Legislative Assembly of Alberta

The 28th Legislature
First Session

Special Standing Committee on Members' Services

Tuesday, June 26, 2012
9:31 a.m.

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Special Standing Committee on Members' Services

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Special Standing Committee on Members’ Services

Participant

Aon Hewitt
Rob Vandersanden, Partner

9:31 a.m. **Tuesday, June 26, 2012**

[Mr. Zwozdesky in the chair]

The Chair: Good morning, everyone, and welcome. There was no meal package attached to this particular meeting, so we're going to start it right on time, 9:31 a.m. I'd like to call the meeting to order. I think we have a quorum with which to proceed.

Let me begin by asking those people who are here to introduce themselves just so we have it for purposes of roll call, and then I'll go to audioconferencing. Could I please start with Mr. Young.

Mr. Young: Steve Young.

The Chair: Thank you.

Mr. Goudreau: Hector Goudreau.

The Chair: Thank you.

Ms Calahasen: Pearl Calahasen.

The Chair: Thank you.

Mrs. Jablonski: Good morning. Mary Anne Jablonski.

The Chair: Thank you.

Over here. Mr. Quest.

Mr. Quest: Dave Quest.

Dr. Sherman: Raj Sherman.

Mr. Dorward: David Cameron Dorward.

The Chair: Thank you.

We have seven plus the chair so eight present. Are there any members joining us by audioconferencing? Please speak up now.

Ms Smith: Danielle Smith.

The Chair: Thank you.

Mrs. Forsyth: Heather Forsyth.

The Chair: And Heather Forsyth.

So we're missing only one member – is that right? – which would be Mr. Mason. Do we have any information on Mr. Mason? Is he on his way, or do we not know? Bev, I wonder if you could just find out if he's sure of the date, the time, and everything else. I think he RSVP'd he'd be present.

Mrs. Jablonski.

Mrs. Jablonski: Thank you, Mr. Speaker. Just a clarification. I believe that Rob Anderson is a member of the committee. Is there a substitute for Rob?

The Chair: No. He's not a member, not of this committee.

Mrs. Jablonski: Okay. Thank you.

The Chair: That was the next point on my agenda, to just indicate that we do not have any substitutions that were requested within the 24-hour rule.

Let me also just remind you all that we do not require seconders for any of our motions, and Parliamentary Counsel did clarify last meeting that abstentions to votes are not allowed.

All of that having been said, we also have members who are joining us from LAO staff. I'll begin on my left. Please just introduce yourselves and your positions quickly.

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

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

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

Mr. Ellis: Scott Ellis, senior financial officer.

Ms Quast: Allison Quast, committee clerk.

The Chair: Bev Alenius, who is my executive assistant, is just out doing a quick errand and check regarding Mr. Mason's participation or attendance.

Thank you all very, very much.

I would note that at the meeting we held on June 7, it was decided that we would meet again if possible before the end of June. I sent out a circular asking you to identify one of two possible dates. The overwhelming date of choice turned out to be June 26, so thank you to those of you who responded in the affirmative for that date, and thank you to the one or two individuals who had picked June 25.

Secondly, we also posted all of the materials for today's meeting on the internal website. That was posted on Thursday, June 21. You should all have copies of that in front of you. If you don't, then please signal, and we'll try and get copies for you. Seeing that everyone has copies, or at least that no one raised their hand requesting one, we shall proceed.

Could I get approval of the agenda by way of a motion from an hon. member? Ms Calahasen.

Ms Calahasen: Yes, I so move.

The Chair: Moved by Ms Calahasen that the agenda be approved as circulated. All in favour, please say aye. If any are opposed, please say no. I heard no noes, so that means that the approval of the agenda has been achieved.

We would move on to item 3 on the agenda, then, which is approval of the minutes of the June 7, 2012, meeting of the Members' Services Committee. Again, these particular minutes were also posted on the internal website on June 21, 2012. I would invite an hon. member to please move a motion to accept those minutes of June 7. Mr. Goudreau has moved that we accept. Could you just verbalize it for the record?

Mr. Goudreau: Mr. Chair, I move that we accept the minutes as presented before us.

The Chair: For the June 7, 2012, meeting. Thank you very much. Those in favour of that motion, please say aye. Any opposed, please say no. I heard no noes; therefore, that motion is approved, and the minutes are accordingly approved.

Hon. members, we're going to move on to our main business of today, which follows up on the commitment that was given, accepted, and approved at our June 7 meeting. That was to have this committee not only meet by the end of June but also to deal specifically with recommendation 12 from retired Justice Major's report and also with Government Motion 11.A(d), which states 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.

Hon. members, last week everyone received an e-mail indicating the meeting materials for June 26 of the Special Standing Committee on Members' Services had been posted to the confidential internal committee website, as I've indicated. Within that stack of information is a document titled Process for Analysis of Pension Alternatives. Throughout the meeting this morning I will be referring to this document as the process document. I want to make sure everyone has a copy of it. Is there anyone who does not and requires one?

Mr. Dorward: I wouldn't mind getting an extra copy.

The Chair: Could we get two extra copies over here for Mr. Dorward and Mr. Quest? Okay. Thank you very much. We'll come back to that.

That document is titled Process for Analysis of Pension Alternatives. In that vein might I just say, then, that we have four steps that we'll be pursuing this morning. To put it differently, our meeting this morning has basically four purposes. First of all, we're going to review the information detailed in the process document that I just referred to. In a few moments, in that regard, I will ask our Clerk, Dr. David McNeil, to provide us with an overview and some additional clarity with respect to pension plans and the proposed process.

Our second purpose here today is to discuss and determine future direction and, I would hope, to achieve approval of the process as outlined in the document Process for Analysis of Pension Alternatives.

Our third purpose here today is to achieve concurrence to refer to the approved process and to have that process be referred to the Legislative Assembly Office for additional review and analysis, including help from an actuarial consultant, who, I would think, if that particular concurrence is sought, would include an actuarial from the private sector. In that respect, it would be my expectation that the staff of the Legislative Assembly Office would report back to our committee at a meeting that we will try and set very soon for the fall. That would then put us in a favourable position to report to the Assembly once it is convened and to present our recommendations during the fall sitting.

Our fourth and final purpose in gathering today, as has been referenced on page 4, paragraph 2 of the process document, is to review a suggestion that we create a subcommittee of four or five Members' Services Committee members whom the LAO can consult with if and when questions should arise during the evaluation process. Again, the fourth step, which is the suggestion I just gave you, is predicated on the first three being all gone through and approved, which I hope we will get to.

9:40

Let us move on, then. I did note that Ms Smith has left the meeting, but I understand that she is just parking her car and will be joining us in person very shortly.

Sorry. There's a question here? Yes.

Mrs. Jablonski: Mr. Chair, just for clarification could you review what you just said about Motion 11 from the Assembly requiring that we bring back recommendations for a pension plan? Could you just repeat that, please?

The Chair: Sure. It's my expectation that under our third step today we're going to have the LAO do an additional review and an analysis over the summer months, depending on what direction we give that LAO committee today, so that we're in a position to provide our recommendations to the Legislative Assembly later this fall once it goes into session. That's our mandate if you will.

Mrs. Jablonski: Thank you.

I heard you mention: including defined benefit. I just wondered if that was something we needed to bring back.

The Chair: No. I didn't say defined benefit.

Mrs. Jablonski: In Motion 11?

The Chair: Motion 11.A(d), that I quoted, states the following. I'll just read it again.

> That the committee,

being this 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.

Mrs. Jablonski: Thank you for that clarification.

The Chair: No problem.

All right. Those are the four essential steps that we'll be pursuing today, and as I indicated during the overview, I'm going to ask our Clerk, Dr. David McNeil, very shortly to provide us with an overview and some additional clarity with respect to the document that you have been provided and the proposed process. Dr. McNeil has become very knowledgeable with respect to the issue of pension plans. As well, he has invited a special guest, whom I'll introduce to you very shortly, who is joining us today to assist us should we have any specific questions.

In that vein, it's my great pleasure to introduce and invite to the table Mr. Rob Vandersanden, who is an actuary and is also a partner and member of Aon Hewitt's retirement team in Calgary. Rob has been with Aon Hewitt and its predecessor firms for 24 years, and he has 29 years of industry experience. He works with a wide variety of private- and public-sector pension clients, consulting on plan design, on funding, on nonregistered funding options, on plan governance, and on risk management. His experience covers registered, nonregistered, and seamless plans covering from one to 143,000 active members. I know that Mr. Vandersanden is also a fellow with the Canadian Institute of Actuaries and also is a member of the society, which includes the U.S. counterpart. Welcome, Mr. Rob Vandersanden.

It's our hope that Rob and David will work together this morning to address any questions or comments that any of us might have and that that in turn will enable all of us to garner a better understanding of the various types of pension plans and options that are available today.

Once again, Mr. Vandersanden, thank you so much for joining us today. I see you've taken your seat at the table, and we want to welcome you in that regard.

I will now pass the microphone over to Dr. McNeil to proceed with the first part of the presentation. Dr. McNeil.

Dr. McNeil: Thank you, Mr. Speaker. We put this document together just to give an overview of the alternatives that the committee might want to consider with respect to pension alternatives. What I plan to do is just go through here and make some comments about each type.

I think it would be useful that if members have questions when we're talking about a particular type of plan, either direct them to me or, probably more successfully, to Mr. Vandersanden as he's the expert more than I am. I have a passing knowledge in terms of my experience over the years with respect to pension issues, but Mr. Vandersanden is obviously the expert here.

The basic pension plan options: within each of these options there are all sorts of variations. So one can't say, you know, that this is the right plan or the wrong plan, but there are all sorts of variations within a particular type of plan. The first one, the defined benefit plan, is probably the one that you're most familiar with, where the income received at retirement is predetermined. It's based on a formula involving the employee's service and earnings. There are a number of plan types within this category.

