absent, did he?

Ms Quast: No.

The Chair: So he'll probably be along shortly. Otherwise, let's introduce other members at the table, starting with our Clerk, Dr. McNeil.

Dr. McNeil: David McNeil, Clerk of the Assembly.

The Chair: Mr. Reynolds.

Mr. Reynolds: Thank you. Rob Reynolds, Law Clerk and director of interparliamentary relations.

Mrs. Alenius: Bev Alenius, executive assistant to the Speaker.

Mrs. Scarlett: Cheryl Scarlett, director of human resources, information technology, and broadcast services.

Mr. Ireland: Don Ireland, partner with Aon Hewitt.

Mr. Ellis: Scott Ellis, director of financial management and administrative services.

The Chair: Mr. Ireland will be introduced more formally later.

Ms Quast: Allison Quast, committee clerk.

The Chair: Good. Thank you.

We have a full quorum here minus one member, who I anticipate is just on his way and will be along shortly.

I want to make a couple of observations, and as I do that, I see Mr. Mason has arrived. We'll give him a chance to catch his breath, and then he can introduce himself to us.

Just as a reminder, this meeting is scheduled from 9:30 a.m. until 12:30 p.m., noon hour. I know that members have indicated that they have airplanes to catch and others have meetings to get to and other commitments, so we'll do our best to try and adjourn right around 12:30. Somewhere between now and then, probably toward 11 o'clock, we'll provide a five- or six-minute comfort break, so you can anticipate that.

Let me revert to the introduction of members. Mr. Mason.

Mr. Mason: Thank you very much. Brian Mason, MLA for Edmonton-Highlands-Norwood.

The Chair: Thank you. I was just commenting that everyone is here. We have no one joining us by audioconferencing, which is wonderful, so we can see who it is we're speaking with directly.

I want to make a couple of comments with respect to what I will call housekeeping items before we get into the major thrust of the meeting. The only reason I'm doing that is because they do impact this meeting and its conduct, and they are items that some of you asked me about last time. So here we go.

I want to start, first of all, with the issue of dress codes, in particular the dress code for committee meetings, followed by a discussion briefly on communication devices, followed by the issue of refreshments and foodstuffs during committee meetings, and conclude with a brief comment about visits to constituency offices.

I was asked to clarify the issue of dress codes. Committees of the Assembly, as you know, are considered to be an extension of the House, of the Assembly, as it were. Therefore, MLAs, known to us as members, their staff, the media, and others who are attending committee meetings are expected to follow the same protocols as they would if they were attending session. Of course, we have to break this down differently because we're not in the Assembly today. I'll get to that in a moment.

Staff and media who are in the galleries and who are basically attending the session in an official capacity are expected, therefore, to meet the same standard of dress as members. Speakers' rulings and directions on matters relating to members' dress have established that business attire is appropriate. For men business attire has traditionally been interpreted as a sports coat or jacket with slacks or dress pants or a full suit, shirt with a collar, tie, and dress shoes. For women the equivalent business attire has been set as their standard.

Now, regarding committee meetings, I'd like to draw a distinction between committee meetings held in the Assembly versus those that are held elsewhere, such as this committee room, for example. What I have just outlined above certainly applies, first and foremost, to the Assembly itself, to the House. For committee meetings held in the Legislature Annex committee rooms such as this one today, staff and media and others are expected to maintain a certain level of professional appearance, as I'm sure you all know, and to exercise the very best of good judgment in selecting appropriate attire. Traditional business or business casual attire is highly encouraged.

However, I would like to propose that the protocols regarding staff, media, and others who are attending committee meetings in an Annex committee room be relaxed somewhat. Jeans, T-shirts, and athletic footwear for members of the media and staff members, those who only intermittently appear at the meetings, should be discouraged, obviously, but we recognize that people, particularly some of our younger folks who are just making their way around town, might occasionally arrive on an intermittent basis in such attire. We'll watch and see how it goes. I don't see any personal objection to it. These people are coming in and out of the meeting with the best of intentions to serve their members or provide us with materials or whatever it is that they do.

As your chair I am proposing that we relax the rules for committee meetings outside the Assembly and allow people to appear as they were, provided that the clothing is still in good taste and carries no ill slogans, no slogans of any kind preferably, so that we're not accused of anything along that line. If everyone agrees with that basic concept that the condition of the clothing be of acceptable standard, then we can move on and visit back on this issue at a later date. Are we agreed? Is anyone opposed? Hearing no opposition, we shall proceed on that basis until we review it at a later date if necessary.

Mr. Mason: So NDP T-shirts are out, then?

The Chair: Yes. No partisan T-shirts unless you provide one for everybody.

Mr. Mason: Oh, I'm happy to do that.

The Chair: Okay. Taking a lesson from teaching grade 6.

Let us move on. The second item is with respect to communication devices. Again, the same protocols ought to apply in our Assembly meetings and in our meetings outside the Assembly as they do day to day in the Assembly. However, we have to recognize that we're moving into a whole new world of communication technology, and we want to try and keep pace with all of that. But I will specify that the use of mobile phones and PDAs, personal digital assistants, those kinds of pieces of equipment, will be permitted as long as they are muted and cannot be used for photography or video or as a telephone at any time during the meetings.

9:40

Please note that the use of cameras, recording devices, cellular telephones, or the telephone mode on any PDA is prohibited in the Chamber except as may be authorized on a selective basis from time to time. The same would apply here with the exception that, of course, we have media here, who have some protocols of their own to follow.

This issue, hon. members, has not become a major problem, nor do any of us want it to become one. Are we agreed to proceed with what I've just outlined? Those who are in agreement, please say aye. Any opposed? Fine. So we can move on. Again, I stress we can visit back to this item if it becomes necessary.

Item 3, the consumption of food and/or beverages during meetings. Hon. members, our own members, staff, media, and others are always allowed to consume beverages such as tea, coffee, soft drinks, water, and juice while they're attending committee meetings held in the Legislature Annex committee rooms such as the one we're in today. However, the consumption of food is generally not permitted unless it's specifically authorized such as during a breakfast meeting, which we could consider today being that type of a meeting, for example, or a luncheon meeting or a supper meeting. Again, it will depend on other factors that may arise, but generally speaking, foods are discouraged from meetings such as this. However, beverages are not. That would apply to everyone attending: members, staff, media, and others who are present. Just please be reminded that food and beverages are never allowed in the Chamber or the Assembly galleries.

Are we agreed with that policy? Anybody opposed? Thank you.

Item 4, visits to constituency offices. Once again, in follow-up to numerous comments made by MLAs and in preparation for upcoming budget meetings and reviews of the matrix system and other such matters that affect our constituency budgets – leasing costs, socioeconomics, demographics, and so on – I sent out a memo a few days ago to all of you and to your constituency staff indicating that I'm going to make my best effort to visit between 10 and 20 different constituencies over the next couple of months as we prepare for that meeting so that I can have a hands-on feel for what it is that some of you are experiencing at the local level. We've had a tremendous response to the early memo that I sent out in that respect. I don't want to get into a discussion on this. I'm just telling you that it's my desire to get out and visit as many of you in your areas as I can so that I can better prepare myself for the discussions later this year.

The last item under housekeeping is to see if you have any housekeeping issues. Is there anyone who has a housekeeping issue that they'd like to comment on or address or have answered at this time?

Mr. Mason: Mr. Chairman, I was hoping to have a discussion of formulas for space allocation to the caucuses at this meeting. Will that be possible?

The Chair: We could add it as an item, if there's time later on, on the agenda. I'll come to the approval of the agenda in a moment.

Mr. Mason: Okay.

The Chair: That's a substantive issue, one that everybody feels quite passionately about. I think that if time permits, we can get to it unless the will of the group is to deal with it now, under housekeeping. Do you have a bit of a presentation, Mr. Mason?

Mr. Mason: It's a very bit of a presentation.

The Chair: Then why don't we just deal with it right now if members would indulge? Are we agreed? Anyone opposed?

Why don't you proceed, and we'll call it a fifth item under housekeeping because it is a follow-up to earlier discussions.

Mr. Mason: Thank you very much, Mr. Chair. I really have some questions more than anything. My understanding is that the formula for the allocation of space to caucuses is based on a per-MLA calculation. I think that puts the smaller caucuses at a disadvantage because it's been well established through a number of discussions we've had over the years in this committee that opposition caucuses are structured differently than the government caucus. The funding that's allowed for the so-called leader's allowance is to cover staff which corresponds to staff that aren't in the government caucus but actually corresponds to staff in the Premier's office; for example, communications staff, chiefs of staff, and that sort of thing. So the proportion of staff in an opposition caucus to the number of members is going to be higher than in the government caucus at all times.

For that reason, I've felt that the formula being utilized for the allocation of staff, based strictly on the number of MLAs, is not fair. In our case, we've been given – I can give you the numbers if you want. Basically, if we count the increase in our caucus and the increase in our staff that corresponds to that, we've had a 44 per cent increase in people and only an 18 per cent increase in the staff that's been awarded. Now, we've partly compensated for that by giving up the space in our MLA offices, which have to be, as I understand it, to a fixed standard. We've accepted smaller spaces for our MLA offices in order to try and free up a little bit more space for our staff. We also traditionally employ one or two sessional researchers to help us analyze bills as the bills come down in the session, so we do also require some extra space to accommodate that.

While I guess we're kind of fixed for this, I wanted to get a clearer policy and perhaps a fairer policy with respect to space allocation as we move towards the facilities in the federal building and would like to make sure that all MLAs from all sides have as much knowledge about what's planned and as much input into what's planned as possible. As we hire additional staff, a process that is just coming to an end now, we're going to be extremely cramped in the new location.

The Chair: Okay. Thank you. We didn't get into a discussion on the previous four housekeeping items, and I would propose that we not get into a discussion on this point right now, Mr. Mason, but that we bring it forward with the proper background materials and have a good discussion on it at a subsequent meeting. Would that be acceptable to you?

Mr. Mason: We're moving this weekend. If we explode, I'll let you know. But, yes, I would be happy to have that discussion at a subsequent meeting.

