House of Assembly
Newfoundland & Labrador

MEMBERS' COMPENSATION REVIEW COMMITTEE (MCRC)

Review of MHA Salaries, Allowances, Pensions & Severance

November 2016

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ACKNOWLEDGEMENTS

The 2016 MCRC Committee wishes to offer our appreciation to the following individuals who made the development, analyses, and synthesis of this report possible.

The staff of the Clerk's Office of the House of Assembly is the epitome of public service. Their work ethic and timely response to our many and varied requests is much appreciated and respected.

The Clerk, Sandra Barnes, and her staff worked tirelessly to produce the information we requested and it was extensive! She was available at all times and no inquiry was denied. Research support provided by Dayna Wicks aided in the speedy development of all the information we solicited.

Marie Keefe, Policy and Communications Officer, House of Assembly, contributed thoughtful suggestions which were much appreciated and incorporated into our work. She took on the challenging role of editing the report.

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Alton Hollett, Robert Reid, and Conrad Power, Statistics Division, Department of Finance worked to rationalize the travel allowance regime.

There would not have been a thorough report and appreciation of the work of Members without their input. Over half of sitting MHAs met with us and, to a person, they were passionate, frank and genuine in their remarks.

Because we were concerned about the small number of public participants, we invited former MHAs, civil servants and policy advisors to meet with us. Their input was valuable and helped to provide texture and context to our deliberations.

Despite the poor public turnout, those members of the public that did appear before us were clear, direct and quite helpful in our pursuit of civic input. Emails, tweets and commentary enlightened our work even more, and confirmed the passion that Newfoundlanders and Labradoreans have for the province.

Finally, we want to thank the House of Assembly for the opportunity to undertake this Review. We have learned a great deal about the tough and often thankless work of our MHAs, some of how the government works, and the difficult choices that have to be made.

THE COMMITTEE

The Committee comprises Sandra M. Burke, Q.C. (Chair), Dr. Kathleen LeGrow, L.L.D (Hon), C.M. and Jeffrey Pardy, (F.C.P.A.).

Mandate

Under subsection 16(1) of the *House of Assembly Accountability, Integrity and Administration Act,*[1] an independent committee called the Members' Compensation and Review Committee (MCRC) must be appointed at least once in each General Assembly. Its purpose is to conduct an inquiry and compile a report respecting the salaries, allowances, severance payments and pensions to be paid to Members of the House of Assembly of Newfoundland and Labrador.

The Committee Members were appointed by the House of Assembly on March 10, 2016, with the commencement date of the project as July 7, 2016. The inquiry and report containing recommendations is to be delivered to the Speaker of the House of Assembly by November 4, 2016.

The MCRC is required to:

1. Recommend the annual salary for Members of the House of Assembly.

2. Review and make recommendations regarding the additional salary provisions for positions identified in subsection 12(1) of the *House of Assembly Accountability, Integrity and Administration Act*.

3. Recommend a formula or means for making annual salary adjustments for salary amounts referenced in clauses 1 and 2 above.

4. Review and make recommendations regarding the current severance pay policy for Members of the House of Assembly.

5. Review the current provisions for Members' pensions and provide recommendations for adjustments.

[1] SNL 2007, Chapter H-10.1, as amended (the Act).

6. Review and make recommendations regarding the Intra-Constituency Allowance for each District established in the Schedule to *Members' Resources and Allowances Rules*[2] (subordinate legislation under the *House of Assembly Accountability, Integrity and Administration Act*). This review should take into account the provision of services by Members as a result of the increase in the size of some districts, given the Electoral Boundary reform in 2015.

7. Consult with Members of the House of Assembly, review and make recommendations with respect to the *Members' Resources and Allowances Rules* including but not limited to:

    a) current accommodation provisions for Members and whether other alternatives are available from a cost-benefit perspective;
    b) travel and living costs for training and orientation of Members following general elections and by-elections;
    c) clarification of the parameters regarding usage of the constituency allowance; and
    d) clarification of the parameters for the use of rental cars.

8. Consult with House of Assembly Service regarding issues in administering the current regime as well as impacts, legislative and otherwise, of proposed recommendations.

Methodology

The work of the Member Compensation and Review Committee (MCRC) is politically neutral. Further, in the conduct of its mandate, the MCRC is independent of the Members of the House of Assembly and of the Government of Newfoundland and Labrador.