The best average earnings plan: the pension is based on the average earnings over a specified number of years at a prescribed accrual rate. The Alberta management pension plan is an example. The Alberta public service pension plan, the Alberta teachers' retirement fund, and local authorities pension plan are all best average earnings plans, and many, many public service plans are best average earnings plans. Most of the MLA pension plans across the country are best average earnings plans. I don't know whether there's anything more I need to say about that type of plan. I think Rob can probably identify issues. One of the biggest issues with respect to BAE plans is the funding issue, and there's lots of information out there about the funding issues surrounding BAE plans.

The next one on the list here is the career average earnings plan. The pension is earned based on a percentage of earnings for each year over a member's career. Instead of the last three years or five years of the average of the member's salary the pension is accumulated on a year-by-year basis. For example, if the salary was $100,000 and the accrual rate in a CAE plan was 2 per cent, then in that year there would be $2,000, 2 per cent of $100,000, put in that career average earnings pot. Then the next year if the salary went up to $110,000, there'd be 2 per cent of that $110,000, so another 2 per cent of $110,000, which would be $2,200. That pot would accumulate over time, and at the end of that individual's service you'd have a certain amount of money, and that's what their pension would be.

There are also variations on the career average earnings plan where that money that's set aside is indexed. It can be indexed by a price index; it can be indexed by a wage index. The plan recommended in Justice Major's report was a career average earnings plan with price indexing and an accrual rate of 2.5 per cent. The estimated contribution rate for that plan in terms of the employer contribution was, I think, 20.3 per cent, and that compares with the contribution rate to the management employees pension plan presently. The Alberta management employees pension plan is presently about 19.14 per cent, I think. That will just give you an idea of the cost comparisons.

The third type of defined benefit pension plan, the main type, if you will, is a target benefit pension, TBP, or a shared-risk pension plan is another term that can be applied to it. This is the type of pension plan where contribution by the employee and the employer is fixed according to a predetermined rate which is expected to be sufficient to fund benefits determined with a defined benefitlike formula, in other words a target benefit.

A key feature of the target benefit plan is that accrued benefits can be increased or reduced from time to time if the funded status of the plan turns out to be excessive or insufficient to provide target benefits. Instead of promising that at the end of your career you're going to get a 2 per cent benefit based on your average five years, you could end up in a situation where the initial target benefit was, let's say, 2 per cent accrual rate but because the plan wasn't funded sufficiently, that rate would be reduced. That's all part of the understanding of what that plan is. So the pension is a target and not fixed.

9:50

Now, this type of plan is attractive to both members and the employers as members receive many of the same benefits as if they had participated in a DB plan but include pooling of the investment and longevity risks, but the employer no longer bears all of the funding risks associated with a more traditional DB plan. That's why they're sometimes referred to as a shared-risk pension plan. In a DB plan the employer is pretty well bearing all the financial risk. In a shared, or TB, plan the employee and the employer are sharing the risk in the plan, and there are mechanisms in the plan to do that. In effect, you can say: here's the fixed contribution rate for the employer, here's the fixed contribution rate for the employee, and that's the way it will be. It's the benefits that are adjusted as a function of how well the plan is funded.

The province of New Brunswick, as I mentioned in the briefing note, recently passed legislation enabling the adoption of a TBP/SRP framework for both private-sector and public-sector plans, and a number of unions – and this, I thought, was interesting – in New Brunswick have already indicated that they will be adopting the new model for their existing DB plans.

I'd also note – and this isn't in the briefing note, but this is information that I sort of picked up over the weekend – that the government of British Columbia recently passed Bill 38, the Pension Benefits Standards Act, resulting from a 2008 report from the Joint Expert Panel on Pension Standards, an expert panel established by the finance ministers of Alberta and British Columbia. This legislation supports the development of target benefit plan designs, and the literature is suggesting that Alberta will follow suit fairly shortly with similar legislation. Now, I'm not aware of that specifically, but that seemed to be the indication when that joint report was issued in 2008, and there's some indication that that may be happening. As I say, B.C. just passed the legislation in the past month.

Are there any questions about that?

Okay. So that's three types of defined benefit plans in, I guess, decreasing order of risk to the employer. In the last case the risk is shared between the employer and the employee.

Now, a defined contribution plan, on the other hand, is a plan in which the income received at retirement is not predetermined but is based on the assets within a member's retirement account at the time of retirement. There are a number of plan types which fit within this category.

The group registered plan, the RPP: the pension amount at retirement depends on the amount of contributions paid in and the return on the invested assets. Typically member contributions are matched by the employer. Risk is shared amongst all the participants in the scheme, so you're pooling the assets, the investments. Typically these RPPs are managed by expert investment managers, and you could have a very large fund. In some cases you have a risk choice within those registered pension plans as to whether you want to choose a risky investment option or a balanced investment option or a conservative investment option. At the end of the day, when you're ready to retire, you retire with a pot of money, whatever that may be, and then you go to the open market and typically buy an annuity at the existing market rates from an insurance company, a financial institution, and they say: well, we'll pay you so many thousand dollars a year, in effect as a pension, as an annuity.

One of the issues with respect to that situation is: what's the market like at the time you're purchasing your annuity? If interest rates are high, then your annuity is going to be significantly better than it is when interest rates are low. So that's one of the risks of the plan.

The Saskatchewan and Ontario MLA plans are examples of this type of plan, the difference being that the Saskatchewan plan is managed by the government as part of their employee pension plan, really, while the Ontario plan is managed by a third party. I think it's Great West Life in Ontario's case. As I mentioned, within these plans members have the option to allocate their money to different funds depending on the degree of risk they wish to assume with their pension investment.

The second set within that group is the individual or group defined contribution RRSP plan. Instead of a registered pension plan the member is investing in, really, an individual RRSP. In some cases you're making a choice to invest just your money in an RRSP. In some cases you can choose to invest that money in a group RRSP. Again, like the registered pension plan, the pension amount at retirement depends on the amount of the contributions paid in and the return on the assets. Typically member contributions are matched by the employer. The member chooses which RRSP they wish to invest in, and the contributions, employer and employee, are directed there. Again, the amount accumulated is converted to a pension on open market terms on retirement. Once in payment the amount of pension is guaranteed.

I guess – this may not be a purist approach – the RRSP allowance in some sense probably could be considered as part of this set in that the employer is providing members, in this case, this year with $11,485. That's really paid as salary, but the intent is that you invest that in an RRSP. Whether you match those funds or put initial funds in would be up to you. But, again, you know, your pension at retirement will depend on what the total amount of funds is in that pot when you do decide to retire.

Those are three of each type just for your, sort of, broad edification. There are a number of criteria which actuaries use to compare pension plans. You know, I attached a couple of charts there, a sample of various types of defined benefit plans and registered and defined contribution plans just for your edification.

That's sort of the overview. I wonder now if members had questions about any of those types of plans for myself or probably a more in-depth analysis from Mr. Vandersanden in terms of those alternatives.

The Chair: Okay. Thank you, David.

Just for the refreshed information of those present – and I think we have only one person now on teleconferencing. Heather Forsyth, you're still with us?

Mrs. Forsyth: I am.

The Chair: Thank you. We have full attendance here otherwise.

We could certainly go around the table now and ask for members to comment on or ask questions about the presentation up until this point. The presentation up until this point basically dealt with the subset of plans under the broad definition of defined benefit plans and the subset of plans under defined contribution plans, all of which is in the handout materials that you have accessed. Beyond that, we didn't get into all of the analysis yet of the vesting, the earning, the accruing, and so on that's listed on page 3 of your handout, but I suspect we will.

I have Mrs. Jablonski for a question or a comment.

Mrs. Jablonski: Thank you, Mr. Speaker. Just a point of clarification. On page 3 under the second subheading, Individual or Group Defined Contribution RRSP Plan, the last statement says, "Once in payment, the amount of pension is guaranteed." Can you further comment on that? I didn't understand that it would be guaranteed.

10:00

Dr. McNeil: You go to the bank or a financial institution and you say, "I've got $250,000." And they say: "Okay. With that money at today's interest rates we will pay you an annuity for life of whatever that works out to be, $10,000 or $15,000 a year." They'll say, "We'll give you that annuity for life, or you can buy an annuity that would give you the annuity for life and then your spouse an annuity or two-thirds of that annuity," or whatever the deal is, for the rest of his life. So you can buy a single life annuity, which will be higher, or a joint life annuity with that pot of money. It's between you and the institution, and they would guarantee that payment.

Mrs. Jablonski: That payment would be guaranteed at that moment in time for life, then.

Dr. McNeil: Correct.

Mrs. Jablonski: Thank you.

The Chair: Thank you.

Ms Calahasen: On page 2 you're talking about (b) defined contribution plans. I just wanted to ask for clarification on the Saskatchewan-Ontario models. What is the difference if it's managed by the government or managed by a third party? Is there any kind of difference that can accrue as a result? Do you have any information on that?

Dr. McNeil: Well, I guess the difference is going to be in their investment strategies, the size of their investment pool, and so on. The administrative costs may be different between having the government manage it and the private sector, in their case Great-West Life. I think Rob can maybe add to that in terms of his experience.

Mr. Vandersanden: Right. Thank you. In Saskatchewan the entire public sector today accrues defined contribution pensions. They have set up the infrastructure to provide and deliver defined contribution pensions, so it's easy for the MLA plan to fit into that whereas in Ontario most of the public sector still accrues defined benefit type pensions, so for the MLAs there's no existing infrastructure that they can plug into through the government of Ontario that would provide those pensions. They've gone to an outside third party, which is what you typically see in the private sector as well.

Ms Calahasen: Further to that, we already have a system in place in Alberta because there are existing MLAs that receive pension plans, right?

Dr. McNeil: As part of a defined benefit plan. We don't have a system in place to support a defined contribution plan at the present time as far as I know, anyway.

The Chair: Thank you.

A supplementary there, Rob?