The Chair: Okay. The only reason I say it that way is because I think you referenced the move to the new federal building premises as being where your major concern is. I know you have concerns right now in the Annex as well – I'm well aware – but we came up with what we did because of the circumstances and the factors, as you know. I know that LAO staff and the Infrastructure staff worked as hard as they could to accommodate everyone to the extent possible. Just so you know, everyone is equally mad with me, so we've done a good job in terms of appeasing the ranks that way. Everybody is equal.

Mr. Mason: I just wanted to point out one thing, Mr. Speaker. There is that very large unused space called committee room C, which, in my experience, is only used to feed us on budget committee nights. Okay. The Clerk is saying otherwise. My point is simply that the formula must take into account people, not just MLAs.

The Chair: Understood. Okay. We'll proceed onwards, then. Thank you for that observation. The undertaking is that we will bring this back for a more formal discussion, a proper placement on the agenda. Some relevant materials perhaps could be provided at that time, and LAO staff will help us in that regard as will, I'm sure, Infrastructure staff if they're asked.

9:50

Let us move on, then, to the formal part of the agenda. Could I please get a motion from someone to approve the agenda as was circulated? Mr. Quest moves. Those in favour of the motion, say aye. Those opposed, please say no. As such, the agenda stands as it is for today's meeting. Thank you very much.

Item 3 is the approval of the minutes of the June 26 meeting. Could I please have a member move acceptance of those minutes? Ms Calahasen, go ahead.

Ms Calahasen: So moved.

The Chair: Ms Calahasen has moved approval of the June 26, 2012, minutes of the Members' Services Committee. Those in favour, please say aye. Those opposed, please say no. Thank you.

Okay. Now we get on with the crux of the meeting, and that is item 4, which is old business, the process for implementing Government Motion 11(d), which is a part of the larger Motion 11, and recommendation 12 of retired Justice Major's report on MLA pensions and related matters.

Hon. members, just as a quick refresher for everyone's purposes here today, I want to, first, take you back very briefly to our initial meeting of June 7 and then our subsequent meeting of June 26 of this year. As was outlined at the June 7 meeting of our committee, the Assembly has instructed this committee to implement those elements of Justice Major's report as directed by the Assembly pursuant to Government Motion 11, as passed by the Assembly on May 29, 2012. That report, as you will recall, is 327 pages long. This would be it. I know you've all read it and are very familiar with it, so we won't dwell on it, but I would like to say this.

Government Motion 11 said:

> A. Be it resolved that the Assembly approve in principle the recommendations of the Review of Compensation of Members of the Legislative Assembly of Alberta, "the report," submitted by the Hon. J.C. Major . . . and refer the report to the Special Standing Committee on Members' Services . . . for implementation where possible by June 30, 2012, subject to the following exceptions:
>
> (a) that recommendation 4 regarding salary for the Premier not be implemented but that the committee implement a salary that reflects a differential of plus 25 per cent between the Premier's salary and that of a minister with portfolio.

This was accomplished in our June 7 meeting of this committee.

> (b) that recommendation 10 concerning the expense portion of a member's remuneration, known as the tax-free allowance, not be implemented and that the amount of that expense allowance be set at zero pending an amendment to the Legislative Assembly Act to eliminate it.

This, too, was accomplished at the June 7 meeting, and the tax-free allowance as recommended will be gone.

> (c) that recommendation 11 regarding the implementation of a new transition allowance be rejected and that no further amounts shall be accumulated beyond those accrued by eligible members prior to the commencement of the 28th Legislature.

This, too, was accomplished at the June 7 meeting as well, and the recommendation is that the transition allowance be gone as well.

That brings us to today's meeting, our outstanding business, so to speak, which is item (d) of Government Motion 11, and it reads thusly:

> (d) that the committee examine alternatives to the pension plan for members proposed in recommendation 12 and discussed in section 3.5 of the report, including defined contribution plans, and report to the Assembly with its recommendations.

Just to ensure that I capture that motion in its entirety, the motion concluded with the following words:

B. Be it resolved that nothing in this motion shall limit the committee's ability to report to the Assembly on any other matter arising from the report.

That, hon. members, is the context of the circumstances we have before us today.

Now, two weeks ago, in preparation for today's meeting, all members received an e-mail indicating that materials for this meeting of the Standing Committee on Members' Services had been posted to our confidential internal committee website. Those materials included a letter from Aon Hewitt that represents an evaluation of the three alternative pension schemes that this committee through LAO staff asked them to explore at the last meeting, and it includes their report, which is approximately 30 pages.

Those materials also include the alternative analysis by Clerk McNeil, which is four pages. The materials include a portfolio that references the impact on spouses, on investments, on enrolments, and so on. That's another two pages. It includes an extensive piece on the Ontario LAO piece, if I can put it that way, for MPPs. Some of it is the Great-West presentation. That's 82 pages. Then you have the CAPSA, Canadian Association of Pension Supervisory Authorities, guidelines for capital accumulation plans. That included 19 pages. Finally, you had 10 pages with respect to the MPPs' pension and savings plan out of Ontario, for a total of 147 pages. So we have quite a lot there to have digested over the past couple of weeks, and we'll get into that discussion momentarily.

We also should point out that the analysis provided by our Clerk of the Assembly presents additional information regarding some of the implementation issues regardless of which one of these three we may choose and/or some fourth option that maybe hasn't been brought to the chair's attention. Nonetheless, I want to remind you that our job at the end of the day is to make a recommendation to the Assembly when we are ready.

Now, with respect to these confidential materials and the confidential site that I just mentioned, I will make three quick points. One, all members of this committee from all parties had equal access to these materials all at the same time. Two, to the chair's best knowledge, there were no breaches or violations of the confidentiality surrounding those documents – as you know, there could have been a point of privilege had those items been leaked premature to this meeting because that is the convention of our Assembly – so thank you for that. Thirdly, since we will now be discussing the contents of those materials, in my view, they may be considered public.

As such, I would ask for your concurrence to allow these materials to be shared in their entirety with the media and with others who are with us today should they wish to access them. Are we agreed? Is anyone opposed? Hearing no dissension, we will then make those materials available. I know there are some media who are listening in because some of them have called. If they wish to access the materials for today's meeting regarding the pension discussion, please go to your computers and send an e-mail to laocommunications@assembly.ab.ca.

I also know that we have some copies available here now. They're just here at the front. Is there anyone who wishes to have a copy of the materials? Please deliver four sets to the individuals at the back of the room. There are a couple of extra copies beyond that, so if anyone else walks in, Mr. Sergeant-at-Arms, you might remind them that copies are available here. Thank you so much.

The purpose of today's meeting, then, is to review all of that information that I've just alluded to, including, obviously, an emphasis on the Aon Hewitt report as well as Dr. McNeil's summary or overview, and in a few moments I will ask Dr. McNeil to lead us into all of that. Secondly, we will then take questions and answers, and a proposal has been made – it's actually a request – that questions be addressed by our presenters at the time that you wish them to be presented. Does anyone wish to proceed otherwise? It's just so much material that I think we would do better in understanding them if we took the questions, brief questions, brief answers, as they came up. Are we agreed?

Dr. Sherman.

Dr. Sherman: Thank you, Mr. Speaker. I've made my opinions clear on MLAs setting their own pay or deciding on benefits or entitlements to MLAs. I'd just like to register an objection to the process of us discussing and deciding on our pensions. I consider it a conflict of interest. I would ask you as the Speaker to allow MLAs to abstain on votes where we feel that we're conflicted. My preference would be to stay in the committee, but my preference is to abstain from any votes pertaining to MLA pay.

The Chair: The tradition, hon. member, while I respect what you're saying, is that if you're present, you must vote. I can't preclude people from leaving the meeting, taking a comfort break, whatever they might wish to do. You've been very consistent in your point, and I think all the members here respect that and understand it.

That having been said, I'm just asking about the process for: shall we be allowed to ask questions as we go? Is everyone agreed? Okay. Thank you, and thank you, Dr. Sherman.

10:00

That having been said, as I referenced in my overview, I will now ask our Clerk of the Assembly, Dr. David McNeil, to provide us with a brief overview with respect to the Aon Hewitt report. I ask that he introduce Don Ireland, who is with us today, who will be available to answer questions and to otherwise assist any one of our members in better understanding the complexities of all of these issues that are before us.

Mr. Ireland, in a nutshell, is a partner and member of Aon Hewitt's retirement planning team in Calgary. He has been with Aon Hewitt and its predecessor firms for 25 years, 19 of them as an actuary. Don works with a wide variety of private- and public-sector pension clients. He's a true expert in this area, including consulting and plan design, funding, nonregistered funding options, plan governance, risk management, and so on. His experience covers all aspects of registered and nonregistered plans ranging from one to 80,000 members. It's my hope that with Mr. Ireland's assistance today we can gain a far better understanding of the types of pension plans that are referenced in the Aon Hewitt report.

Mr. Ireland, thank you on behalf of all members of the committee for taking time from your schedule to join us here today. We'll get to you in a moment, but first let me turn the microphone over to Dr. David McNeil.

Thank you.

Dr. McNeil: Thank you, Mr. Speaker. Hon. members, based on the discussions at the June 26 meeting, the LAO worked with Aon Hewitt to conduct a thorough analysis of the three pension alternatives identified at the meeting: an RRSP-based plan; a defined contribution pension plan, the DC; and a target benefit pension plan, otherwise known as a TBP. In order to provide a fair comparison among the three alternatives, it was concluded that the contribution limits under the Income Tax Act for RRSPs should determine the contribution limits for both the DC and the TBP alternatives, or the 9 per cent employee and the 9 per cent employer contributions, as a base. With those general parameters the consultant proceeded to undertake the analysis of these three alternatives, which is the subject of the report that you've been provided with a couple of weeks ago.

In addition to commissioning the work by Aon Hewitt, we arranged a meeting with the HR and financial management staff of the Ontario Legislative Assembly, who provided us with additional information about the Ontario DC plan, especially in regard to governance and administration issues involved in managing such a plan. Ontario and Saskatchewan are the only two jurisdictions at present that have DC plans for members. The DC plan in Saskatchewan is managed by the government. The DC plan in Ontario is administered by an external third party. So we thought that, you know, gathering information on what was involved in setting up and managing a DC plan would be useful for the committee to have.