The Committee members initially familiarized themselves with the various areas of MHA remuneration, including the past and current levels of remuneration. The MCRC looked at other Canadian provinces and other jurisdictions to compare (where appropriate) the manner in which Members of the House of Assembly were remunerated.

[2] SNL 2007, Chapter H-10.1 Schedule (the Rules).

The MCRC met with 21 of the 40 Members of the House of Assembly. Such meetings were held *in camera* to allow MHAs to speak openly about the issues without fear of reprisal. We are grateful to those Members who took the time to meet with us and who spoke frankly.

Five (5) public hearings were held - Happy Valley-Goose Bay, Corner Brook, Gander, Clarenville and St. John's. There were attendees at only two venues: St. John's (August 8, 2016) had 24 attendees and Clarenville (August 9, 2016) had 3 attendees. All public hearings were held from 6:30 p.m. to 9:30 p.m. to allow the public the greatest opportunity to attend.

Meetings were also held *in camera* with 3 former MHAs/Ministers and a number of former senior public sector employees.

The Committee recognized that, due to the short time frame within which to complete its mandate, other methods of public input would be required. A Skype public forum was scheduled from 6:30 p.m. to 9:30 p.m. on August 17, 2016. One person expressed an interest to participate, but did not register, despite the extended timeline to do so.

Due to the vastness of our province, a webpage was created to provide information to the public as to the various aspects of MHA remuneration, and to provide a means by which the public, including organizations, could participate and provide input. This generated 19 email exchanges, each of which was responded to by the Chair.

Contact with the MCRC was also arranged by toll free telephone and fax, and through an email account (MCRC@gov.nl.ca). There were five telephone inquiries (the Chair responded to each one), and one faxed petition regarding MHA salaries.

The MCRC monitored public comments through its official Twitter account (@NLMCRC2016). The Chair established a Twitter account (burke_qc) and posted tweets using the hashtag #nlpoli. There were lively responses and exchanges on social media.

A copy of the Press Release and the Webpage are set out at Appendix A.

EXECUTIVE SUMMARY

"Wisdom comes from making mistakes, having the courage to face them, and make adjustments moving forward based upon the knowledge acquired through those experiences."

Ken Poirot, The Great Pearls of Wisdom, 2015

This is the third review of Members' compensation since Chief Justice Derek Green's landmark report "Rebuilding Confidence" in 2006 and the subsequent creation of the *House of Assembly Accountability, Integrity and Administration Act*. Our Committee strongly upholds the principles as detailed in Green's Report and our findings are in keeping with the spirit of the legislation.

Our goal is to ensure that the Members of the House of Assembly have a reasonable and sustainable compensation package. The Committee's compensation recommendations are an integrated scheme and not designed to be parceled.

Part of our consideration was to recognize that the MHA remuneration package is a means to attract the leaders of our communities to run for political office. The importance of achieving diversity of representation in the House of Assembly cannot be overstated, especially as it relates to informed and thoughtful decision-making.

Members' salaries have not changed in 8 years. Meanwhile, salaries in the public service increased by 28% in that period of time. It is our recommendation that MHA salaries follow increases negotiated in the collective bargaining processes in the public sector.

We regard severance as a transition allowance and provide a clearer understanding as to its utilization. The purpose of such a payment should be to assist Members as they leave politics and move back into private life. This period can be challenging and some support is often needed to bridge the gap.

During its deliberations, our Committee became aware of the important distinctions between the urban and rural experiences of the Members and their constituents which are not easily identified and operationalized. In the Allowances section we have attempted to address these challenges through a clearer definition of "Constituency Business".

When we first met as a Committee, we recognized the importance of addressing the MHA Pension Plan, particularly as the 2012 MCRC directed a significant pension review in keeping with the Green Report. It was determined that this would be our first priority and we have presented a pension plan which is sustainable and addresses the Plan's unfunded liability.

In the course of our review, we noted that most Members were compliant with the *Members' Resources and Allowances Rules* (the Rules) for spending but there remained some inappropriate claims. These claims are more readily identified as a result of the legislative changes brought about by the Green Report. The public can be assured that public funds allocated to MHAs are being managed appropriately.