Mr. Vandersanden: I agree. Not that I'm aware of. My understanding is that in the current MLA provisions they take the money and go to a private financial institution to invest it if they choose to do so.

The Chair: Thank you.

I have Mr. Young, followed by Ms Smith.

Mr. Young: Thank you, Mr. Speaker. My concern is around the defined benefit plans and the liabilities and unfunded liabilities that they've incurred, and for that I'm strongly opposed to those defined benefit plans. My question is about the targeted pension fund plan. It seems to not have the same risks associated with it or liabilities, but it's still under the defined benefit plan. Are all those costs and the liabilities and risks that we typically consider with the defined benefit plan associated with the targeted benefit plan as well?

The Chair: Rob, do you wish to comment on that?

Mr. Vandersanden: Certainly. Thank you, Mr. Speaker. As you can appreciate, there are more than just defined benefit and defined contribution. Lots of organizations have done 50-50, 30-70. They combine them. There are also plans that incorporate features of both. I would characterize defined contribution as you define how much money goes into the arrangement, and you're not really sure how much pension you're going to get because it depends on the markets and interest rates and how long you're going to live, which none of us are very good at predicting, whereas with a defined benefit plan the promise is what you get out at the back end, and the costs are uncertain because of all those same factors.

With a target benefit plan what they try to do is have a little bit of both, so the costs are defined in terms of how much you're going to put into the plan. The benefits that come out are loosely defined, but they're graduated in the sense that if all of our assumptions are met, then this is the benefit you'll get. But everybody understands that there is a risk that our investment returns will be lower, so we may have to reduce the amount of indexing that we provide to the members after they retire in terms of inflation protection. Or if things are really, really bad, we may have to reduce the actual amount of the pension benefits, so it's not a thousand dollars a month; maybe it's only $850 a month.

These target benefit plans are a way of pooling the financial and longevity risks to provide a more efficient delivery mechanism, so it's a better way of providing a pension without having a blank cheque in terms of the cost of the arrangement.

Mr. Young: And the variability of that blank cheque is that the benefits on the back end are depending on how sustainable the fund is, so there are no unfunded liabilities borne by the taxpayer or hidden in unfunded funds somewhere. Is that correct? That's my confusion. It's under the category of a defined benefit plan, which has all this baggage that I'm heavily concerned about, and I don't want to go down that road, but I see there's more devil in the detail in regard to that particular one. Is that a fair statement?

Mr. Vandersanden: Absolutely. I agree. To some extent target benefit plans have existed already for years. We see them in negotiated cost multi-employer arrangements in the union sector, for example. The IWA forest industry had a large multi-employer plan that basically was a target benefit plan. So they've existed to some extent in a negotiated environment.

What we haven't seen is in the single-employer type of environment where, you know, the Assembly or Suncor could go and set up its own target benefit plan because the rules didn't accommodate that reduction in benefits as experience either evolves positively or negatively. So it's required some legislative amendments to allow it. There was a reference to the rules in New Brunswick that have been introduced. They've allowed it now. The legislation that was introduced in B.C. allows it, and our industry expects that Alberta will be introducing similar legislation that would allow target benefit plans as well.

Mr. Young: Thank you.

The Chair: Thank you.

Just before we go to Ms Smith, in case you missed my introduction, you've been listening to Mr. Rob Vandersanden, who is an actuary from Calgary with Aon Hewitt with approximately 29 years of experience in the field. We've invited him to join us and provide clarifications.

Ms Smith, followed by Mr. Dorward.

Ms Smith: Thank you, Mr. Speaker. I'm assuming everyone had a chance to receive the Canadian Taxpayers Federation submission. There is something in here I would like to see clarity on if I could. They allege that a 2.5 per cent accrual rate on a defined benefit plan would be illegal in the private sector because under the Income Tax Act you can only have an accrual rate of 2 per cent. I'm just wondering what the rationale would be for proposing an accrual rate that's higher than what would be allowed otherwise.

The Chair: The document referred to is not a formal part of our proceedings, but I wonder if you could answer the question in a more general sense, Rob.

Mr. Vandersanden: Thank you, Mr. Speaker. In the Income Tax Act there is a limit to the pension formula that you can have in a defined benefit pension plan. As you can imagine, the tax act has a lot of different limitations in it with respect to pension plans, and one is that the formula cannot be more than 2 per cent of your final three-year average earnings when you retire, so if you have a 2 and a half per cent formula, if you have a 3 per cent formula, that cannot be provided under the Income Tax Act.

What's commonly done in both the private and public sectors is to provide pensions that exceed the income tax limits, and a supplemental arrangement will be set up. So it won't have the same tax status as a registered pension plan has, but it is not an uncommon arrangement to provide benefits over and above the maximum. Even in plans that have just a 2 per cent accrual rate in them, if the average earnings of the members are high enough, they'll start running into other tax limits that would require a supplemental plan as well. Even with a 2 per cent rule you could still have people – if they're earning $135,000 a year, you're going to be over the limit in a 2 per cent plan, and there would have to be some sort of supplemental arrangement to provide the full benefit, or you would be capped.

The Chair: Thank you.

10:10

Ms Smith: Just for clarity, this is something that only governments can give to themselves, and the private sector would not be able to do this same kind of overpayment or overaccrual?

Mr. Vandersanden: No. In the private sector you can set up these supplemental arrangements. You see them. They're quite common, particularly with more highly paid employees. It just wouldn't be set up as a registered pension plan. It either might be an unfunded promise from the employer, or it might be set up – under the Income Tax Act there's something called a retirement compensation arrangement. That would actually allow you to fund the supplemental benefit in excess of what's allowed under the Income Tax Act. It's got a 50 per cent refundable tax, so it's not attractive to many employers, but it is a mechanism that would allow you to have benefits above the registered plan limits.

Ms Smith: Then, just so I understand, if a defined benefit plan was approved with a 2.5 per cent accrual, then a portion would be shielded from tax and a portion would be taxable?

Mr. Vandersanden: Yes.

Ms Smith: Okay. Thank you.

The Chair: Okay. Thank you.
I have Mr. Dorward, then Mrs. Forsyth if you like. Let me know.

Mrs. Forsyth: Yes. I have a question.

Mr. Dorward: In a defined contribution plan there are also statutory limits, which would be 18 per cent of the earnings, which in this case would be around $22,000, I assume.

Mr. Vandersanden: That's correct. Even within the defined contribution arena, depending on the level of earnings and the contribution rate, you might go over the limits. Saskatchewan has a supplemental plan to provide for benefits over what can be accommodated under the income tax limits. I'm not sure about Ontario.

Mr. Dorward: I think it's important to note just for the record, Mr. Chair, that a defined contribution plan has a maximum payment under the guidelines, at least by CRA, that approximates the transition allowance or reduced transition allowance that was contemplated in the Major report. Beyond that, the defined benefit pension plan – or I guess I shouldn't say that exactly as the Major report didn't say that. But in section 3.5 of the Major report certainly the context was heading towards a defined benefit plan. I just think it should be noted that there is a significant reduction in the obligation or the expenses that the government is going to have to the MLAs, both in the situation from what it used to be to now and from what the Major report is to what it will be if we go with the defined contribution plan versus a defined benefit plan in the environment where we've already said that there is no transition allowance.

The Chair: Okay. Thank you.
Mrs. Forsyth, followed by Dr. Sherman.

Mrs. Forsyth: Thank you, Mr. Speaker. I just wanted to get some more information if I could. Dr. McNeil talked about the government of B.C. and Bill 38, and I think he said – and I may be wrong – that he had heard or that it's a possibility that Alberta may follow. I wonder, as we don't have any documents in front of us on Bill 38 and what they're trying to do, if he could elaborate.

The Chair: David?

Dr. McNeil: Yeah. I'm not sure as to what depth I can elaborate, but in effect what Bill 38 does in B.C. follows from the joint Alberta and B.C. report in 2008, which was commissioned by the ministers of finance in both provinces to look at pension alternatives that, you know, provided more sharing of risk among employers and employees. Bill 38 in effect presents the framework, from my understanding, to implement target benefit plans in B.C.
As I say, similar legislation was recently passed in New Brunswick to provide the legal framework for target benefit plans in both the private and public sectors. As I indicated, in New Brunswick the unions were part of the negotiation or discussion process in putting the legislation there together. The commitment, I understand, was that Alberta and B.C. would introduce similar legislation based on that 2008 report, the joint report on pensions. Rob can probably elaborate a bit on that because he's aware of the industry and probably had some interaction with Alberta and B.C. in the development of that report.

Mrs. Forsyth: Are we usurping the process, then, if it's something that Alberta is looking at, following the lead of B.C.?

The Chair: Rob, do you want to comment?

Mr. Vandersanden: Sure. The joint panel really was focused on reviewing private-sector pension legislation, and it was the first time in probably 20-plus years that the Employment Pension Plans Act in Alberta and the corresponding legislation in B.C. were looked at in an in-depth way. I believe the desire was, as part of more of a free-trade environment between Alberta and B.C., to also look at labour laws and pension laws. So the panel delivered these rules that would amend pension legislation in both provinces that really primarily affects the private sector.
There are a number of things it addresses, not just target benefit plans. One of the things that the panel recommended was that the legislation be amended to allow for alternative forms of plan design like target benefit plans to allow more creative designs, better risk sharing, and getting away from this black-and-white defined benefit, defined contribution world.
I think that because of the election in Alberta the legislation here was probably delayed. The expectation is that sometime this year, hopefully, there would be an introduction of that legislation and that it would parallel fairly closely what B.C. introduced because my understanding is that the provinces have been working together on drafting legislation. That would create the framework for these target benefit plans, which could apply in both the private and public sectors.

Mrs. Forsyth: Again, my question is: are we usurping the process? One of the things that we want to do is to have the public pension in line with the private pension. In my mind we don't want to have more than what the private people are getting under their pension plans. So I guess I'm wondering if we're ahead of them or behind them.

The Chair: Comment, Rob?