As well, we met with the Alberta Pensions Services Corporation, APS, just to ascertain their capabilities in managing different types of pension plans, the defined benefit or defined contribution plans. Based on these discussions, the second set of material and related attachments was prepared by the Legislative Assembly Office to provide committee members with further information regarding the implementation of the alternatives because there is a lot of detail involved, especially in relation to implementing either a DC or a TB plan. The RRSP plan is, in effect, what is in place right now as far as the RRSP allowance.

Before turning the floor over to Mr. Ireland from Aon Hewitt, who will first give you an overview of the report and then prepare to go through it in detail and answer any questions you may have, I just want to clarify a couple of points that were raised by the Canadian Taxpayers Federation in a letter that they sent to committee members on the eve of the last meeting of the Members' Services Committee. I would note that they also sent an e-mail to members, or to some members, yesterday.

In a number of places in the letter of June 25 the CTF suggested that pension plans above the ITA limits violate the act and would therefore be illegal in a private-sector pension plan. This is just not the case. The ITA does contemplate and permit funding of pension plans, supplementary plans, in excess of registered plan limits. A 2008 report from Aon Hewitt revealed that 79 per cent of DB plan sponsors and 70 per cent of DC plan sponsors offer supplementary employee retirement plans. So the notion that supplementary plans are illegal in the private sector is just not the case. I want to clarify that point.

One other point in the CTF letter. In a number of instances it appears to minimize the risks associated with defined contribution plans. A statement in their letter says: "These massive liabilities created by DB pension plans are the reason why company after company in the private sector are converting their DB pensions into more reliable, safer, Defined-Contribution . . . plans." Now, it's true that private-sector firms are moving from DB to DC plans, but they're not more reliable or safer in terms of the member's pension. Risks are transferred to the members in a DC plan whereas in a DB plan they are a shared-risk type of vehicle.

I wanted to clarify those two points so that members understand what the facts are with respect to those issues.

With that observation I'd like to turn it over to Mr. Ireland, who has today provided an overview of his report. He wants to discuss the overview first and then get into a more detailed discussion of the alternatives as members desire.

The Chair: Mr. Ireland, please proceed. Welcome once again.

Mr. Ireland: Thank you, Mr. Speaker. Good morning, everyone. I appreciate that the 30-page document that was forwarded to you from our firm, discussing the three options, is somewhat detailed and comprehensive. What I thought I'd do is just take five minutes and provide you with a high-level overview of the salient points of that letter and try to boil it down to what is most important and the issues that you should be focusing on perhaps the most.

As Dr. McNeil noted at the beginning, the terms of reference for us were to examine three different options: the RRSP approach; the defined contribution approach, or DC as the acronym; and the target benefit plan, or TBP as the acronym for that. Now, rather than go through each page of the letter, what I would like to focus on first are the basic mechanics of these three options, then talk about the key differences between the three options, and finally, just close off on the needs or priorities that each of these options satisfies, which hopefully will help narrow the focus of your discussion.

In terms of the basic mechanics you can think of any pension plan as being composed or comprised of three basic features: the contributions that are made during the working lifetime, the investment returns that are earned during the time the contributions are invested, and then, ultimately, the benefits that are paid out of the plan at the end of the day.

The way that these three options operate is that, first of all, with contributions one of the parameters is that the funding is fixed from the Assembly at 9 per cent of earnings. So for the contributions for the RRSP the proposal was that 9 per cent would be added as a taxable benefit to MLAs' salaries and that, presumably, the MLAs would then direct that to their own personal RRSP and top it up with individual or personal voluntary contributions.

With the defined contribution alternative the design or intent is that the Assembly and members would each contribute 9 per cent of their earnings to that program, and it would go to a pension fund that is separate and apart from the Assembly, and that would then compound with investment earnings.

With the target benefit plan the contributions would be the same as the defined contribution, 9 per cent from the Assembly and 9 per cent from the MLAs, and that contribution rate would be fixed and would not be changing regardless of what would happen with the future financial circumstances of the plan.

When we talk about the investments, of course, all three would be investing those contributions. With the RRSP the investments would be directed by the MLA in their own personal account. With the defined contribution the MLA would presumably choose from a menu of options that are made available by the program itself, and the MLA would then choose the options that best suited their needs. With the target benefit plan the investments would be directed by the Assembly in order to meet the sustainability requirements that the target benefit plan requires.

10:10

Then once that is all accumulated, benefits need to be paid out of the plan. With both the RRSP and DC approaches the benefits would simply be provided from whatever the account can provide. There would be various options that members would have available – to withdraw it periodically, to purchase an annuity at retirement – but there would be a fair bit of flexibility for the MLA to decide on that. With the target benefit plan the key difference here is that a pension paid for the lifetime of the MLA would be provided after retirement, and that pension would be targeted at a fairly conservative level to make sure that the funds in the plan could sustain that pension long term. Those are the three core ingredients.

Taxation is often another question that comes up. For all of these plans the taxation is effectively the same. The contributions going in as well as the investment returns that are being earned are all tax deferred, and when benefits are paid out, the benefits are then taxed. There are some subtleties with the RRSP in terms that it's a taxable benefit as opposed to a nontaxable benefit. However, a tax deduction does accompany that with the RRSP, so the net effect is the same taxationwise.

Moving on to the key differences between the three, I've identified six key differences that come out in our letter of September 11, the first being the Assembly involvement with the RRSP. There is not a lot of effort required by the Assembly to administer and manage that program. It's very much a payroll exercise, processing the contributions and directing them, perhaps, to an individual's personal RRSP. With the defined contribution the Assembly involvement does increase one level. There is more need for governance, more need for oversight and monitoring investment performance of the funds that are made available as well as support for member education and miscellaneous administrative items. The target benefit plan arguably requires the most Assembly involvement of the three options, both in implementation and ongoing governance as well as support for member education.

The second key difference that you'll perhaps have picked up on from the letter is the decisions that need to be made by the MLAs with each of these three options. With the RRSP there is arguably the most amount of decision input required by the MLAs: first of all, where to direct the Assembly contributions to their own personal RRSP, what level of MLA contributions they wish to make voluntarily, investment decisions, and finally, at retirement how they are going to draw down on those funds. Defined contribution is similar to the RRSP although the decisions around investment vehicles are a little more focused because that has been narrowed by the Assembly. However, there still is after retirement: where are those funds housed, and how quickly or slowly does an MLA choose to draw down on the funds? Finally, with the target benefit plan the MLA decisions are fairly limited. All decisions with this plan design are pretty much taken care of because what it offers is a pension at retirement.

The third key difference is the mandated savings. With the RRSP the mandated savings are perhaps lacking or indirect. There is no requirement for the MLA to set aside the 9 per cent contribution for an increase in taxable benefit made by the Assembly. But with the defined contribution and the target benefit plan both are mandating savings at a combined aggregate level of 18 per cent of earnings, and that is stored away until retirement.

The fourth key difference, and an important one, that really distinguishes the target benefit plan from the DC or RRSP options is the concept of risk pooling. In the pension plan world what we mean by risk pooling is that any pension plan is defined by the contributions going in, the investment returns that are earned, and the benefits that are being paid out. The key risks that go along with that are that the investments don't perform well or that individuals live too long and outlive the assets. So how do you mitigate against those risks?

With the target benefit plan the concept is that the funding going in would be the same as the other two options. However, part of the funding is going to provide for limited or a conservative target benefit, target level of pension, and part of the contributions are going to support a risk reserve that is built up in times of good experience and then drawn down in times of bad experience, all with the aim or intent of preserving that conservatively set target benefit. There's no guarantee that that target benefit may not have to be reduced in the future, of course, with the target benefit plan.

The fifth difference you may have picked up on in the letter is the level of expenses required to support these programs. The RRSP, from the Assembly's point of view, has the least expense involved with it. However, from the individual MLA's point of view, there may well be a higher expense at the end of the day due to the cost of administration and investment in their own private plan. The DC has more moderate expense associated with it, both at implementation and ongoing. There are some more economies of scale that are achieved in the DC versus the RRSP. With the target benefit plan this would, we think, have the highest expense associated with it for the Assembly. It requires more governance, more oversight, and more hands on from the Assembly.

In terms of complexity, that being the sixth difference you may have picked up on, the RRSP is very straightforward for the Assembly, certainly. The concept is straightforward for the MLAs. However, the self-management of the account by the MLAs can be complex. What level of MLA contributions are made, where to direct the contributions, what investment options: for some that can be a complex set of decisions that need to be made. The DC, again, is straightforward for the Assembly, with a little more involvement compared to the RRSP but still straightforward. The concept is straightforward for the MLAs, but again you do have this self-management aspect, that does add some complexity for the MLAs' decision-making.

Finally, the target benefit arguably has the most complexity associated with it as far as the Assembly involvement is concerned. For the MLA the concept is straightforward. You get a set pension paid for your lifetime. The one difficult aspect may be understanding that that could be reduced should the financial circumstances warrant a reduction in that target benefit level. I think it does appeal to MLAs, however, who are not wanting to engage themselves in financial planning in handling their own personal retirement affairs.

Those are the key differences. If you reflect on the types of priorities or needs that each one of those options satisfies, I think you'll find that there is a range of spectrum on a number of fronts.

First of all, individual responsibility versus Assembly support. The RRSP would certainly have more individual responsibility associated with it whereas if you move to the target benefit plan, that evidently has less individual responsibility for MLAs but puts more of that responsibility onto the Assembly for them to support the MLAs.

The other big area of consideration or need is deferred compensation versus pension program. With the RRSP it's viewed more as a savings program, pure deferred compensation, left up to the individual. With the target benefit that has much more of a pension flavour to it, and much of the outcome in retirement is predetermined.

Finally, with respect to risk pooling the RRSP and DC have a significant amount of individual acceptance of the risk themselves, and their outcomes they will experience personally whereas with the target benefit we have some pooling of those risks and sharing of the risks among the members.