One of Chief Justice Green's objectives was to find a way to change both the public's perception and the MHA's understanding of the Member's role and function. Through our public consultations, our meetings with the Members and social media contacts, we became aware of the significant negative attitudes of some of the public towards the Members of the House of Assembly. Expressions of Members who "do nothing", have a "soft 40 hour week", and have "access to slush funds" were not uncommon in the course of our work. Contrary to such perceptions, most Members work extremely hard for their constituents. It is not uncommon for some Members to be available to their constituents whenever required. There is still work to do by the Members and by the public to acknowledge the vital role and function of the MHA in our democratic system of government.

The Management Commission is the legislative body that will review (and hopefully implement) our recommendations. There have been concerns expressed that the Commission has not considered past MCRC recommendations and is not acting as broadly as it can within the legislative framework. Our recommendations will hopefully address those issues.

We encourage the Management Commission to review and accept our Recommendations as presented. We have listened, carefully researched and studied, and thoughtfully developed this report. Hopefully our independent assessment proves to be conclusive and insightful.

INTRODUCTION

The 2006 spending scandal in this province shattered public confidence in our democratic political system.

In response, a Commission was established in July 2006 to evaluate the best practices related to use of public funds by Members of the House of Assembly in their work for their constituents. This has subsequently come to be known as the Green Report,[3] referring to the Commissioner, Chief Justice Derek Green of the Newfoundland and Labrador Court of Appeal. The recommendations therein were the touchstone to rebuilding that public trust and confidence.

The resultant legislation, the *House of Assembly Accountability, Integrity and Administration Act* (the Act), and the *Members' Resources and Allowances Rules* (the Rules) governing remuneration and spending by MHAs, are recognized across Canada as the gold standard.

It is almost 10 years since the Green Report was released, and we are the third Committee appointed since that time to review MHA compensation.

As with the Green Commission, we also found that, individually, Members of the House of Assembly (MHAs) speak of their duty to perform their role with integrity and honesty. There is no doubt that this is a firmly held belief. We also found that MHAs, "as a group, are concerned and dedicated individuals who are striving, often in difficult circumstances, to do what they believe is best for our Province".[4]

Occasionally, based on our discussions with MHAs and House of Assembly (HOA) staff, we found a disconnect between such honestly held belief and practice. This disconnect appears to be the result of a lack of understanding of the foundations upon which the Rules are based. This is evidenced in push back by some MHAs of the interpretation and application of the Rules by HOA staff; a lack of clarity in the expression of some Rules; the difficult distinction between what constitutes constituency business and partisan activities; and, what has been past practice by many MHAs leading to expectations of support and recognition by constituents. This

[3] Newfoundland and Labrador, *Rebuilding Confidence: Report of the Review Commission on Constituency Allowances and Related Matters* (May 2007) (Commissioner: The Honourable Chief Justice Derek Green) [Green Report].
[4] Chief Justice Derek Green, "Reflections of an Outsider on the Expectations for Standards of Behaviour of Elected Officials", an address to the Institute of Public Administration of Canada, Newfoundland and Labrador Branch, St. John's, NL, October 2007.

highlights the need for more intensive training of new MHAs and continuous review with all MHAs of professional standards and ethics.

While most MHA claims are in good order, HOA staff continues to find inappropriate expense items, such as alcohol and movie tickets. What is the explanation for this? Is it inattention to detail? Is it a lack of understanding of the Rules? Is it deliberate? No matter the explanation, in submitting the expense claim the MHA cannot be said to have taken personal responsibility for the claim and asked him/herself:

> "Can I legitimately and fairly say that this expenditure was appropriately incurred by me in the performance of constituency business?"

Some MHAs have also complained of the tediousness of complying with the Rules, and that they are overly restricted with the bureaucracy of the Rules. There is no doubt that certain aspects of the Rules are indeed "tedious". The HOA staff has, on occasion, unreasonably borne the brunt of the frustration experienced by some MHAs in this regard. For example, one Member was incensed that his/her claim was rejected numerous times by HOA staff. What was not disclosed by the MHA was that the claim contained items that were not eligible for reimbursement.

A number of MHAs expressed their concern about the spending restrictions implemented almost 10 years ago by saying:

> "If we were in jail, we'd be out by now".[5]

These examples and comments emphasize that, in a small number of cases, there is a lack of a personal sense of responsibility for ensuring that public funds are spent properly, and underscore the remarks made by Chief Justice Green following the release of the Green Report:

> "to the extent that attitudes that do not emphasize personal responsibility and are based on a sense of entitlement still persist, we will still have a problem under a much more detailed rules-based system"[6]

It is important to emphasize that the majority of MHAs take seriously their role and the fiduciary responsibility that accompanies the profession. For example, some MHAs do not use their entire operational allowance and some make no claim for travel in the Capital Region.