Mr. Vandersanden: There may be a bit of a timing issue. I'm not privy to what's going on with respect to Finance in drafting the legislation. It is imminent. So potentially but not by very much, I would expect.

The Chair: I would suspect that private employers each have their own pension plans unique to their circumstances. Is there an average there or something? Is that where Mrs. Forsyth's question is coming from?

Mr. Vandersanden: Would MLAs be able to do something that the private sector cannot do today? I think that would be the situation that you would find yourself in if the legislation had not yet been introduced, this Alberta mirror legislation of what B.C. has done.

The Chair: All right. Thank you.
Anything else, Heather?

Mrs. Forsyth: Well, it just goes back to, you know, that we're trying to define pensions for MLAs that aren't considered by the public as gold plated. We've got a bill that could possibly be hitting the Legislature floor in the fall that will probably give us an idea of what is going to be provided in the private sector. You alluded earlier to a motion that the LAO do a review and analysis over the summer and bring forward legislation in the fall. I guess my concern is the fact that we're discussing something, but we don't know what's before us, what the Alberta government is going to be presenting in a bill probably hitting the Legislature floor in the fall.

The Chair: The chair certainly has no knowledge of anything of that nature, but I'm going to ask Dr. McNeil if he could provide a brief clarification on something related to this.

Dr. McNeil: Well, I would say that what this committee wants to do in the final analysis is come back with a recommendation. I don't think the fact that the legislation hasn't been introduced would necessarily preclude one from investigating that alternative further if that's what the committee wanted to do.

The Assembly in the final analysis has the ability, for example, to amend the Members of the Legislative Assembly Pension Plan Act to mirror the principles that would be contained in that legislation. My guess would be that in moving forward, you're going to have to do something legislatively to implement whatever pension plan the committee recommends going forward, and the Assembly would then have to take that recommendation and put it into effect.

So I'm not sure that investigating any of these alternatives further necessarily would require us to wait for a particular piece of legislation. We're looking at sort of the principles here and what would be involved in pursuing a particular alternative.

10:20

The Chair: Thank you.

I have Dr. Sherman, followed by Mr. Dorward.

Dr. Sherman: Thank you, Mr. Speaker. I appreciate your participating in this discussion, sir. Salaries and negotiations: that's a dicey topic, especially when it comes to people setting their own salary. The other member, Heather Forsyth, raised the issue of process. A couple of questions here. Are you aware of any professional organization, public or private, that makes the ultimate decision on their own pension plan, and would you consider it a conflict of interest for us to make the ultimate decision in deciding on which pension plan we choose? If this is not independent, what process would you recommend that would be considered fair and independent?

Mr. Mason: That's hardly a question for him, Mr. Chairman.

The Chair: I'm sorry. I was just distracted here, and I missed the gist of the question. Could you just tell me what the question was again, please, Dr. Sherman, at the end?

Dr. Sherman: The three questions were: are you aware of any other professional organization, public or private, that makes the ultimate decision on their own pension plans?

The Chair: Let's start with that one. Is there a comment there, Rob, that you or David might wish to make?

Mr. Vandersanden: I think the closest example would be executives, you know, in a private company, where an executive would negotiate some sort of salary and benefits package including, perhaps, a pension arrangement.

Dr. Sherman: But that's a negotiation. The executive isn't the ultimate decider.

Mr. Vandersanden: It has to be approved by the board generally; that's right.

The Chair: Okay. Thank you.

Question 2.

Dr. Sherman: Would you consider it a conflict of interest for the decision-makers to be deciding their own benefits? Has that precedent been set anywhere other than the public service?

The Chair: Dr. Sherman, I think you're asking for an opinion there that is beyond, I would say, the scope.

Do you have a third question?

Dr. Sherman: In that case I'll move on. What process would you recommend? What process would be considered fair and independent in making the ultimate decision on setting MLAs' pay and pension, especially pertaining to pension?

Mr. Vandersanden: I do work with other Legislative Assemblies, and in my experience an independent compensation review committee or commission is common, typically with some sort of external benchmark to senior bureaucrats, deputy ministers, judges, that type of thing. The establishment of principles and perhaps external benchmarks so that you're not setting specifically what you're trying to achieve but a set of principles that future commissions could review and comment on I think is the most common.

I understand the inherent conflict here. At the end of the day you can't have an MLA pension plan without legislation; that's my understanding. Therefore, the Assembly will have to vote on this, so I just don't know how you're going to get around that.

The Chair: Thank you.

Mr. Dorward: Mr. Vandersanden, thank you for being here. You mentioned a number of times target benefit plans. Is that a better phrase to use than what I'm starting to feel is a more restrictive phrase, defined contribution plans, in that the phrase "target benefit plans" is the same thing? You're looking for a target; you are going to fund it up. So it's cost certainty up front. But do those words, "target benefit plans," encapsulate the New Brunswick situation, the shared risk, the defined contribution, and the group RRSP all wrapped up in one?

Mr. Vandersanden: My comment would be that it includes the first two but not the latter two, so not the defined contribution nor the group RRSP. The fundamental difference is that, by definition, in a defined contribution plan we each have individual accounts. So money goes into my account, and I make personal decisions about how to invest that money, and I also make a decision at the end about how I'm going to start to receive that money.

The idea with the target benefit plan is that we pool the assets, we invest them on a group basis to achieve – there's a paper in here, Bang for the Buck, which I'm sure everybody read in detail, basically demonstrating that defined benefit plans are more efficient at delivering retirement income because there's this pooling of risk: the mortality risk, the investment risk.

Just timing, you know. You may retire under a defined contribution plan and decide: "I can't afford to go and buy an annuity from an insurance company because that's very expensive. Interest rates are very low. I'm just going to take out a hundred bucks a month, and I'm going to live on that." But the problem is longevity. How long are people going to live? Some people will outlive their income. You are self-insuring your longevity risk. With a target benefit plan we share that risk amongst all of the members of the plan.

So from an actuarial perspective, my professional perspective, I can predict better what the pattern of payments will be, and the margin that we have to hold for things not working out exactly the way I would expect, because they never do, is much smaller than if you're trying to underwrite that risk personally. It's similar to why we buy fire insurance on our homes, you know. We don't self-insure the risk of fire on our home. We pool that risk with others and buy policies from insurance companies.

Mr. Dorward: A supplement to the question: if we were today to make a motion to study more defined contribution plans, would we be missing out if we did not say that we should study more defined contribution plans and target benefit plans?

Mr. Vandersanden: Yeah. For me as a professional reading "defined contribution," I would exclude target benefit plans then. So I think that if you're interested in looking at combinations or hybrids, then having some specific direction around that would be appropriate. If you're interested in target benefit plans specifically, then I think it would be appropriate to indicate that in the decision.

Mr. Dorward: But are they mutually exclusive to each other?

Mr. Vandersanden: Basically, yes.

Mr. Dorward: I mean, I'm looking for the most flexibility here so that we don't put handcuffs on somebody to come back to us over the summer. I understand defined benefit, but over on the other side of the ledger it sounds to me like we have defined contribution, and we also have something called target benefit. If we say to somebody, "Please come back with defined contribution," I think we're missing part of what might be available to us and be informative.

Mr. Vandersanden: I agree with that.

Mr. Dorward: Okay. Thank you.

The Chair: Thank you.
I have Mr. Young, followed by Mr. Mason, followed by Mrs. Jablonski, followed by Ms Smith. At that point we're going to have a five-minute recess. Let's go with Mr. Young.

Mr. Young: I'm just going off what you described in terms of the targeted benefit. Does it have the risk associated with the defined benefit? That concerns me.

Mr. Vandersanden: Yes.

Mr. Young: If it's targeted and it's a variable target subject to the return on the money in the pool and the benefits are variable based on that, is it a defined benefit, or is it a subject-to benefit?

Mr. Vandersanden: Right. Any form of retirement savings vehicle has the same risks inherent in it. It's just who bears those risks. So even in our personal RRSPs the goal is to provide a level of retirement income for the rest of our lives after we stop working. Whether it's defined contribution or defined benefit or target benefit, the risks are the same. Where they end up, who writes the cheque to cover the downside risk, is different. In the defined contribution plan those risks are borne by the individual member, so they end up bearing all the risk and cost and, potentially, benefit. In the defined benefit plan traditionally that sits mostly with the plan's sponsor, the employer, or the Assembly in this case, though you can modify that. The public-sector plans in Alberta are a good example where the contribution rates fluctuate up and down for both employer and employee together with some differential, like maybe the employer always has to contribute 1 per cent more of pay than the employees, so that defines some degree of risk sharing.

With the target benefit plan you go one step further and say that it's not just the contribution rates that will change; we'll actually vary the benefits themselves to keep the cost within an acceptable corridor.

10:30

Mr. Young: There's no possibility in a targeted plan to have those unfunded liabilities?

Mr. Vandersanden: No.

Mr. Young: It's just a variable of the contributions in and the benefits going out, which is a sustainable process as the markets would bear. Okay.

Mr. Vandersanden: That's correct.

The Chair: Thank you.
Mr. Mason.

Mr. Mason: Thanks, Mr. Chairman. I also just want to clarify the difference between a target benefit pension and a defined benefit. I understand that the first difference is that any risk, any additional required contributions to sustain the plan are borne both by the people receiving the pension and their employer.

Mr. Vandersanden: In the traditional defined benefit plan it's typically the plan's sponsor that bears the expense.

Mr. Mason: No, but in a target benefit . . .

Mr. Vandersanden: In a target benefit it's shared. Sorry. Yes.

Mr. Mason: . . . it's shared. Yes. Okay. That's one difference.

The other thing that it says in this brief summary is that there may be changes, that the benefits can be increased or reduced from time to time if the funded status of the plan turns out to be excessive or insufficient to provide the target benefit. How is that decision normally made? That means you don't have a defined benefit; it means you have a defined benefit, but you can change it if you hit certain red flags. Yes?