With that, Mr. Speaker, I'll finish the summation of the letter and pass it back to you.

The Chair: Thank you very much.

Any questions or comments, observations?

10:20

Mr. Goudreau: Well, thank you for the summary. It really helps me to follow through and look at the distinctions between the three. On the key differences you identified the fact that under TBP, that particular one, the contribution funds a conservative target benefit and a risk reserve. Do you want to expand a little bit on the risk reserve potential and impact, and how much typically is a risk reserve, a percentage or whatever?

Mr. Ireland: Yeah, I can do that. We have not conducted any detailed analysis as to how big that reserve would need to be. With any insurance – and this is a concept of insurance – the bigger the population or the bigger the base that you can spread the risks over, the less risk reserve you need. With a smaller group, such as the MLA plan would be, it's going to be difficult to get away with a small reserve. I would anticipate that the reserve would be large relative to a larger population. However, we have not done any analysis to suggest what level that may be at this time.

The Chair: Okay. Any other comments? Mr. Dorward. I'll maintain a list here if members wish to get on. Thank you.

Mr. Dorward: Thanks very much for the information. I do have a couple of questions, but maybe I'll just ask one and then defer to others and come back. If I look at the September 11, 2012, letter under target benefit plans and given that you have chosen to do the 9 and 9 approach, which is certainly great because then we can compare apples with apples, on page 2 of that letter did you then determine that based on those inputs on an actuarial basis with the present MLAs, there would be a pension of X dollars coming out of that system?

Mr. Ireland: The pension coming out of the system and the illustrations that we've done are tied to an 18 per cent combined contribution.

Mr. Dorward: The 1.45 per cent of career average earnings shown on page 2: should I do a calculation here of what that would mean if we had that plan today at 9 and 9 for an MLA? Is that the number?

Mr. Ireland: Yeah. The 1.45 per cent is the preliminary number that we've set up as what a target benefit formula could be, supported by a 9 and 9, or 18 per cent, contribution rate.

Mr. Dorward: Just to put that in practical terms, can we just walk through an example. I just tend to be kind of a basic numbers guy. I think it would be good to know what an MLA would get for a pension if that was the case. Can we kind of walk through that, please?

Mr. Ireland: Certainly.

Mr. Dorward: Is the salary amount $132,000?

Ms Calahasen: It's $134,000.

Mr. Dorward: It's $134,000. Would I simply take the $134,000, that was already agreed to in our previous meeting for the MLA salary, and then multiply by 1.45 per cent? That gets met to around, say, $1,900 or so. What is that $1,900, then?

Mr. Ireland: Okay. So maybe we back up. The formula for the target benefit plan is a 1.45 per cent career average formula. We would look at the earnings each year, take 1.45 per cent of those earnings, and add up the individual amounts, the individual pension accruals.

Dr. McNeil: There's an example on page 23 of the report that does that.

Mr. Dorward: Maybe walk me through the example on page 23.

Mr. Ireland: Page 23: this is of an individual MLA starting at age 45, putting in 10 years, and retiring at age 60. However, the term of office ends after 10 years. You can see the annual remuneration, starting at $134,000. You can see the 1.45 per cent accrual, pension being accrued each year, on the far right-hand column, so $1,987 in the first year, growing as salaries increase. At the bottom you can see the total annual pension of $22,000. There is indexing provided, built into that 1.45 per cent formula at 60 per cent of the Alberta CPI. So at retirement age of 60 this individual would have approximately $25,000, but there's an early retirement factor that is applied, ending up with an $18,000 annual pension.

Mr. Dorward: The $22,000 is the sum in the far-right column there?

Mr. Ireland: Correct.

Mr. Dorward: Under that proposal what happens when a person turns 65? If there's an MLA that, say, gets elected when they're 67, what would all that translate into? Would the 9 and 9 still factor in? They're old enough to take their pension. They're 65, so they could take their pension, but they're still an MLA. How would that work or be administered within the system?

Mr. Ireland: I would speculate that what would happen is that the individual would continue to accrue pension beyond 65 as long as they still were an MLA. There would be a decision point as to whether you allow an MLA, once they've reached 65 or a normal retirement age, to commence their pension and forgo future accruals, but I would envision that future accruals would continue beyond 65 if they were still an MLA, and under the current Income Tax Act provisions that could continue on until age 71.

Mr. Dorward: Okay. I was going to ask: the only statutory limitation would be the Income Tax Act one of 71?

Mr. Ireland: What we see typically in provincial statute is that you cannot accrue pension and earn pension at the same time. You're either in or you're out.

Mr. Dorward: Thank you, Mr. Chair.

The Chair: Thank you.
I have Mr. Mason, followed by Ms Calahasen, followed by Mrs. Towle.

Mr. Mason: Thanks very much, Mr. Chairman. A question I have has to do with the risk issue, specifically to the TBP, the target benefit plan. A criticism that's been levelled against that is that if there are, in fact, too many MLAs living too long or there's a serious correction in the investments market and so on and the plan runs into trouble, the MLAs will just reach into the public purse to maintain their contributions. Now, is that how it works, and if it is possible, is there a way to prevent that from happening?

Mr. Ireland: I would again envision that the pension deal, as I'll call it, would be established so that it is clear that the funding going into this is 9 and 9, and if ever there is an unfunded obligation or shortfall and no more funding goes in, benefits are reduced in some fashion. Presumably, a priority as to how those benefits are reduced would be established in advance.

Mr. Mason: Would it be possible to permit an increase in the personal contribution while precluding one on the taxpayer side?

Mr. Ireland: Given that it's a 9 and 9 already, the Income Tax Act would preclude that from happening. There are restrictions on how much employees can contribute, and generally the rule is that they have to put in 50 per cent of the cost.

Mr. Mason: Yeah. So this type of plan could be set up in such a way that it would preclude any increase in taxpayer-funded contributions even if the plan ran into trouble?

Mr. Ireland: Yes. I believe it could be.

Mr. Mason: Thank you.

The Chair: Thank you.
Ms Calahasen.

Ms Calahasen: Thank you very much. You were talking about risk pooling. I just want to ask about: "Risk reserve is managed so as to balance the delivery of the target benefit with maintaining funding equity between generations of MLAs." Can you explore that with me a little bit more?

Mr. Ireland: With the target benefit plan this risk pooling concept is, I'd like to say, a formula that you follow. You say that there's 18 per cent funding going into the plan. To illustrate, we're going to put 15 per cent towards funding a conservative benefit, and the other 3 per cent will go to fund a risk reserve. It's not that prescribed, nor can we be that specific. There is judgment involved and judgment required to determine how much that risk reserve should be.

Sometimes we need to dip into that risk reserve. Sometimes it needs to be added to, given how the experience unfolds. Overall, there has to be some kind of management of the reserve so it doesn't get too big and it doesn't get too small, and the way you do that is that you may temporarily drop the reserve down to preserve that minimum benefit at the risk that that may transfer funding into future generations. Future generations would then have to build the reserve up. There needs to be some ability within the target benefit plan to allow that reserve to move around, which could benefit some generations at the expense of others, but the overall objective is to have a consistent benefit across generations.

10:30

Ms Calahasen: Thank you.

Mr. Chairman, another question. Although it's a different issue, it might tie into it. When we're talking about expense, you talk about the expense with the TBP being the highest level of Assembly resources required. However, if the Assembly is already dealing with pension plans generally with other personnel, how does that then require more resources to be expended?

Mr. Ireland: My understanding is that this would be a separate pension plan whereas I presume other Assembly staff are part of the other government pension plans that are run by separate boards already.

Ms Calahasen: Thank you.

The Chair: Thank you.
Mrs. Towle, followed by Mr. Anderson.

Mrs. Towle: Thank you, Mr. Chair. The question I have goes toward when you were talking about the expense and complexity of the plan. Under TBP you said that this was the most expensive to administer, just like Member Calahasen said over there. Is there a costing available that would tell us what the administration of this plan would cost? My concern is that if this cost is onerous on the taxpayer, I think that has to be factored into any decision that is made.

Mr. Ireland: There are two categories of cost. There's an implementation cost and an ongoing cost. On page 11, midway down the page, you will see the heading on the left-hand side, Implementation. With the target benefit plan we've broadly estimated it at $115,000 to get it up and running, which is nearly double what it would be for the DC plan simply because of the additional analysis that would be required to figure out what level we set the reserve at, what level we set the target benefit at.

Once it's set up, we do envision that the target benefit plan would be more expensive. At the bottom of page 11 we've estimated that it would be about $125,000 per year just in terms of administrative-type fees, not including investment management fees. We're assuming that that would be dealt with separately and would be consistent across all three plans. Again, that's approximately double what the DC expense would be on an ongoing basis.

Mrs. Towle: Mr. Chair, may I ask one more question?

The Chair: Yes. Please proceed.

Mrs. Towle: So when you're factoring in the $115,000 for set-up and the $125,000, I'm assuming that does not take into account the staffing, the hours, those types of things it takes to administer the plan, or is that just based on the asset base fees? Are you actually factoring in what the LAO staff has to do to administer this or participate in it?

Mr. Ireland: No, we did not take into account staff resources. This is more external consulting expert fees if you will.

Mrs. Towle: Thank you.

The Chair: Just on that point, Mr. Ireland, would you clarify? At the bottom of page 11, where you talk about the estimated cost of $60,000 and the estimated cost of $125,000, that's for the entire plan, so you would divide that, to get a per-member cost, by 87. Is that correct?

Mr. Ireland: Correct.

The Chair: So two grand or whatever in one case.

Mr. Ireland: Correct.

The Chair: Okay. Just so that it's clear. Thank you very much.
Mr. Anderson.

Mr. Anderson: Thanks, Mr. Chair. A couple of questions just so you know where I'm coming from as context. Two key issues that I think I and my colleagues in the Wildrose caucus are concerned about. We're very uncomfortable with the idea – and Mr. Mason did allude to it earlier – of any taxpayer liability down the road for the benefit of plan members. We just feel that it just never fails in a crunch, if things aren't working out, that the taxpayer gets brought into the equation. We've seen this in this province just recently, of course, with the teachers' pensions. That's the first key thing that we're worried about. I'd like you to speak to that. It seems to me that the RRSP and the defined contribution plans both satisfy that requirement of not giving an exposure to the taxpayer long term. I could be wrong, so please let me know if I am.