[5] What was not acknowledged by the MHAs was that the amount of money "lost" during and prior to the spending scandal would not likely have been repaid in that time.
[6] Green, IPAC Address, October 2007.

However, in such circumstances it appears that MHAs want to avoid any possibility of scandal. In a sense, that is laudable; however, MHAs do themselves and their constituents a disservice if they do not utilize the resources that are legitimately available to them to conduct their constituency duties.

Public Engagement

Public engagement was, initially, challenging despite issuing press releases for public meetings across the Province. However, the public responded to electronic modes of communication – MCRC webpage, Twitter and email being the primary sources.

Public comments held consistent themes:

- No increases for MHA salaries
- The current pension plan is "too rich"
- MHAs should not have "extra salaries"
- Eliminate the "slush fund" which the MHAs have available to them

It was evident that public sentiment was built on a sense of fear and anger in relation to the province's current economic climate. It was equally clear that the public were either misinformed or unaware of an MHA's duties (one person referred to an MHA as having a "soft 40 hour week") and remuneration (for example, some people were surprised when informed that there was no "slush fund" for MHAs).

Many public comments indicated a belief that MHAs were seeking an increase in their salaries. It was difficult to ascertain how the public came to draw this conclusion, but it appeared to have arisen from a media source. We wish to point out that none of the MHAs expressed any desire to increase their salary at present, but did seek a fair mechanism to adjust salary over time. All of the MHAs were sensitive to the province's current economic climate and told us that a current increase in salary would not be appropriate. When we advised the public of the MHAs' comments, their reaction was one of surprise and satisfaction.

Public comments during the course of our work confirmed that public confidence has not yet been rebuilt. Some of that lack of confidence is the result of poor communication by the Legislature of the role of an MHA and the remuneration available to MHAs.

All information regarding MHA remuneration is available on the HOA website, but members of the public found the website difficult to navigate. In some cases, members of the public had no computer or internet services to access such information.

The Chair had a discussion with a gentleman on the West Coast of the province who had taken the time to call the MCRC toll free number. Upon being advised of the particulars of the MHA remuneration and MHA duties, he wondered "why doesn't one of the MHAs get on open line and let the public know about this? People of our province need to be aware of this so that we can be better informed."

However, the public, too, has a responsibility to properly inform themselves about the issues. The Committee received an email from one person who made reference to MHA "additional salaries" and that the MHA salary "should be enough". As an attempt to engage in a "discussion" on the matter, the Committee asked that person to review that section of the Members' Administration Guide to clarify the issue and asked the person to respond with his/her comments. The person's response was:

> "I have neither the time nor the inclination to delve deeply into the remuneration for extra house duties."

The response is understandable when feelings are running high regarding this subject area. Nevertheless, should the public wish to engage in a meaningful discussion, they need to educate themselves on the issues.

Our analysis of the workings of the current system and the public's perception of MHA duties and remuneration forms the basis upon which we make our recommendations regarding MHA remuneration.

Distinction between the House of Assembly & Executive Council

Our mandate is restricted to a review of the remuneration paid to Members of the House of Assembly. We do not have the authority to review the remuneration paid to Ministers who are entitled to benefits/allowances in addition to the MHA remuneration and allowances. The Ministerial benefits and allowances are determined by Cabinet.

Some MHAs were disillusioned by the difference in the remuneration available to Ministers compared to that available to MHAs. All agreed, however, that an additional salary is reasonable for Ministers as they carry the additional duties, burdens and responsibilities of those positions. Members of the public, too, were unaware that there was an additional remuneration scheme for Ministers.

The primary distinction between allowances available for Ministers and that of MHAs are as follows:

a. Ministers are entitled to a car allowance of $8,000 a year or they may claim their actual mileage, whereas an MHA may claim actual mileage only;

b. Ministers are entitled to an entertainment allowance of up to $500 a day (which includes "reasonable and moderate" alcohol expenditure), whereas an MHA has no such allowance and expenditure on alcohol is strictly prohibited;

c. Ministers who leave their office are entitled to an automobile allowance for three months after vacating their office, whereas MHAs are not entitled to such benefits; and

d. There is no pre-audit requirement for Ministers' expenses, whereas the Rules implemented for MHAs require all expenses be pre-audited.