Mr. Vandersanden: Right. That's correct. What typically happens – a pension plan is defined by the features that Dr. McNeil set out at the bottom of page 3 there. There's a whole array of plan design features that determines the ultimate cost. The target benefit is typically the formula that's used to calculate your pension. You know: we're going to promise you a pension of $50,000 a year when you retire. That's only part of the equation. There is a question of indexing after you retire. So if we're going to provide inflation protection, is it a hundred per cent of inflation, is it 60 per cent, or is it zero? That's called an ancillary benefit. It's not the core benefit; it's ancillary to the basic pension itself. That's the kind of thing that you can vary depending on if the plan experience is very good or very bad.

Another plan feature, that's very expensive, is the early retirement provisions. You can have subsidies so that you don't charge the full actuarial cost to retire 10 years early. You may charge a lower cost but only, again, if the plan experience is positive and can afford that; otherwise, you go to a straight actuarial cost.

With the target benefit plans you kind of say: "Okay. We've got the core benefit, and as much as possible we don't want to monkey with that because people are counting on this income. Maybe we can fiddle around a little bit with the amount of indexing after retirement, maybe the early retirement provisions, maybe the form of pension. Maybe, you know, we can pay the pension for your life, but a surviving spouse will only get a quarter of what the member was getting after the member dies if the plan is not well funded. If it is well funded, we'll bump that up to 60 per cent." Those ancillary benefits are the things that you usually try to vary, and they represent a significant portion of the total cost.

Mr. Mason: I guess this is maybe a little speculative, but how would you see those decisions occurring? If we go for 10 years with a target benefit pension plan and then all of a sudden the stock market performs even worse than expected and all the members are living to 100, then you have a choice between either bumping up the contributions by both the members and the LAO or reducing the benefits or both. How do you go about making that decision, and what triggers do you use so that people know you have to make a decision?

Mr. Vandersanden: Okay. That's a good question. If you make the decision to go ahead with a target benefit plan, then you would presumably direct the Clerk's office to go away and come back with some proposed alternatives. As part of that process in a target benefit plan what we would do is come back with basically a menu of options that you trade off depending on how the finances of the plan are evolving. That's set out in advance, up front. It's not like: well, we'll wait to cross that bridge when we get to it. We define it up front, and it's really a matter of setting priorities. The last thing you probably want to do is start reducing pensions on people, particularly the ones in pay. Maybe the first thing we do is that we cut back on the amount of inflation protection in the plan, or we cut back on, you know, the surviving spouse's pension.

Whatever the priority sequence is, you set that up front as part of the plan design process as well as: what are the hurdles we have to cross before we can increase them or reinstate benefits, and what are the thresholds on the negative side that, you know, when we reach this point, we need to start cutting benefits? So there's kind of a menu that gets set up in advance.

Mr. Mason: Thank you.

The Chair: Thank you.

A supplementary from Dr. McNeil.

Dr. McNeil: Can I just add? I think another issue with respect to these plans is a governance structure. It's the governance structure that I think is the important part of, you know, how that plan is administered. In the ones that I'm aware of, and I'm not aware of that many, you've got a balance between sort of the employer and the employee interests being represented in this governance structure so that you're sharing the risk and you're sharing the governance process as well in this type of plan, from my understanding.

Just to add, I think the University of British Columbia has had a target benefit plan for quite a number of years, and they have never, from my understanding, had to reduce or change their benefits. They've always been in a solid financial position. So this is sort of a model. I think it's been in place since maybe the mid-70s. I mean, Rob can comment more on that than I can, but there are examples out there of this type of plan functioning and functioning well.

The Chair: Thank you.

Two more speakers and then a brief recess. Mrs. Jablonski, followed by Ms Smith.

Mrs. Jablonski: Thank you very much. Thanks for being here, Rob, so that we can ask these question because, you know, it's pretty confusing about the costs and the economic efficiencies of a direct benefit versus a direct contribution plan and all of the options that are available.

You mentioned the report A Better Bang for the Buck. Throughout that report they make the argument that the direct benefit plans are more efficient, so that just adds to my confusion.

Also, I would say to you that my fear of a direct contribution is that my investment skills are about negative 100, and like many other seniors I lost in the last dip that we had in stocks. So for me to trust my investment skills would not be good planning for my future.

When you think of all those risks – and the one thing that as a taxpayer myself and a legislator I don't want is an unfunded liability, but I do want a fair, reasonable, and predictable pension for all members because I think that's the right thing to do. Mrs. Forsyth mentioned that we should be comparable to some of the public service, not better but, I also believe, not less.

With all of those things in mind in looking at these options, I am looking more closely at the target benefit pension, the shared-risk pension. Considering everything that I've said and all the fears that I have about not being a good investor, would that be one of the best choices or the best choice?

The Chair: Rob, do you have a comment?

Mr. Vandersanden: Your best choice, I think, based on the information – sorry. I'm going to tell a little joke, I guess. On page 3 of our initial letter the Yukon has the best plan, so if you really want the best pension plan for your buck, I think you want to be an MLA in the Yukon.

In terms of the options, I think – we work with both private- and public-sector organizations, and sustainability is the key word today for defined benefit plans. Our view is that, definitely, target benefit plans provide a more sustainable long-term approach to providing defined benefit pensions. I think that answers your question.

Mrs. Jablonski: Thank you.

The Chair: Thank you.

Ms Smith, and then we'll have a break.

Ms Smith: If you could just clarify a few things. The targeted benefit approach: is this a response of employers to a defined benefit plan that has become unfunded, so they are trying a mid-way to be able to transition that isn't dropping defined benefit altogether and moving to defined contribution?

10:40

Mr. Vandersanden: Absolutely. It's a middle ground. You know, when we meet with the regulators here in Alberta and they quiz us about private-sector pensions, they always ask: "Your clients are getting out of defined benefit and they're moving to defined contribution. Do they ever contemplate a middle ground?" There really hasn't been one up until now. I think the idea is that with target benefit plans that will provide a bit of that middle ground.

There are other issues. The private sector has different funding and accounting issues, that have created pressures on defined benefit plans, that don't exist to the same extent in the public sector. But, definitely, this is seen as the way forward, particularly with unionized labour groups.

Ms Smith: And, of course, we're not in that position because we're starting fresh, without a pension plan at all, so we do have the option of just going to a defined contribution plan.

Can you comment a bit about the contribution amounts that would be under this targeted plan? Part of what we're trying to also establish here is not just a plan that maximizes the benefit for the MLA and maximizes the security for the MLA but is also acceptable to the public. And this is why my colleague Heather Forsyth talked about having a plan that is in line with the private sector. Under the defined benefit plan as proposed by Justice Major's report, there would have been $1 of contribution by the MLA, matched by $2 of contribution for the taxpayer. Under a defined contribution plan those would probably be implemented in parity, so $1 for the MLA, $1 for the taxpayer. What would you anticipate this targeted approach would be relative to the balance between the amount that the subscriber pays versus the sponsor?

Mr. Vandersanden: That's actually a plan design question, so there's no actuarial answer to that question. It becomes a philosophical question of: to what extent should the members be on the hook to the same extent as the Assembly itself? Should it be 50-50, 60-40, 90-10? You know, we have the technology to design it any way you want. It becomes a philosophical question.

That's true with defined contribution and defined benefit in their traditional models as well. It doesn't have to be two for one. In a lot of defined benefit plans the employer pays 100 per cent – that's probably why we don't have as many of them anymore – but there's no reason for that. It could be 50-50. In fact, that's more like what you see, again, in the multi-employer unionized industry, you know, their sharing of risk, maybe not the cost. But it's definitely that wages that aren't going into their pocket are going into the pension plan.

Ms Smith: This is the last question, Mr. Speaker. Can you just comment on the complexity of how you would establish a defined benefit or even a targeted benefit plan for politicians? As you know, politicians – we have a summary – typically serve 7.7 years, and we typically get into politics when we're 55. The scenario of, you know, the thousand teachers starting at 30 and ending at 62, all having an average life expectancy, which might be the optimal for a defined pension plan, isn't what we experience as politicians. We do have some that only serve a term, others that serve quite a number of terms. Does that actually make it less efficient or more difficult to go the defined benefit route? Wouldn't it make more sense with those limitations to go a defined contribution route?

Mr. Vandersanden: Definitely what we see in Canada is that there are more defined contribution than defined benefit plans, but they tend to cover fewer members. Most Canadians don't even participate in an employer-sponsored pension plan, so just by virtue of having a plan, you're in the positive category in the private sector. To the extent that you're in a plan, most people are in defined benefit plans in the private sector because the larger employers tend to have stuck with those defined benefit plans. Smaller employers go with defined contribution plans because the reality is that they don't have the workforce to spread a lot of risk over anyway, so a lot of the attractions of a defined benefit plan aren't really there for them.

In the private sector, again, the dynamics are different because you have different funding rules and you have different accounting rules. Certainly, prevalencewise, defined benefit is more common. In terms of which is more complex, defined contribution is easier for everybody sitting here today who is still working because we just say, "Oh, we're putting 10 per cent of your pay into the plan." That's easy to understand. "I feel good about 10 per cent of my pay."

The defined benefit plan, especially target benefit, is very complex. I've got all these triggers that are affecting the ancillary benefits. What am I going to get out at the end? You know, that's hard to know in advance specifically, but when you are retiring, then the defined benefit or target benefit is much easier because we will say to you, "Oh, this is your pension; you're going to get this for the rest of your life, and your spouse is going to get half" or something whereas with defined contribution it's: "Here's your money. Good luck." Right? You're still having to invest it. You have to decide whether you want to go and buy an annuity with it. If you don't buy an annuity, you have to decide how much to take out every year.

Again, there's more complexity going into a defined benefit and less coming out, and it's the opposite for defined contribution, is my view.

The Chair: Okay. Thank you very much.

We're going to take a short break here and fortify ourselves with more questions. We'll be back in five minutes.

Thank you.

[The committee adjourned from 10:46 a.m. to 10:52 a.m.]