The second piece is that we would be concerned that the amount contributed by the taxpayer to this pension plan at the front end be significantly lower than the combined cost to the taxpayers of the just-past severance packages and RRSP allowance taken together, significantly less, probably more in the ballpark of what the taxpayer was spending on the RRSP allowance by itself. My understanding from what you've done here is that for that requirement all three plans essentially will cost the same in that government is still paying that 9 per cent, or roughly half of your RRSP contribution limit. The only difference is that on the last two plans, the MLA is forced to top up, essentially.

Could you speak to those two issues?

Mr. Ireland: Okay. Thank you. Maybe I'll take the second one first because that's the easier one. With all three options that we've costed out here, the Assembly commitment is 9 per cent of earnings. That's what's going in.

With respect to your first point, whether there is a taxpayer burden down the road with the target benefit plan, I'm envisioning that the target benefit plan would be established and enshrined in some form in statute that would say that 9 per cent goes in from the Assembly, 9 per cent goes in from the MLAs. If that's not enough, benefits are reduced, and here's the prescription for how those benefits are reduced. Is there a chance that the taxpayers may have to step in or the statute would be amended in the future? That's pure speculation, anybody's guess perhaps.

The counter to that with the DC, let's take a scenario where the world is unfolding in a terrible sense and investment returns are poor. You may get that with a target benefit plan we have to reduce benefits; perhaps there's pressure to not do that and put it back on the taxpayers. Let's just assume that to be the scenario. If the DC was in place, would that same pressure not be there because member account balances are substantially reduced because they have taken a substantial hit on the markets in their own personal account? There may be that same pressure regardless of whether it's DC or target benefit. That is very speculative as to what would happen in those situations.

Mr. Anderson: Okay. Thank you.

The Chair: Okay. Any other supplementary?

Mr. Anderson: I have another question, but I'm willing to wait if someone else has something.

The Chair: Proceed. We're allowing two at a time. Go ahead.

Mr. Anderson: The second question is just regarding the tables in the back. I'm just comparing, so we're apples to apples, on page 17 the RRSP example for an MLA, then on page 20 the defined contribution for an MLA, and then on page 23 the target benefit plan for an MLA. For the RRSP example the total annual pension at age 60 works out to roughly $21,800 per year. Obviously, there are some assumptions for the market in here, and I'd like to understand a little bit what those are. Then for the defined contribution it's $23,500, so slightly higher. For the final one, the target benefit plan, it's $18,400. So I'm wondering about the reasoning for that. Why are those numbers different, especially that last one, and what assumptions are being used for this? Are those amounts inflation-adjusted as well?

Mr. Ireland: Okay. First, on the DC and the RRSP. The differences there are really due to fewer investment management fees than would be incurred in the DC environment. With the RRSP the money is moved out to presumably a retail environment that would incur higher investment management fees versus a focused plan for MLAs governed by the Assembly, where you could get economies of scale. So that translates into that difference.

10:40

When we look at the target benefit plan, we are setting expectations low in terms of pensions that will come out of this and building up a risk reserve. The primary difference between the $18,000 and the 23-odd thousand figure is the building up of the risk reserve in the target benefit plan that may well come back in the form of an increased benefit if experience is good, but it's less likely that there would be a reduction in that $18,000 versus the $23,000.

Mr. Anderson: Essentially, because this is guaranteed, it's a risk fee.

Mr. Ireland: Yeah. You set expectations low to pool the risk, and the rest is a risk pooling charge that may or may not come back to you in due course, depending on what experience is like.

Dr. McNeil: Can I just add to that? The other difference, I think, Mr. Anderson, is that if you look at the calculation on page 23 in terms of the amount accumulated, it's $24,951, but there's an actuarial reduction because the design of the plan is that you get full pension at age 65. In this particular example this person is claiming the pension at 60, so there's an actuarial reduction of about 26 per cent, 26 and a half per cent to that total there. That would look different. The money that's accumulated there is higher, but because of the nature of the plan there's an actuarial reduction to that amount.

Mr. Anderson: So at 65 would that mean that the actual number for the target benefit plan would be the $24,950?

Mr. Ireland: That's correct, yes.

Mr. Dorward: The other ones would be higher as well because they're also 60, so they would also have accumulated earnings.

Mr. Anderson: Well, it's a little bit different, though, because you're taking it directly out. Would it be different?

Mr. Ireland: I should just clarify. The $18,402 is a comparable number to the $23,000 in the others. They both start at age 60. They both have the same indexing post retirement. With the $23,000 figure that could swing quite a bit based on what happens with investment returns prior to age 60. The range we would anticipate is quite a bit larger for that outcome versus the $18,402. For the $18,402 we're setting the bar low in hopes that we can create greater certainty that that will actually prevail for the individual's lifetime.

Mr. Anderson: At 65, I understand now, the targeted benefit would be the $24,900. I understand the range and all that. But what would it be at 65 when you're not getting penalized, essentially, for taking your retirement? Would it still be the 21 and the 23? That wouldn't change?

Mr. Ireland: No. It would be incrementally the same. It would go up by the same percentage as the $18,402. That's just a reduction to reflect the longer period over which you expect to receive a pension if you retire at 60 versus 65.

Mr. Anderson: Okay. Got you.

The Chair: I have Calahasen, McNeil, and Dorward on clarification on this point.

Ms Calahasen: No. Mine is different.

The Chair: A new point.

On this point, McNeil? No.

On this point, Dorward? Go ahead. Are you clarifying this same point?

Mr. Dorward: No. A different point.

The Chair: Okay. I'll move on with the rest of the speaking list, then. Are we good on that one?

Ms Calahasen: You used 9 per cent plus 9. Is that a statutory maximum or minimum?

Mr. Ireland: It's not a minimum. The maximum that can go in under the Income Tax Act for a registered pension plan if money is being contributed to a registered pension plan to get the tax advantage associated with registered plans in a DC environment is 18 per cent. That's not to say you couldn't contribute more than that, but if you do, it would have to be contributed to a supplementary plan, which would be outside of the registered pension plan rules.

Ms Calahasen: Okay. Thank you.

Mr. Dorward: I hope this comes out okay. You have chosen to use 10 years as your example in all three. If I was to make the following assumption, would I be wrong or right? And I understand that where this might be difficult is that you might have to crunch the numbers again, so I certainly would accept an answer of: I have no idea. If we chose the average time that an MLA is an MLA, which would be five years, I think, on average, if I remember correctly . . .

Ms Calahasen: Eight.

Mr. Dorward: Eight? Okay. But let's say we did do five. I'm looking here for a shorter period of time. Is it fair to say that the RRSP example would be then a potential advantage? Would a younger MLA who's there for five years be advantaged more by an RRSP contribution than a younger MLA serving five years and doing a target benefit plan? Does a target benefit plan disadvantage a young MLA? Would we see those numbers come apart, or would they be closer? Any comment on that?

Mr. Ireland: I don't think you're going to see differences in the age or service apart from the amount of time. The advantage of economies of scale of being in the target benefit plan or the DC plan: you know, the longer time frame you have for those economies of scale to work to your advantage, the greater the advantage. You have a greater compound advantage over time for those two programs. If we reran the numbers with five years, I don't envision the conclusion being that significantly different.

Mr. Dorward: A supplemental. Let me try to synthesize that. If a person is 61 years of age, they're an MLA, they serve for five years till they're 66, and it's an RRSP plan, they've put X number of dollars into that RRSP plan. They start drawing on that. They've had no compounding ability built into that. If a person is 30 years of age and serves till they're 35 and put the same amount of money in that, by the time they're 65, they are going to have a lot more in that RRSP. Conversely, in a TB plan the person that is 65 – they're not an MLA anymore – can start drawing on the pension as it's calculated according to the parameters that are set out. Methinks that the younger MLAs are somehow somewhat supplementing the ability to be able to pay out that pension to that person that just served as an MLA. Is this true?

Mr. Ireland: I wouldn't disagree with that comment, but keep in mind that the young MLA that served for five years would become a deferred pensioner and would be receiving cost-of-living adjustments from whenever they stopped being an MLA right through until retirement. There is a cost-of-living adjustment being applied that would help diminish that age differential to some degree.

Mr. Dorward: Okay. Thank you.

The Chair: Thank you.
Mr. Mason.

Mr. Mason: Thank you. Just a question about people who may be in the second half of their political career. I see that you've got the vesting as immediate. Originally the number of six years was tossed around. I'd like to know why that is.

The second question is whether or not the plan, either the defined contribution or the TB plan, would allow people to purchase previous years of service.

Mr. Ireland: With respect to the past service question that could be structured to allow past service to be purchased. I would envision that that could be structured so that the individual would have to pay the full actuarial cost of what that service is. It would be subject to the same potential reductions as everyone else. It would add more complexity to the program design. It would also add another element of complexity to figuring out how much reserve should be set aside, which in turn drives the target benefit formula. That would be the added challenge that would go with that, but it could be done, yes.

I'm sorry. Your first question again?

10:50

Mr. Mason: Vesting.

Mr. Ireland: The vesting issue. We have put in immediate vesting. Where the world is going across Canada is towards immediate vesting. We anticipate that Alberta in its Employment Pension Plans Act will be adopting immediate vesting in the not-too-distant future. B.C. has adopted that. That is the drive within the industry. If you have immediate vesting in your plan, it is an additional cost although we would not anticipate the cost to be that significant in the whole scheme of things.

Mr. Mason: Can I just follow up? If people vest immediately, don't you end up administering a number of really tiny little pensions for people that have been there only very briefly?

Mr. Ireland: Yes, you could.

Mr. Mason: Okay. Thank you.

The Chair: Okay. Any other questions right now, as we approach our comfort break time?

Maybe it's a good time to take a short breather. I've had two notes sent to me, so why don't we do that? Based on this clock, I see it's about 9 minutes to, so shall we break for seven or eight minutes and come back at 11 sharp, please? Okay. Thank you. Recessed until 11.