This Committee's recommendations are in relation to MHAs only and have no bearing on Ministerial remuneration.

OVERVIEW OF THE ROLE & RESPONSIBILTIES OF AN MHA

A Member of the House of Assembly is the face of government and is often the first point of contact in the district.

This role, outside the work in the House, is more or less defined by the electorate. This is especially true in the rural areas of the province where there may not be a well-defined municipal structure and there is less access to technology. The MHA is at once an ombudsman, social worker, legal advocate, crisis intervenor, even occasionally a father confessor. Members provide information and problem solve issues for constituents on government policies, services and programs. This requires knowledge of government and the ability to discern the big policies and the small issues. MHAs must understand their communities and be sensitive to their needs. In order to achieve this, the MHA needs to be present and accessible in their communities and have the ability to engage their constituents and listen to all concerns.

Members of the House of Assembly are expected to represent their constituents, even those that did not elect them, and act as their spokesperson. They also represent the broader civil society. They are responsible to their political parties and their party leaders. They need to research and be prepared to help make decisions with regard to policy, finances, and issues of concern to the residents of the province. As a trustee of the people they must ensure that government is accountable to the people. Working with their fellow Members, they will be debating, deliberating, and voting on legislation to create laws. Many will serve on committees, be active in their caucuses and have additional jobs and responsibilities assigned to them by their party leaders.

Whether they are the first point of government contact for their constituents or acting as legislators, Members must either possess or develop the requisite skill set to meet the demands outlined above. They will be expected to speak publically; engage their communities; have the ability to create new ideas; be able to multi-task and manage their time effectively; and manage their constituency offices.

Many of the Members we spoke with chose politics because they wanted to make a difference, to influence change, and to respond to a call to public service.

Chief Justice Green in his report suggested that we should professionalize the role of the politician. Unfortunately, little has been done to achieve this goal. Very few appear to be standing up and defending the parliamentary institution and the democratic process. There is no shared vision of the politician. The public continues to distrust and malign politicians and voter turn-out remains low.

It is important to educate the public on the role and work of the politician to create a cultural shift toward the professionalization of politics. This may help attract diverse and qualified leaders in our communities to offer themselves to run and could go a long way to enhancing the decision making ability of the House. If our elected representatives regard themselves as professionals, and that impression is shared by the public, it could very well have a positive impact on behavior both inside and outside the House of Assembly.

"To foster the right attitude toward responsibility and entitlement so that the starting point of political decision making operates on a proper basis of principal",[7] perhaps we should consider creating a "College" for new politicians. There they would learn about the House of Assembly, ethics, code of conduct, the Rules, political duties and responsibilities, as well as how government works and how to hold it accountable. Attendance would be compulsory along with their constituency assistants (CA) and they would be evaluated at the end of the session to determine their level of knowledge. Annual continuing education would also be a part of this College to refresh the Member's and CA's knowledge of the Rules and to share any new relevant information. Additional support could be given in the areas of communication, time management, community engagement, and other areas where the MHA feels he/she needs support. As with other highly specialized professionals who are committed to ethical codes and are regulated as to standards of behavior in the public interest, so too must be the political professional.

[7] Green, IPAC Address, October 2007.

OVERVIEW OF THE LIFE OF AN MHA

Having interviewed many of our MHAs, one would wonder why anyone would choose to run for politics!

We have heard expressions such as "politics in Newfoundland and Labrador is a blood sport"; "as a politician we are living in a fish bowl"; "we work 24/7 even on Christmas Day"; and, "once you enter politics your life will never be the same". There is no privacy even for extended family, and there is virtually no family life.

The impact on families can be devastating especially when there is a large degree of negativity among the public and the public feel they can assail members of a politician's family as a means of accessing the Member. There have been threats causing some Members to feel vulnerable. In one case, inflammatory images were sent to a Member's social media account that could have been accessed and seen by family members.

Coupled with this, when individuals successfully run for office, they abandon their careers, have no job security and may not have a job when politics is over. Quite often this is done with significant financial sacrifice. At the very least, Members must begin to plan for transition to private life almost as soon as they are elected.