The Chair: Let us reconvene, please.

Are there any other speakers, or are there any other questions or comments with respect to where we left off discussing differences between defined benefit plans, essentially, and defined contribution plans? Are there any other comments? Mr. Dorward.

Mr. Dorward: Well, I'm glad you said "comments" because for me I just wanted to put on the record that there are three things that as I've talked to Albertans are important to consider. One is cost certainty. I don't think that we can create an unfunded future liability. I think that we need to know what Albertans are going to pay for the pension plan for their MLAs.

We need to have transparency. It's a buzzword we use quite a bit, but it needs to be easy to see and understand for people to be able to know what's happening.

It needs to be fair. I don't think fair means nonexistent. I think fair means that our pension plan, that we're charged by the Assembly to discuss today and in the future, needs to be in line with what senior executives in the private sector receive. Justice Major spoke to this in sections 2.2 and 2.3 particularly, and I buy into what he said there. That needs to be recognized in the process that we're going through.

Thank you.

The Chair: Okay. Thank you.

Anyone else?

Ms Calahasen: Just a clarification if I may. I was reading A Better Bang for the Buck. When you talk about the administration costs and how you can minimize the administration costs, it says that the DB plans are probably the most efficient and most effective and that by pooling, those administrative costs and expenses are dropped down. Can you explain that a little bit more for me just so that I can get a better handle on that? Is it because there are so many more people? Is it just driven by numbers?

Mr. Vandersanden: Yeah. Basically because you have to set up some infrastructure up. If it's a defined contribution plan, you have to have something set up to receive the contributions, produce statements. Typically there's the ability to go online and look at your account every single day and make investment changes. So there's a lot of technology and stuff there.

Then on the defined benefits side what you have to do is have the facility to track the members' service, their compensation, produce statements for them on a regular basis. You know, the first member through the door is always the most expensive because you have to set up all the infrastructure, and then every subsequent member brings the cost per member down, so your marginal cost starts to come down.

Defined benefit plans: you don't have members typically logging on in the middle of the night to see what their pension is today because it doesn't matter what interest rates are doing or what the market is doing; your pension is pretty predictable. Even in the target benefit the amount of the pension is the last thing to change. It's some of these ancillary benefits that tend to move around. I think that's what they mean when they talk about the marginal costs going down as the number of members goes up.

Ms Calahasen: On the target benefit pension – New Brunswick and B.C. went with that specific area, right? – is it because of those costs as well as the final resolution, whenever everybody retires or certain people retire? Because they still have a pool, right? There's a pooling there that happens. They have the numbers. So what saves them in that respect, then?

Mr. Vandersanden: Okay. Just to be clear, New Brunswick has adopted some specific target benefit plans for some specific unionized and one non-union group. They've got specific plans that they've put in place.

B.C. has just created enabling legislation, the framework to allow it, but they haven't specifically created any target benefit plans yet.

When you look at the hierarchy of costs of a pension plan, the contribution rates are going to be the highest. You know, when you look at the contribution, that's always the biggest cost. Then administration comes lower down in the sequence.

Presumably what's motivating New Brunswick is the sustainability issue, to have a plan that's like a defined benefit plan but doesn't have runaway or unlimited costs in the worst-case scenario, so they go to target benefit.

Ms Calahasen: Thank you.

Thank you, Mr. Chair.

The Chair: Thank you.

Are there any other speakers or anyone else who wishes to question or comment?

Mrs. Forsyth: I do, Mr. Speaker.

The Chair: Heather, go ahead.

Mrs. Forsyth: I guess I'm just busy on the Net and getting some information on Bill 38. One of the things is that Bill 38 also grants the superintendent discretion to designate an existing plan, and then it goes on. When they're referring to superintendent in Bill 38, who are they referring to?

The Chair: We're talking about Bill 38 from the B.C. government?

Mrs. Forsyth: Right.

The Chair: Okay.

Mr. Vandersanden: There is within the Department of Finance a superintendent of pensions and similarly here in Alberta. I believe I have the titles right. It's that superintendent of pensions they're referring to.

Mrs. Forsyth: I guess, if I may, Mr. Speaker, the targeted benefit plan is not incorporated in all of the information we have received, so one of my staff has been kind enough to send me some information. I think it is something that really should be put on the table because once you start reading, it's an interesting read, but it's also a very complicated read if I may say that. I'm wondering if that's something we are going to be considering under your process for analysis of pension alternatives.

The Chair: We're just coming up to that stage right now, Heather.

I want to ask the committee if you are prepared to proceed with a process. Then we'll go to step 3, which would be to whom we would direct that process for follow-up. So the first item for quick discussion here, unless someone is prepared to move a process motion, would be that we examine what I'm hearing the committee say they want more information on rather quickly. One of them is the target benefit pension plan/shared-risk pension plan and also defined contribution plan as described or maybe as elaborated on by such a review. Would that capture the essence of what I've heard so far here, to move us through step 2? Can we just agree by concurrence to that wording? I'm sure *Hansard* has it down verbatim.

11:00

All we're saying is that in terms of the process this committee agrees to have a further examination prepared of the target benefit pension plan/shared-risk pension plan, as described under the broader headline of defined benefit plans, and also a general and careful examination, where necessary, of defined contribution plans. I'm just on step 2 now, process. Then we'll figure out who to refer it to.

Mrs. Jablonski.

Mrs. Jablonski: Thank you, Mr. Speaker. I completely agree with the statement that you just made. I just want to clarify that when we look at the target benefit pension plan or the shared-risk pension plan, we do not include the best average earnings or the career average earnings in that review because I believe that we should either be looking at the target benefit pension or defined contribution. I want to limit it to those two things, well, those two areas.

The Chair: I think that's implied in the concurrence as I phrased it.

Mrs. Jablonski: Thank you.

The Chair: Is there anyone opposed to that approach in terms of process? A quick question here from Mr. Mason.

Mr. Mason: Can we narrow it a bit more? I'm interested in getting more information on a target benefit pension, but I wonder if we could just drop RSP allowance? Is that something that we are seriously going to consider?

The Chair: Well, I think the two are kind of tied together, given recommendation 12 of the Major report, but we're not coming to any conclusion here today other than on process and on who is going to do the follow-up to the process. So you'll have another chance to debate that, hon. member.

Mr. Mason: Okay. Yeah.

The Chair: All right. So are we all agreed, then, to the process outlined the way that I phrased it? All agreed? Just a moment. A comment from Dr. Sherman.

Dr. Sherman: Thank you, Mr. Speaker. Fundamentally, based on principle grounds, the process that I'd like to suggest is that the Members' Services Committee establish a procedure whereby MLA pay is determined using an independent body instead of being decided by members with pecuniary interests. I feel it's a conflict of interest. I understand that under the Conflicts of Interest Act there is an exception that MLAs can set their pay. I believe we should be debating the process by which our pay should be set, not making the ultimate decision.

So I motion that the Members' Services Committee establish a procedure or process whereby MLA pay is determined by using an independent body instead of being decided by members with pecuniary interests.

The Chair: Okay. Your suggestion is of interest, but it's not one that we can commit this group to because we're not empowered to compel or bind the Legislative Assembly to set something which would require legislation. In that case, if you want to bring this up at the next meeting after we get a report back, perhaps we could prepare for that. The spirit of the motion is understood, or the suggestion.

All right. Two final comments here. I have Jablonski and then Smith.

Mrs. Jablonski: Just a question, Mr. Speaker. I totally agree with what you have suggested. The only question I have is: are we going to have a timeline on that review so that it can be brought back to us in a timely fashion?

The Chair: A good point. My time frame would have been for the last Wednesday or Thursday of September, to give three full months of time for all of this review to be done, if we go ahead with step 3, which is to refer it to LAO staff. So the first thing is just the process itself, and then we'll tie it to a group to do it, and then we'll look at the timeline thereabouts. But to answer your question, I'm looking at the last week of September.

Mrs. Jablonski: Mr. Speaker, I would suggest that we don't make it any later than that. That should be the latest.

The Chair: It's physically almost impossible to do it any earlier.

Mrs. Jablonski: Okay, but no later.

The Chair: For sure we want to get it done before the end of September, so that's the kind of window that I've opened up.

Ms Smith: I'm going to vote against the motion. I think this target benefit is really just a way of the MLAs approving what is really closer to a defined benefit plan, which I think is, again, not in keeping with what Albertans want to see. I think Albertans want to see a transparent plan. I think Albertans want to see a plan that is closer to what the private sector is moving towards, which is defined contribution. This is in the middle, and it's in the middle for a reason because governments around the world and particularly in this country and particularly in this province have found that their defined benefit plans are insolvent. Ninety-two per cent of them in the private sector are running shortfalls. So they are using this as a mechanism to try to transition to something closer to a defined contribution plan, which anyone starting a brand new pension plan would do.

So I don't agree, and I'm putting it on the record right now that I think that what this is trying to do is to create a pension program which is closer to a gold-plated pension plan than to the kind of defined contribution plan that the public wants to see.

The Chair: Thank you.

Just to be clear, there is no motion on the floor, so we're not asking people to vote for or against anything at this stage. Secondly, the process is only about an examination of various types of plans. It's not an endorsement of any of them, certainly not. Just to be clear.

If you wish to make this into a motion, then I'd entertain that. If not, I'll go back to my initial request for concurrence that the examination proceed for the plans that I outlined. Those in favour of that concurrence, or those who are concurring?

Some Hon. Members: Agreed.

Mr. Mason: Just on a point of order, Mr. Chairman. You can't take action without a motion. You know, fine. If it was unanimous, I wouldn't say anything. But given that there is some objection, I think we need to put a motion and vote on it.

The Chair: I'm fully in favour of that as well. I've said that if there is a motion, I'll entertain it. If not, we'll go by concurrence.

Mr. Young: I move that

> the process for analysis of pension alternatives dated June 26 be accepted, and that the Legislative Assembly Office engage the services of an actuarial consultant to provide a review and analysis of specific defined contribution pension options.