[The committee adjourned from 10:51 a.m. to 11:03 a.m.]

The Chair: The meeting is reconvened. I have Mr. Dorward on the speaking schedule so far. If you wish to comment or ask a question, please raise a hand, and I'll add you to the speaking list.

Mr. Dorward, please proceed.

Mr. Dorward: Thank you, Mr. Chair. A question for Mr. Ireland: from a statutory perspective mainly, I guess, would it be easier for a future government to make a change to any one of these three or, for that matter, defined benefit plans? In the future would it be easier to make a change to any of them?

Mr. Ireland: Sorry, to any of the three . . .

Mr. Dorward: To any of these three plans or a defined benefit plan, for that matter. Would it be any easier for a future government to make a change to one plan than it would be to any other plan? Would it be very simple for the terms of a TB plan to be changed, easier than a DC, an RRSP, or a defined benefit plan, for that matter? Or would they all require a lot of statutory work that would have to be done in order to change them?

Mr. Ireland: Well, first, the most important element would be the contribution rate. Any change to the contribution level for any of the three plans would be the same amount of effort, I presume. After that, the types of changes that could occur in the future for the defined contribution plan, I would expect, would not have to involve statute changes. It would have to involve changes in policy or changes in the statement of investment policy, those kinds of things, which are more driven by the Assembly staff with input from MLAs.

For the target benefit it's hard to envision exactly what statute changes might be required in the future. That is a bit of a wild card. But, again, if it's all driven by the contributions going in – and you would lay out initially the contributions going in, the goalposts within which the minimum benefit must be guided by. The rest, I expect, would be handled outside of statute just with guidance with policies, et cetera, that are managed by the Assembly.

Mr. Dorward: Thank you.

The Chair: Thank you.

Just as a point of clarification on something that you mentioned earlier, just to make sure that all of us understand clearly that if we were to opt for the RRSP route versus the DC route or the TB route, then an MLA upon retirement but not having yet reached retirement age can access the RRSP dollars virtually at any time. You take it out, you pay tax on it, and so on. However, with respect to the DC plan or the TB plan a younger MLA would not be able to access any of those monies until such time as they hit the requirements of retirement age. I know that sounds very straightforward and very simple, but is that the correct understanding? Could you just expand on it minutely, please?

Mr. Ireland: Yeah. Certainly, with an RRSP the money, as we call it in the industry, would be unlocked at any time. Once the money has been set up as a taxable benefit and paid, the individual can take it out of the RRSP, pay the tax, and use it to whatever purpose they deem appropriate. With the defined contribution and target benefit plans we would envision that that would be locked in and be made available for retirement purposes only, that you couldn't withdraw the whole amount and pay tax on it. Under the legislation that applies to private-sector plans in Alberta, with a DC plan you could take 50 per cent of the money out from your DC account if you so desired at that point and pay tax on it.

The Chair: So there is an unlocking mechanism possible?

Mr. Ireland: Yes.

The Chair: Would that be possible through provincial legislation in tandem with federal? How would that come together? I'm actually asking on behalf of a few private members who have contacted me.

Mr. Ireland: The Income Tax Act has no interest in the locking versus unlocking of the plan. All they care about is that once the benefit has been paid out, it's taxable. So this is all a provincial jurisdiction as to the extent that funds are locked in or not locked in. Given that, as I understand, this would be handled under a separate statute from the Employment Pension Plans Act, you could unlock it or lock it in as you see fit. However, for the target benefit plan to work like we need it to work, you do need the money to remain in there and provide a pension as opposed to being withdrawn by the members. Once you start allowing withdrawals from the target benefit plan, that's when it becomes much more difficult to set that risk margin and the risk reserve.

The Chair: Okay. Let me open the floor to others. If not, I have a couple of others that have been sent in to me, but let me open the floor to the members. Any members? Mr. Dorward, proceed.

Mr. Dorward: It's not so much a question as a comment. I just wanted to recognize for the record that the Major report did have in there a reduced transition allowance, which we did not carry forward – I think it was recommendation 11 – which had a topping up after six years but was a 17 per cent cost of the MLA basic salary. Just so that everybody understands, that amount that was not carried forward out of the Major report was 17 per cent of the basic MLA salary.

Thank you, Mr. Chair.

The Chair: Okay. Thank you. We're just going to look it up to make sure we have the right reference for purposes of *Hansard.*

Any other members?

If not, can I just advance a couple more questions that were provided to me by private members? With respect to the 9 per cent I realize that you've used the 9 per cent benchmark as an equal contribution by the employer, by the employee. My understanding of that, Mr. Ireland, is that you've used it because that's the maximum amount allowable under the RRSP contribution. Is that right?

11:10

Mr. Ireland: That's correct. That's the maximum contribution limit for RRSP or DC plans.

The Chair: Right. So then what you've done is basically carried that 9 per cent forward into the other two scenarios, the other two schemes.

Mr. Ireland: Correct.

The Chair: However, I don't know that there's any signal yet from the Assembly or elsewhere that the 9 per cent under the other two plans is the route to go or not to go. What I'm interested in is: if you went the DC route, as experienced in other provinces, or the TB route, which is also experienced in other provinces, there's quite a difference there. It's not 9 per cent. In fact, I think it's higher in many cases. Is that true?

Mr. Ireland: That's my understanding, yes.

The Chair: Do you know what that range was? I think there was a comparison chart done somewhere on eight and a half by 14. I just wonder if that would be something useful for members to have. It was prompted, as I say, by a private member's question to me, but I thought it was a valid point to raise for your attention here. It will just take a moment. We'll just circulate this.

It's the member total compensation comparisons from province to province expressed as a series of different columns: indemnity; the tax-free portion, which we no longer have; the employer contribution to a pension, although we don't yet have any such pension; and then an expression of the percentage of salary being contributed. As it's going around, you would also then see what the total compensation is at the end of the day.

Now that everyone has this, would you mind, Mr. Ireland, just for the record, taking us through a little bit of this very briefly? Take as much time as you need, but you know what I mean.

Mr. Ireland: Certainly. If you look at the second-last column from the right, the percentage of salary, that illustrates that the 9 per cent that's being contemplated in Alberta is substantially less than other provinces or other jurisdictions. I do note that the two other provinces with DC, Ontario and Saskatchewan, are both more comparable at 10 per cent and 11 per cent.

The one caveat to all of that that I wouldn't know is: those percentages, how much of that is for purposes of paying current service costs or current service allocation if the plan was just starting out versus how much of that is being funded to satisfy deficits that have arisen from the past? For example, in a 57 or 58 per cent of pay contribution part of that could be to fund current service, and part of it could be to provide funding for past deficits that have arisen. I don't know how that would break down.

The Chair: Okay. Any other members? Mr. Mason.

Mr. Mason: Thanks, Mr. Chairman. I'm treading on getting some personal tax advice here while I've got you, but I think it's relevant. Does the existence of a pension affect the maximum contribution that you can put into your RRSP?

Mr. Ireland: Yes, it does.

Mr. Mason: Okay. So it's counted?

Mr. Ireland: That's correct. It's counted.

Mr. Mason: Good. Thanks.

The Chair: Any other members?

Mr. Goudreau: I'm just curious with the debate that's going on in Ottawa these days concerning the structural changes to MPs' pensions and what Alberta is and where it's at. With what is being proposed, how would that change that first page?

Mr. Ireland: Well, my understanding – and this is as of yesterday – of the proposal is that MPs would contribute 25 per cent of their base pay towards a pension and it would become a 50-50 cost-sharing arrangement. That would imply that the cost of the program is 50 per cent of pay, and the proposal is to share that equally.

Directionally what that may be saying is that there's interest in moving to more risk sharing and more contribution sharing between Assemblies or the MLAs in the Legislature than there has been in the past.

Mr. Goudreau: The 44 per cent, if I may, would drop considerably.

Mr. Ireland: Yes. I would expect that that would be the case.

The Chair: Okay. Thank you.

Other members?

Okay. I'll just advance another question on behalf of someone. In some provinces the elected members have the same pension plan as either management or the public service sector, and the question is: why don't we just adopt a model like that, where if you're an elected member or you're a public service employee/member or you're a management member, everybody just gets the same pension?

Mr. Ireland: That certainly, I assume, would be an option, to move into the MEPP, the management employees pension plan, in Alberta. I expect that would be the logical one to move into. I would expect, if that were to happen, that the total contribution rate, employer or Assembly and MLA combined, would be higher than a total of 18 per cent, however.

The Chair: Right. But there are some provinces who do that.

Mr. Ireland: That is correct.

The Chair: For the ones that are doing it, Mr. Ireland, in your experience – and I know you haven't maybe done all the provinces – are they more on the TB side or the DC side?

Mr. Ireland: They're more on the defined benefit side although in Saskatchewan they are DC for their public sector, so the MLAs just plug into that same infrastructure for that plan. But the others that follow the management program in their province, as I understand, would be defined benefit as opposed to target benefit.

The Chair: Right. I think the Clerk mentioned that there are only two provinces at the moment – let's just leave Alberta out of this for the time being – Saskatchewan and Ontario, who have the DC approach. Just to clarify.

Mr. Ireland: That's my understanding. Correct.

The Chair: Okay.

Mr. Dorward: If I understand the answer to the question regarding the management plan in Alberta, the cost to the Assembly would be somewhat greater than the 18 per cent combined cost that's been used as the example here today. Is that right?

Mr. Ireland: That is correct.

Mr. Dorward: Obviously a very subjective question, but has there been any discussion of that as being a gold-plated pension plan at all?

Mr. Ireland: That's a 2 per cent. Maybe to put it in this light, it's a 2 per cent best average earnings plan. For a registered plan that is the most permitted under the Income Tax Act notwithstanding that you can have supplementary plans on top of that. It is indexed, and it does have cost sharing that has proportionately more being paid by the employer. I think 60 per cent or 66 per cent of the cost is paid by the employer. From that perspective, I would categorize that more as the upper end or more of a cadillac plan, if you will, compared to what is out there in the industry.