Life on the road is no picnic either. When the House is in session or if they are visiting the Capital Region on constituency business, Members are away from their families and usually staying in hotel rooms with limited access to good nutrition. They are expected to be present and accessible in all communities in their district on a regular basis. This means attending endless community events and socials where absenteeism is seen as a dereliction of duty. Some constituents, particularly in rural communities, have a sense of ownership of their MHA as a servant of the people and feel the Member should be available at all times.

One MHA told us that they work for a "teacher's salary" with fewer benefits, no time off and much longer hours. Unfortunately, there are no clearly defined outer limits of their work so just about anything goes. All of this work is performed in a milieu that is often laced with negativity and distrust; where constituents think that MHAs "have it too easy" and receive "too much". These attitudes were often confirmed in our public meetings and through our interaction with the public by email and social media. There was a significant absence of sympathy and empathy for the life of an MHA and his/her family.

This Committee also heard that MHAs in this province face significant challenges that are unique when compared to other jurisdictions in Canada. As one former politician/policy advisor stated:

> The work of an MHA is largely a component of an underdeveloped municipal government, and remoteness of communities. There is also little differentiation by the public between the duties of a Member of Parliament and that of an MHA; therefore there is a great deal of pressure and expectation placed on MHAs.

As Green states in his report "much of the work performed by an MHA (and certainly its extent) is generally not seen or appreciated by the general public".[8]

We must also consider that some MHAs take on tasks, responsibilities and requests by constituents that would not necessarily form part of their duties. In doing so, MHAs are shoring up their electability by being available to their constituents for all manner of needs. Such work is not compensable by the taxpayers of the province.

We have determined that it is important to take into consideration the life of an MHA when reviewing and recommending a comprehensive remuneration package.

[8] Green Report, p. 9-18.

WHAT CONSTITUTES CONSTITUENCY BUSINESS

Important to all MHAs and to our work on Allowances is a working definition of constituency business, the often grey area of what comprises constituency business vis à vis partisan activity, and, the categorization of expenses incurred by an MHA in fulfilling his/her role.

One of the MHAs interviewed said that the Green Report "killed a fly with a sledgehammer". While the comment dismissed the seriousness of the reasons for the report, it did point to the frustrations experienced in the interpretation of the Rules that followed the release of the report. The House of Assembly staff was tasked to develop and implement the policies to carry out the intent of the Rules so as to perform a pre-audit of all expense claims.

There are often claims that can be interpreted as both constituency and partisan business resulting in differing opinions and interpretations by MHAs and Corporate Services staff. It is not uncommon for an expense claim to be passed back and forth for approval numerous times before agreement is reached or the claim is sent on appeal to the Management Commission. This is an unfortunate use of the time of both the MHA and staff.

Green described constituency business as

> "any activity directly connected with a Member's responsibility in relation to the ordinary and proper representation of electors and their families and other residents in their constituency, but does not include partisan activities"[9]

He goes on to say that the ***purpose*** of a claim is more important than the ***type*** of a claim.

Overall, he felt that MHAs should be reimbursed for reasonable and legitimate expenses incurred while doing their jobs. MHAs cannot be reimbursed for any activity that would derive a personal benefit nor a benefit to those associated with them or "any matter that calls into question the integrity of the Member or brings the House of Assembly into disrepute".

In conversation with Chief Justice Green, he suggested that there will be some instances where there could be an "incidental personal benefit that cannot be avoided".

[9] Green Report, p. 10-23; incorporated in paragraph 2(f) of the Rules.

The more obvious examples of electioneering expenses (i.e. direct personal benefit) relating to fundraising, campaign launch and candidate/campaign strategy meetings are easy to identify as partisan activity and thus are not legitimate expenses for reimbursement from an MHA Allowance. Less obvious expenses, and therefore open to interpretation, are such things as family fun days, barbeques, bouncy castles, greeting cards, sandwiches for seniors, and Canada Day cakes. A Member told us that there is no political gain in buying tickets (games of chance or event admission) if approached "but there is a big loss if you don't".

We agree that an MHA is expected to engage constituents and the type of events and activities in which a Member engages needs to be considered when taxpayer dollars are being spent.

Attracting or enticing constituents to an event with an activity and/or food to engage them is one of the means utilized by some MHAs. Town halls or subject specific meetings to address community concerns are another. The fact that a Member gains greater profile as a result is the "incidental benefit".