The Chair: Okay. That's a little broader than the concurrence that I was after. Just read it again for me, will you, please?

Mr. Young: That the Legislative Assembly Office engage the services of an actuarial consultant to provide a review and analysis of specific defined contribution pension options.

The Chair: Just contribution options only, then?

Mr. Young: Yeah.

The Chair: So nothing that is under the defined benefit plans, then?

Mr. Young: Correct.

The Chair: Okay. There's a motion on the floor.

Mrs. Jablonski: Mr. Speaker, I'm not sure if this is the right time, but I'd like to provide an amendment to that motion.

The Chair: Proceed.

Mrs. Jablonski: Given that a target benefit pension or a shared-risk pension plan can provide reasonable predictability and is unlikely to create a future unfunded liability, I would amend the motion to include asking the actuarial consultant to also provide a review and analysis of a target benefit or shared-risk pension plan along with defined contributions.

The Chair: Well, that's where I was trying to get to with the concurrence.

All right. There's an amendment. Let's speak to the amendment first, then. Mr. Mason.

Mr. Mason: Thank you, Mr. Chairman. I'll support the amendment. I want to just make a few comments with respect to some of the pension controversy that's existed in the country in the last number of years. There are two very different sets of private-sector pensions. There are the pensions that have been provided as part of collective agreements for large numbers of employees that have been in the past defined benefit contributions, and then there are the kinds of pension plans that are available to people who are in senior management, in the executive team and so on, which are very different.

The problem with sort of the large-scale plans for general employees that have been negotiated in the past is that, first of all, they're very large liabilities because there are a large number of employees, but also all costs and risks are borne typically by the employer alone. So those ones have come under a lot of pressure, and many of them have been abandoned and many workers have been left without pensions that they've planned on all of their working life.

11:10

To talk about private-sector plans without distinguishing between the ones that the workers get and the ones that the bosses get I think is a serious mistake. I'm not interested in one that looks like the bosses' plans because those are still defined benefit plans, but what I do like about this target benefit plan is that if there is a shortfall, it doesn't just accrue to the taxpayer – it's shared between the MLAs and the taxpayer – but also there are triggers that can be established that if it becomes insolvent, if the liability becomes too great, then you can either increase the contributions or you can reduce the benefits. So it doesn't represent the same risk that the private-sector defined benefit plans do.

It doesn't meet the criteria set out, I think, by Ms Smith in her comments as being something that's potentially a liability that's foisted onto the taxpayers. Personally, I don't think voters in this province are looking to make sure that we completely eliminate defined benefit plans. I think many, many people in this province have lost their defined benefit plans and they're angry. With that, I think it's worth studying. If, in fact, we can come up with a plan that does not put the liability on the taxpayer, that doesn't hook us into liabilities down the road, then I think that's not something that's a bad thing and not something, in my view, that taxpayers would be angry about.

Now, having said that, we need to make sure that it's not gold plated. Mr. Dorward suggested that we need to have something equivalent to what senior executives get. I would rather aim for something that nurses get or teachers get or police get, you know, something like that. [interjection] Well, it's not quite the same as the head of Nexen. I think that's what the public wants, is that sort of level of pension.

Thank you.

The Chair: Thank you.

I have Mr. Dorward, followed by Mr. Quest, followed by Ms Smith.

Mr. Dorward: Thank you. I'd go back to the root of why we're here, and that is that the Assembly has charged us with the responsibility to go through the Major report and to make comments relative to the pension section therein. Closing the door on various alternatives in any of these areas just does not seem appropriate at all. I'd love to have further information regarding the pensions. I don't know that I've solved the mysteries in my mind relative to any of them in an hour. I relish the opportunity to get further feedback, so I'll vote in support of the amendment and the motion.

The Chair: Thank you.

Mr. Quest.

Mr. Quest: Thank you, Mr. Speaker. I, too, am going to vote in support of the amendment. As you had said previously, we are in the examination stage, and we are looking at alternatives. I think it's very clear that there's no appetite for a purely defined benefit option, but I think we do need to understand more about any potential risk to taxpayers or where we'll really be at. We certainly can't come to that conclusion here today, so I think both need to go to further examination.

For that reason, I'll be supporting the amendment.

The Chair: Okay. Thank you.

Ms Smith: I, too, think we need to remember why it is we're here today. We're here today because of public outrage over platinum-plated severance packages and also the rich benefits that MLAs had voted for themselves in the past. That is what we're trying to correct.

The Canadian Taxpayers Federation report I will mention had a very good benchmark, I think, of what it is we're trying to achieve. We had an eight-year MLA, Art Johnston, who got $77,000 worth of RRSP contributions and a $263,000 transition allowance, which came to a total compensation of $340,000 for eight years in office. I think we heard loud and clear from the public that they thought that was too rich an amount of retirement package for eight years of service as an MLA. So I think we have to keep in mind that this is the benchmark that we're trying to judge any pension plan by.

The pension plan proposed by Justice John Major would have had an equivalent value for that same eight-year MLA of $820,000. The CTF proposal of doing a matching defined contribution plan, 8.6 per cent employer and employee paid, would have an equivalent value of about $250,000 when we leave office.

I'm going to just put those dollars on the table because I think we have to remember why it is we're here. It's not just because we don't want to get into a situation of having an unfunded liability in the future. It's because the public has told us that what was paid to MLAs in the past was too much. So this is the benchmark by which we have to judge any plan that comes forward.

I'll be voting against the amendment. I think we should just be pursuing a defined contribution proposal.

The Chair: Thank you.

Mr. Young: While I support the concerns about unfunded liabilities, simple answers to obviously complex questions and information here are difficult. In light of the hon. member's amendment I can't in good conscience vote against it to remain ignorant, so I will support the amendment given the caveat that this is just simply for information and to serve as a measuring stick by which to make the decision. To ignore the full understanding of these complex issues I think would undermine the legitimacy of our decisions and the quality of our decisions. Like I said, that is not a decision point; it's a process in information, and I choose to know more rather than know less.

The Chair: Thank you.

Are there any other speakers to the amendment? Ms Calahasen.

Ms Calahasen: Yeah. I think it's really important to also put on the table the information. I know that one of our colleagues was mentioned, and there was no mention about the fact that when he does take his money out, he has to pay 39 per cent in income tax. I don't think that ever comes out. I think it's important for us to be able to put it on the table and tell the truth, not twisted information.

I think that to make a rushed decision is not the way to deal with complex issues, and I for one appreciate the fact that we learn from those who are experts so that we can make the appropriate decision for everybody. I think that it's important for us to be able to give all the facts, not just partial facts.

The Chair: Thank you.

Dr. Sherman.

Dr. Sherman: Thank you, Mr. Speaker. Being a member of the Members' Services Committee, I'm happy to participate in votes where we make decisions on serving the constituents we're elected to represent. I'm conflicted, and I'm not happy to participate in any vote where the members serve themselves, be it even clarification on information on pension plans where we're going to serve ourselves. In Standing Orders under Pecuniary Interest it says:

> 33(1) No Member is entitled to vote on any question in which the Member has a direct pecuniary interest, and the vote of any Member so interested will be disallowed.
>
> (2) If a Member has a direct pecuniary interest in a matter to be voted on, the Member shall declare the interest to the Assembly and leave the Chamber before the vote is taken.

The word "pecuniary" means consisting of or measured in money or relating to money.

Now, I do understand that Mr. Mason made it clear that on the standing committee on printing and privileges, the no-meet committee, you have to vote yes or no. Abstention is not a possibility. On all matters pertaining to our pay, if you don't mind, Mr. Chairman, I will step outside this small chamber and step back in when the vote is done.

The Chair: Hon. member, you're welcome to do whatever you wish to do.

Dr. Sherman: Thank you.

The Chair: No worries.

Mr. Mason: Through you, Mr. Chairman, I would like to ask Parliamentary Counsel to comment on the point made by Dr. Sherman with respect to the standing order that has been cited dealing with pecuniary interest.

The Chair: I was about to do that as well. I had given him the signal.

Mr. Parliamentary Counsel, sir.

11:20

Mr. Reynolds: Well, thank you very much, I think. In any event, the standing orders do refer to the pecuniary interest. However, generally speaking, that standing order has been supplanted by the Conflicts of Interest Act whereby the Legislative Assembly delegates to an officer of the Legislature the ability to make determinations with respect to the financial dealings of members. In that act a member is not supposed to act with respect to advances of private interests. In the act, under Interpretation,

> 1(1)(g) "private interest" does not include the following:
>
> (i) an interest in a matter . . .

And then it continues.

> (C) that concerns the remuneration and benefits of a Member.

Accordingly, I would say that by the fact that the Assembly has delegated this authority to the Ethics Commissioner through the Conflicts of Interest Act and that the Assembly passed this legislation, this is what the Assembly meant with respect to private interest and specifically said that private interest is not a matter that concerns the remuneration and benefits of a member. Really, when you look at it, how could any Legislature in Canada or in the world set their pay if it was a conflict? I mean, the Conflicts of Interest Act also states that it's not a private interest in a matter "that is of general application."

I submit to you that it would be very difficult for members to pass any matter relating to appropriations if you took that literally because somehow there'd be an expenditure that would affect them or, indeed, a taxation matter because, presumably, members would actually be taxed on something, too.

In any event, that's the Conflicts of Interest Act. It says that a matter such as the remuneration of a member does not constitute a private interest. Then, although I'm not the Ethics Commissioner, I would submit that under the legislation it would not be a conflict.

Thank you.

The Chair: Thank you.

Are we ready for the question on the amendment? The question on the amendment is pursuant to Mrs. Jablonski's phrasing that Mr. Young's motion be expanded by including asking that

> the actuarial consultant also provide a review and analysis of the target benefit pension/shared-risk pension plans

in addition to what was already in the motion. Those in favour of the amendment, please say aye. Those opposed, please say no. Accordingly, I've heard more yeses than noes, so that amendment is passed.