Mr. Dorward: But it has some touchy-feely around that percentage as a cost to the government, I would say. How many people would be in that plan, for example? Do you have any idea? That's not a fair question. I understand if you can't answer that question.

Mr. Ireland: No, I don't have a feel for the demographics of that plan.

The Chair: Dr. McNeil on this point.

Dr. McNeil: Cheryl might be answering. If I was guessing, I'd say maybe 3,000 people, 3,500 people in that plan.

Mrs. Scarlett: That was my guess as well, but they are just guesses. The same as David, it's just a guess, 2,500 to 3,000 representing the management employees.

The Chair: Thank you.

Any other questions or comments? No?

I think I have one last one from the general MLA membership, and it's to do with legislation and governance structures of whichever one of the plans. We talked about it a little bit earlier, Mr. Ireland, where we compared one particular plan under DC being a total administration cost ballpark of $60,000 and under the other one $180,000 or something along that line. We've talked a little bit about the costs of a governance structure, but we haven't talked about what the governance structure might look like. To not complicate this too much but to get an answer on the record, could you please comment in general about legislation that would be necessary or not under each of the three and the governance structure that might be necessary under each of the three?

11:20

Mr. Ireland: Yeah. I'll do my best. For the RRSP the governance structure is simple. There really doesn't need to be any because it's just an increase in taxable benefit flowed through to the individual's taxable salary.

For the defined contribution plan's governance structure typically what we see is that there is a committee, that would be comprised in this case of Assembly and MLAs, that would make decisions regarding the investment funds that should be made available, perhaps the provider that the plan should be using, and to help with any clarifications required with respect to the plan provisions.

There would need to be a trust agreement or a funding agreement set up. There would need to be a formal plan document put together. Perhaps that's part of the statute. There would have to be some kind of changes to the statute for the pension plan to implement the plan and identify roles, responsibilities, and accountabilities.

For the target benefit plan you'd need that same general infrastructure, changes to the statute. You would also need within your governance structure some kind of guidance for the funding of the plan. Again, there's 18 per cent going into the plan. That's a given. But you need guidance to know: when do you increase the benefit, the 1.45 per cent, or when do you not or when do you scale it back? How much risk reserve should you hold within the plan? That funding policy, as we call it, needs to be established to provide guidance for the governing body to make decisions around the level of benefit rates.

The Chair: Okay. That cleans off the items that private members had sent to me or called me about. I'll just go to the floor once again.

Ms Calahasen: Mr. Chair, we've been looking at all of the various governments across Canada. Do you know how these three – RRSP, DC, and TBP – would measure against the private sector? Has there been anything that would give us a measure of some sort?

Mr. Ireland: Generally speaking, the private sector does not have an abundance of pension plans, employer-sponsored pension plans. The ones that do have pension plans are predominantly of the RRSP or defined contribution variety. Very few have defined benefit; even fewer have target benefit because it's a relatively new concept that is being introduced.

The private-sector world is concerned about defined benefit plans because of what are perceived to be onerous minimum funding standards as well as onerous expense or accounting rules that need to be applied, so they've simply gotten out of the business of defined benefit plans and are generally into defined contribution arrangements.

The Chair: Any other members? Any other questions?

Mr. Young: You alluded to the fact that as of yesterday there are some details about the federal plan that are changing. Can you elaborate on that? I mean, I'd almost like an update – this chart is great, by the way – in terms of where they are sitting now because they're moving in a certain direction, and I think that's down.

Mr. Ireland: Well, I guess, my understanding is that this is all a proposal. It's not a done deal; it's still in negotiation. I expect at this point that it's a very fluid situation. For an MP to be paying a 25 per cent contribution rate, that may have some certain shock value associated with it, which may evolve into further discussions about whether the benefit level needs to be reduced and contribution rates reduced accordingly. It's difficult to anticipate where that discussion may go.

Mr. Young: Thank you. I just find it interesting that as we're considering creating some version of a pension option for Alberta MLAs, we have this other end where the federal MPs are redefining theirs and refactoring where they're going to be. It's interesting that somebody is coming down and we're trying to create one. It would be interesting to find out where they land. Any thoughts on when that is going to reveal itself in the pension world?

Mr. Ireland: No. It is a point of discussion in the pension industry, but the pace at which that reform may take place: I really have no insight into that.

Mr. Young: Okay. Thank you.

The Chair: It's one of those stay-tuned situations, I'll bet. Thank you.

I have Dr. Sherman yet, please.

Dr. Sherman: Thank you, Mr. Speaker. This MLA compensation has been an enigma to Alberta politics. We've been cherry-picking the Major report in this committee. Is there possibly an independent governance structure that we could put into legislation to ensure that there is fair compensation to MLAs, a process that would have complete independence from us having to debate and discuss these kinds of issues in this committee in the future?

Mr. Ireland: Well, I'm no expert on governance structures for the Legislature by any means. I guess I look at it as if there is a total dollar amount set aside for compensation. Let's call that X thousand dollars that is available for compensation. What I view this discussion about is the packaging of that compensation. I appreciate the comment that setting what that dollar amount of compensation should be is fraught with potential conflict, but once that compensation level is set, how do you package up that compensation? Do you set aside so much for pension, so much for base pay, so much for expense allowance? I don't see that being as fraught with conflict as the initial discussion about what the overall level of compensation should be.

Dr. Sherman: Thank you.

The Chair: Okay. Is there anyone else?

Ms Calahasen: Mr. Chair, just a question. In our minutes we talked about a document outlining the introduction of a shared-risk pension plan in New Brunswick. We know that they've gone to the TBP. Is that what it's called?

Mr. Ireland: Yeah, it's a similar concept.

Ms Calahasen: Can you tell us: with what you have identified here, all the contributions, investments with this, et cetera, is there anything that's missing from the New Brunswick model in the information that you've provided us, or is there more in the New Brunswick model than what you have identified?

Mr. Ireland: No. The New Brunswick model is substantially the same. What the New Brunswick model has done is gone a step further and articulated, or prescribed, funding measures as to how much risk reserve should be set up or set aside. That's what they've done. They've gone a step further to define parameters around that.

Ms Calahasen: Thank you.

The Chair: Okay. Anyone else?

I would seek the committee's opinion on where you might want to go from here. We've had, I think, a very good presentation, with a mountain of information from Mr. Ireland, from our Clerk, and perhaps others. I want to conclude by just saying thank you to Mr. Ireland. I hope you'll hang in with us for a little while. Thank you for the great amount of work that you did over a very short period of time to make some common sense, as it were, out of this.

I think we've had close to 70 or 80 questions asked today, virtually by all members. I know it'll take a little bit of time to digest some of those answers, and there might be other questions that will come once we start reading all of that.

Let me ask the committee this. Is there any one of the three scenarios that you right now feel you need more information about prior to considering some sort of a recommendation, or are you comfortable with the information as it stands on all three? Secondly, are there any other comparisons that you feel you as members need prior to making a decision, be they comparisons with the private sector or comparisons with other provinces or elected versus nonelected members or whatever they might be?

I'll open the floor to some general discussion on where you might want to go from here. Mr. Quest.

11:30

Mr. Quest: Thank you, Mr. Chair. On your second point there I certainly would be very interested in seeing how this all plays out at the federal level and what they're doing with theirs before we move forward. Again, we're not certain what the timing is going to be. It would be nice to know a little bit more about that. I think that would be very valuable information for this committee.

The Chair: I don't know what the timing on the federal one might be. I've read reports in the media just like you have, or I've seen them. They tell me two to three weeks, but who knows? So I can't answer that. I don't know if there's anyone in the room who has any other information on it. Mr. Ireland has tried to address it, and I think he gave the same sort of answer I just did. We don't have a crystal ball.

I have Mr. Anderson and Mr. Mason.

Mr. Mason: Sorry. I was on Mr. Quest's point.

The Chair: Oh, I'm sorry. Mr. Anderson, is yours on a different, new point?

Mr. Anderson: Yes.

The Chair: Okay. Well, why don't we go to Mr. Mason, then.

Mr. Mason: I'm just looking at this, and for the House of Commons and the Senate the employer contribution to pension is at 44.4 per cent, and we're talking about 9. Now, I think they're coming down. I don't think they're coming down to 9. Just a guess. Just a guess.

The Chair: Okay. Thank you, Mr. Mason.

Mr. Anderson.

Mr. Anderson: Yeah. I would say that I think we can make our decisions in Alberta without having to look at the moral mountains that are the folks in the House of Commons. I think that perhaps we can make our own decision on what's fair for the Alberta taxpayer.

I thought this presentation today was excellent. I thought your answering of the questions was very clear. I think that the chair has done a great job of bringing this together so that we could see these different options and compare apples to apples, as it were, and I think that this was a good process.

I've heard all three out. I've heard a lot of great comments from the different committee members, Mr. Dorward in particular, talking about a lot of the need for flexibility for younger and older members.

Again I go back to what I talked about earlier. I think that the only two plans that I see here as posing no risk to taxpayers are the defined contribution and the RRSP allowance. Within those two I just don't see any reason to go to the defined contribution because it's less flexibility for MLAs. There are fees involved. There's extra cost to taxpayers and government and so forth.

You know, I guess from a younger MLA's perspective I just think that it makes sense to have the flexibility that we have with the RRSP allowance. There are no set-up costs. There's nothing. It's just kind of: we can plan for our retirement or however we need to use that money as we see fit. I think that that's the type of model that I would like to see a little bit more of in the public service, too, that we empower people, public servants to take control of their investments and take control of how they want to invest their money. Every family is different, and every person is different that's in the public service. I think we need to get away from these one-size-fits-all approaches that take away that flexibility from individual Albertans and families and so forth and start allowing them to invest a little bit of the money that they're provided with for their retirement in the way that they see fit.

I guess I'm saying that after hearing everything, I think the RRSP allowance is the most responsible and best way forward.

The Chair: Thank you.

Any other comments from any other members? None? So are you prepared, anyone, to put a motion on the floor here? What's your wish? I'm just your chair.