Community capacity building is another valuable asset in the MHA's toolbox. Depending on the ***purpose*** of such efforts, engaging constituents to this end can lead to valuable results both for the MHA and the constituents/community. There are expenses incurred when conversing with constituents whether it is over a meal or a cup of coffee. Members feel it is important to support local community groups and organizations and the work that is being done by them. If an expense is incurred to attract constituents and the expense is in conjunction with a community event then an argument can be made that this can be interpreted as a legitimate expense (i.e. the ***purpose*** is to engage constituents). In situations such as these, discretion and common sense should prevail.

Constituency business can also be dependent on where the district is located. In most rural parts of the province, festivals and "Come Home Years" provide an opportunity for the Member to see and speak with their constituents. In the Capital Region these opportunities are limited and the Member has to create the opportunities to engage his/her constituents.

One retired politician said that a Member must "not only do their job but must also be seen to be doing their job". MHAs need to make themselves known to constituents so that residents know who to contact if they have a question, comment or problem.

In short, it is the duty of the MHA to engage citizens, address concerns, and be present and accessible. In so doing, if an expense is incurred, the ***purpose*** should be the determining factor in assessing the appropriateness of the expense. The onus is on the MHA to be clear as to the purpose; the primary focus of Corporate Services staff should be to understand and acknowledge the various and diverse ways that MHAs engage constituents, which are not otherwise specifically excluded as a legitimate expense (alcohol, donations, etc.).

OVERVIEW OF MHA REMUNERATION

Remuneration for Members of the House of Assembly for Newfoundland and Labrador presently consists of the following:

a. Salary
b. Allowances
c. Severance
d. Pension

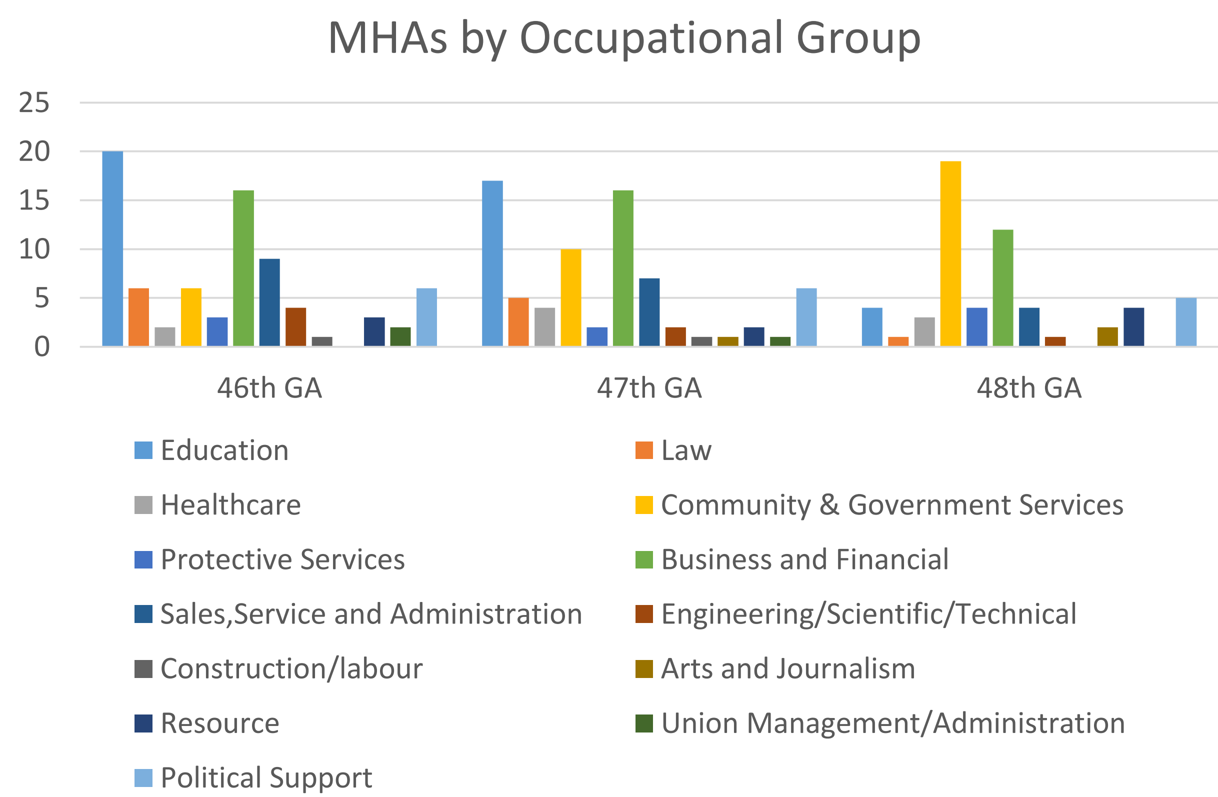
A remuneration package should help to attract and encourage persons who are well suited to the role of an MHA. Diversity in ethnicity, gender, age, national origin, disability, sexual orientation, education, and religion creates a means by which the people of the province are ensured that their concerns will be heard and understood. Diversity can provide, amongst other things, a broader frame of reference to create policy and legislative direction.