Now on the motion as amended. Are we in favour of that motion? Those who are, please say yes. Those who are opposed, please say no. One no. Okay. The yeses have that, so that motion is carried as amended. Thank you.

Our fourth purpose, as I outlined earlier this morning, is to take a look at page 4, paragraph 2, of the document and discuss how you might wish to proceed with the suggestion contained there that a subcommittee of four or five members may be constituted from this larger committee for the purpose of having a consultative body available to the LAO should they have a need to speak with them between now and when the next meeting occurs. I note that, quite conveniently, we have four different caucuses represented on this Members' Services Committee, so if you're in agreement with that particular concept, I would entertain a motion to that effect.

Mrs. Jablonski: Mr. Speaker, I just want to clarify that this subcommittee would not have any ability to vote or make a decision. They would be in place for consultation purposes only.

The Chair: Yes. And why don't we make sure that it's called a consultative committee because it would not have the ability to make any decisions, only to be there as a sounding board, if you will, or a clarification body, if you will, that LAO could consult with as and if necessary.

Mrs. Jablonski: Mr. Speaker, in that case I would like to make the motion that we direct members of this committee to be part of that consultative committee so that the LAO can consult them if and when questions arise during the evaluation process.

The Chair: Okay. We have a motion from Mrs. Jablonski. Is there any discussion on that motion?

Mr. Mason: Is that the whole committee?

Mrs. Jablonski: Mr. Speaker, I'm sorry. To include one member from each caucus.

The Chair: Okay. Do you want to just read the whole motion one more time, then, with that addition just so we have it clearly?

Mrs. Jablonski: I move, Mr. Speaker, that

> one member from each caucus be available as a consultative committee to the LAO, with whom the LAO can consult if and when questions arise during the evaluation process, with the understanding that this is a consultative committee without the ability to vote or make a decision.

Those actions will come back to the full committee.

The Chair: So it's an ad hoc committee on standby for consultation if someone from LAO needs to get back to them to say: how do you feel about this, that, or the other thing, right? Okay. We have the motion, then. Good. Thank you.

Dr. Sherman: Could you just comment? To have one member from every party: this member wishes not to participate, and this member is the only member from our caucus. This particular member prefers not to participate. I would ask the hon. member to take out that portion that refers to one member from every political party.

Mrs. Jablonski: Mr. Speaker, I believe that we could amend the motion to say that we could

> invite a representative from each caucus to participate in the consultative committee to the LAO.

Dr. Sherman: Thank you.

The Chair: Okay. We have the motion rephrased now with the new verb. We "invite" members as opposed to compel.

Any other comments on that motion to create a consultative ad hoc subcommittee of this committee? None. Anyone on audio-conference?

Mrs. Forsyth: Sorry?

The Chair: Are you okay with that?

Mrs. Forsyth: Yes. Absolutely.

The Chair: Okay. Those in favour of that motion, please say aye. Those opposed, please say no. I heard zero noes, so that motion is carried unanimously.

Finally . . .

An Hon. Member: I'm going to make six more motions.

The Chair: Thank you. [interjections] Perhaps we should just adjourn right now. I like the cheeriness of the day.

Just a quick bit of other business. I did indicate earlier that my suggested time frame for a follow-up meeting, which would allow for the LAO to do its work, would be the last week of September or thereabouts. Once again, I'll circulate some dates as quickly as possible so that we can lock something into our calendars, but please target the last Wednesday or Thursday of September. I don't know the exact numbers off the top of my head. Does somebody have a calendar handy? The 26th, the 27th, somewhere in there. Yeah. Please keep that in mind.

On another point just a bit of information. We had a discussion last time about the constituency budget matrix mix, and we've put some information in that regard onto the committee internal website. As we discussed, LAO administration is going to look at some options for us and bring back some issues, which we will discuss at a meeting set aside exclusively for the purposes of our new budget for 2013-14, and that meeting will likely occur in November or December of this year. Okay?

Mr. Mason: Just a clarification on that, Mr. Chairman. Is administration planning to bring back some options for us with respect to the matrix itself and the factors that go into the calculation of that influence? That's a question that I raised last time.

The Chair: I know. I've read through your comments again in preparation for this meeting today. There will be more information coming out about that. It's not something that will just come and hit you for the first time here at the meeting. We will circulate some of the background information as soon as it's available.

Mr. Mason: Yes. But will there be any recommendations for changes or options for the committee?

The Chair: There might be some proposed options for us to consider, I would suspect.

11:30

Mr. Mason: All right. Well, I mean, I guess I can wait on that.

Just so I'm clear, what I would really like is to have options for the committee that might allow special requirements that bear on the budget of urban constituencies, where there are high-needs areas, to be there for the committee's consideration.

The Chair: It's there, Mr. Mason, and it's going to be provided for. There will be a discussion on that, and there will be information prior to the discussion.

Mr. Mason: Okay. Good. Thank you.

The Chair: Yeah. I don't know where it'll go, but it's in the hopper.

I have Mr. Dorward, Dr. Sherman, Mr. Goudreau, and Mr. Young.

Mr. Dorward: My apologies, Mr. Chair, for not asking to have this on the agenda. It's not a big issue, and being new to this committee, I don't know if it should go on the agenda or not or just pass this note to somebody. With the nontaxable expense allowance portion gone out of our salaries, there is the chance that an MLA may have expenditures for supplies, particularly, it comes to mind, that may not be paid for out of their allowance either because their allowance is gone or they just do it out of the goodness of their heart.

There is the ability in the Income Tax Act to have situations like that, to turn those kind of expenditures that are out of the pocket of a person in their employment, and that needs to be recorded by the employer on a T2200 form. So if we could have the LAO office take a look at the opportunity to provide each MLA with a T2200 form at the end of the year, which would indicate that there is a possibility that they may have to pay for supplies out of their own pocket, thereby, that would be deductible on their tax returns. This form T2200 doesn't prove anything at all. It doesn't say that there were any. It just says that there may be. It's still up to the employee, which is the MLA, to show that they did have some expenditures that weren't reimbursed by the employer.

I don't have anything to say other than bringing that to your attention, Mr. Chair, and maybe asking the LAO indirectly to take a boo at that. Possibly it's something that might be an advantage to us.

The Chair: Thank you. Our LAO staff have made a note.
Dr. Sherman.

Dr. Sherman: Thank you, Mr. Chairman. On the matrix I'm wondering if you would also consider putting in a special category for opposition members. What I've found is that the ability to serve our constituents, having been a member of government, and to get them sometimes the service and the communications – the needs are much higher. Suddenly the ability to advocate for your constituents becomes much more difficult when you're an opposition member. Essentially, our office has in a way become like social services organizations. I'm sure government members will acknowledge that as well. I will say that the need has gone up significantly in my office, and I can appreciate the needs of the members for Edmonton-Highlands-Norwood and Edmonton-Centre, where a lot of our dollars go to staffing. With high rents and the high needs of our constituents it becomes much more difficult if you're an opposition member versus a government member. I wonder if you'd throw that consideration into the matrix as well.

The Chair: Yeah. I was just signalling to LAO staff to make sure that they pay attention to that and come back with some statistical information or whatever they can. In any event, anything and everything will be on the table related to constituency budgets come the November, December meeting.
I have Mr. Goudreau and Mr. Young.

Mr. Goudreau: Mr. Chair, thank you. Just to go back to the last week of September, the potential meetings. I just went through, you know, quite a number of reports for this particular meeting and only received them in the last few days. It makes it difficult when I'm committed to my constituency and travel to do a good job of reviewing them and being truly informed. I would just encourage that any information comes to us maybe a little earlier.

The Chair: Noted. It went out as fast as we had it.

Mr. Goudreau: I can appreciate that. Sure.

The Chair: You can appreciate the tight time crunch that we're under here. Now the LAO has one heck of a big job to do over the next three months. So I'm hoping that whatever information they have could be circulated at least two weeks prior to the meeting date to give ample time, more if it's there. Hence the purpose of the ad hoc consultative committee, too, to keep us all abreast as necessary. Good point. Thank you.
Mr. Young.

Mr. Young: Thank you, Mr. Chair. I think we made some good progress here in mapping out our commitment to get more information. While we haven't made any decisions, we are going to get more information, and we resolve to this committee, a sort of a consultative committee. Just a point of clarification. How are we selecting those? How is that going to be identified?

The Chair: By invitation as I understood the amendment, that was approved, to the main motion. So we'll be inviting you to identify.

Mr. Young: Okay. We'll just submit a name to the LAO.

The Chair: You don't have to do it at this moment, but if we could have it within the next day or two, for sure before the end of this week, please, because once July, August hits, it's very difficult to get a hold of everybody. If you could just let us know who that is, that would be great.

Ms Smith: I think for Brian and I it's probably pretty easy. It'll be me for the Wildrose caucus.
I don't think you have another NDP member on this committee, do you?

Mr. Mason: Does it have to be a member of this committee?

The Chair: Yes, please.

Mr. Mason: Oh. I guess it's me.

The Chair: Again, let's not get too carried away with it. It's probably a phone call or an e-mail or something along that line in case something is quickly needed.

Mr. Young: Well, I think that I can resolve it. David will be our consultative committee person.

The Chair: If that's the case, then, why don't we just accept those names right now in the order they came in? Ms Smith, Mr. Mason, Mr. Dorward. That's three, and we'll wait and see what the Liberal caucus comes back with. Okay? That's it, then.
I think we can declare this meeting adjourned, with some good success and progress having been made. A motion to adjourn? Mr. Quest to adjourn.
Can you verbalize for purposes of *Hansard*, Mr. Quest?

Mr. Quest: I motion to adjourn.

The Chair: Thank you.
Motion to adjourn. Those in favour? All in favour. Those opposed? None opposed. Wonderful.
Thank you, all.

[The committee adjourned at 11:37 a.m.]

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