Mrs. Jablonski: Mr. Speaker, I think that this is a very important decision that we are being asked to make here. I think that in order that we can ensure that we recruit and retain some of the best people possible within our province, we need to have a benefit package that, number one, is sustainable, and number two, can't be – I don't even know what a gold-plated pension is, where the cut-off is, but we don't want it gold-plated, for sure. I feel that we need to take a little bit more time to look at the facts and the figures and to discuss those with our constituents and other people before we make an actual decision. Are you asking us to make a decision on a choice of those three pensions right now?

The Chair: No. I'm asking you where you want to go from here. We have no other people who have indicated a desire to speak after you unless I see a hand flash up. I'm asking for the direction of the committee on where you want to take this issue and the mandate given to us. What's the next step?

Mrs. Jablonski: For me, I would like to have a little more time to consider the options that have been put before us. Thank you.

The Chair: Thank you.

Mr. Young: I would just comment that there have been some great questions and great responses and a whole lot of information. Other than maybe Mr. Dorward, who plays with numbers with his big calculator, a lot of this is a bit of a learning curve here. I think this is something that we don't need to rush into. I think that there's no risk in taking our time and making the right decision. Clearly, we're in a better position, having put some context to a lot of the questions we had going through this material. So I would agree with Mrs. Jablonski. Let's make the right decision, consider all this information, let this committee come back and make the right decision, not a hurried one.

The Chair: Okay.
Mr. Dorward.

Mr. Dorward: Yes. I concur with those two MLAs on those thoughts. I thought Mr. Ireland delineated for us two things. One is the ultimate cost to the government, to the people of Alberta, and also the type of plan, once you decide what the cost to the people of Alberta needs to be.

I, for one, need more time to digest what we've learned today. It's been great. I really appreciate the answers and the information. I think we need to go back and think it over some more. At least, I'm not prepared to make a decision today on either of those issues.

The Chair: Well, let's be reminded that the House goes into session again on October 23, so we've got about three and a half weeks still. Our job is to put something forward by way of a recommendation. I'm assuming that we're going to try to put it into the fall session. We could always have another meeting during session, but we could also have one the week just before session; in other words, three weeks from today. If I'm reading this side of the table correctly, that might be just enough time to give us the additional discussions that you want to have either with your constituents or with your caucuses. I mean, we're all here as representatives, I'm sure, of one faction or another, and I find that to be a reasonable request.

Mr. Mason, did you have a point? And Mr. Anderson?

Mr. Mason: Yeah, I did. I certainly think we should allow time for the government members to have their caucus meeting and then tell us what the decision is. I am cognizant of the comment that if we're going to have a pension plan and we're going to have some protection down the road for taxpayers and so on, it has to be legislation, so I would just remind members that if it is the intention to have legislation this fall, then we have to step up and make the decision pretty quickly.

The Chair: Agreed. Good comment.

Mr. Anderson: I would just say that I agree that, obviously, we all need to go back to our caucuses. Clearly, the government has the majority on this committee, so they have to go back and discuss it in their caucus.

We've had many discussions about this issue as the Official Opposition, and I think that with my earlier comments I made it clear where we're probably going to be coming from at the end. But I would encourage and would be happy to put a motion forward to defer a decision on this until the next Members' Services Committee, when we hear a little more about what the different caucuses and, specifically, the government caucus have to say. I do think that we have to move forward and get this done at some point, but obviously the government has to caucus on it.

11:40

The Chair: Do you wish to make that into a motion at this time?

Mr. Anderson: Sure. I would like that.

The Chair: Okay. Then, Dr. Sherman, you'll speak to the motion, I assume?

Dr. Sherman: Mine was separate.

The Chair: I'm just going to entertain the motion here, first, and then you'll be first up. I'm sure whatever you have to say is relevant to it.

Your motion, Mr. Anderson, is to defer. Would you take it from there?

Mr. Anderson: Yeah.

> Defer making a recommendation on this matter until the next Members' Services meeting, until after all caucuses have discussed the issue.

The Chair: Thank you.

Is everyone clear on the motion? Did everyone hear it? The gist of it is to defer making a recommendation on this matter until the next meeting or shortly thereafter. Is there some discussion on this? I have Dr. Sherman first and then Mr. Mason. On the motion, first, and then we'll come to your point if it's different.

Dr. Sherman: On voting on the motion, I think I'm going to have to take a convenience break.

The Chair: Thank you.

Mr. Mason: I'd like it to be more specific, that

> it come back to a meeting of this committee before the start of the fall session.

So if that's agreeable, Mr. Chairman, I'd like to make that amendment.

The Chair: That would be a friendly amendment, I think, provided the mover is in agreement. The chair will canvass, as he always does, all members of the committee to see if three weeks hence, which would be the 18th of October, give or take a day either way, is agreeable to everyone as a speculative date. It may turn out to be the Tuesday or the Wednesday, depending on what people have planned.

The motion as amended would read – and *Hansard* will have it more exact – moved by Mr. Anderson that we defer making a decision regarding this matter until the next meeting of the Members' Services Committee and after all caucuses have had some discussions as to where they want to go with this issue, words to that effect. I think I have the gist of it, Mr. Anderson and Mr. Mason. So the anticipation coming out of that, before I call for any other speakers or a question, is that we would meet the week before session starts on the 23rd and as a backup plan probably the Monday before or the Tuesday depending on how it goes.

Are there any other speakers to the motion before I call the question?

Some Hon. Members: Question.

The Chair: The question has been called. Those in favour of the motion as proposed by Mr. Anderson as amended, please say aye. Any opposed, please say no. So that is carried unanimously.

All right. Now, in anticipation of that meeting, I just want to know if there is any particular aspect of the presentation or information you've gleaned on your own to which you might want some additional follow-up or some additional research or anything else. I say that because we have an extremely talented and industrious hard-working group of LAO officials, some of whom are here. Mrs. Cheryl Scarlett, give us a wave. Thank you. Mr. Scott Ellis, give us a wave. Of course, you've heard from Dr. McNeil, Mr. Reynolds, Allison Quast, and numerous others who are prepared to do whatever is necessary to make sure that you have the information that you might want.

Is there an issue that you want more follow-up to?

Mr. Young: I love this chart, by the way, in terms of identifying what type of plans are in each one of them. I've already made my notes here in terms of New Brunswick being a target benefit plan . . .

Dr. McNeil: No, it's not. It's not yet.

Mr. Young: A version.

The Chair: It's not yet apparently.

Mr. Young: Okay. I guess my question is: can you identify what type of plans each of these jurisdictions has – the total compensation and all the stuff is already there – just the vehicle?

The Chair: Cheryl, do you want to comment quickly on that right now, or do you want to take that under advisement and come back to us?

Mrs. Scarlett: Well, two things. Just as a quick observation, Saskatchewan and Ontario are defined contributions. With the exception of Alberta, that has nothing at this point, the rest are defined benefit plans. But we can, you know, provide all of you with an updated chart that has that information.

The Chair: Okay. So I think that at the end of the day I'm sensing that we're all more or less on the same page with respect to what I'm about to say, and that is that we all want something that's clear; something that's obviously fair; something that's affordable to both the taxpayer and to the budgets for which government is ultimately responsible; we want something that encourages but doesn't discourage people from taking an interruption in their careers and their lives to serve as publicly elected members, which we are privileged to be a part of; and that some additional time should be spent contemplating the seriousness and the gravity of that situation. We'll have that brought forward in three weeks' time, approximately. Are we agreed?

Dr. Sherman: Mr. Speaker, moving forward, many of the decisions that we make today will affect us years from now. I urge the members of this committee to show leadership across the country. As you can see, many of the decisions here are based on caucus polling and actual polling. We need to develop a truly independent process and put that into legislation so that we never have to have this discussion again in the future.

I would urge all the members to look at developing an independent process on MLA compensation that includes fair compensation versus fairness to the public. Because of the politicization of our compensation, it's become a major issue. It's really interfering in the business of the politics of what we're supposed to be here for. It's a major issue for an election. The outcome of an election was decided based on MLA pay issues. I find it very, very difficult that we are carrying on with the same process here. Individual caucuses are going to examine their political positions and their polling and how it suits them best. It's just difficult to keep participating in the same process again. I just thought I should urge all the members and yourself to focus on an independent process.

Thank you.

The Chair: We'll give you 10 points for consistency. Thank you, hon. member.

Mr. Mason.

Mr. Mason: Thank you, Mr. Chairman. Well, I would just encourage Dr. Sherman to do a bit of homework on this and come forward with a proposal, and then we can debate it.

The Chair: Well, there's an opportunity for you, Dr. Sherman.

Dr. Sherman: I've given my proposal.

The Chair: Okay. Just a quick question here. Is there any other business that any member wishes to raise? Is there any other business that anyone wishes to raise?

Mr. Young: Just a question in terms of one of the issues that was brought up previously about the formula for constituency funding. Is that tabled at some point in the future? Where are we at with that?

The Chair: I'll expand on what I said at the beginning of the meeting, and that is that as part of the annual budget deliberations I for one will be visiting constituency offices and talking with folks who have contacted me, and I want to drop in on a few others. Everybody is in slightly different circumstances, but we know that the formula needs to be revisited.

I'm not making any promises of what the outcomes will be because I can't anticipate what the committee might decide. However, beginning in late November or early December we will have that issue front and centre in front of this committee. We will then be making a recommendation on what the budget ought to be. We can't make a recommendation on the budget until we've looked at all the other parameters, the four main criteria, you know: the population count, the electoral count, the number of elected bodies you have, and other things that affect the matrix. That's why it's important for us to do the outreach, and that's why I'm doing it. So it will come back to this committee for a full-blown discussion starting in late November or early December.

Otherwise, hon. members, this room is booked for another meeting shortly. There is some lunch provided out here, behind me to the left. I would encourage those of you who wish to grab a snack before you head off to please do so. We're finished in good time here.

I will then ask for a motion to adjourn. Mr. Goudreau has moved that we adjourn. We are adjourning at 11:50 a.m., I make it. All in favour of the motion? Good. Any opposed? None. Thank you. I declare this meeting adjourned.

[The committee adjourned at 11:50 a.m.]

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