Is the province's MHA remuneration package reasonable, and is it designed to attract diversity in our Legislature?

The following charts depict the various diversities in the House of Assembly from 2007 to present:

Chart I.1

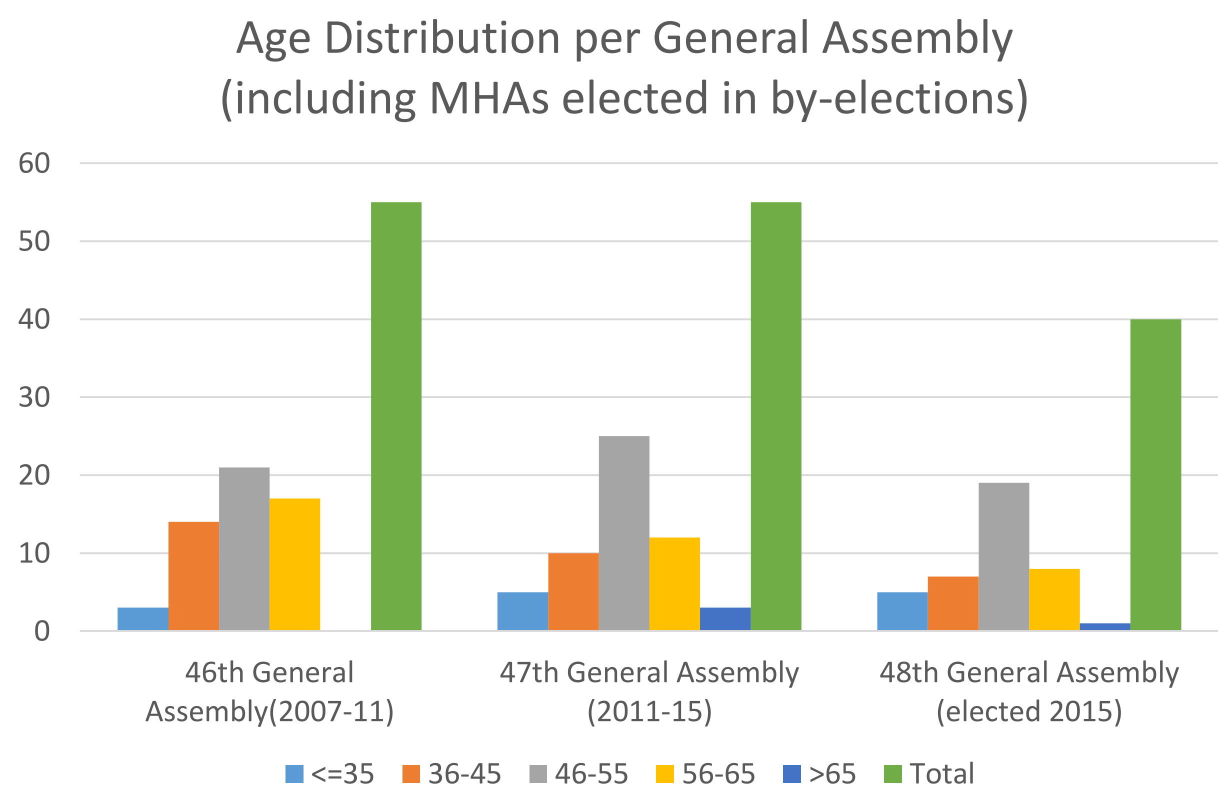
Government of Newfoundland and Labrador
Members of the House of Assembly
(by occupational group)



Source: House of Assembly

Chart I.2

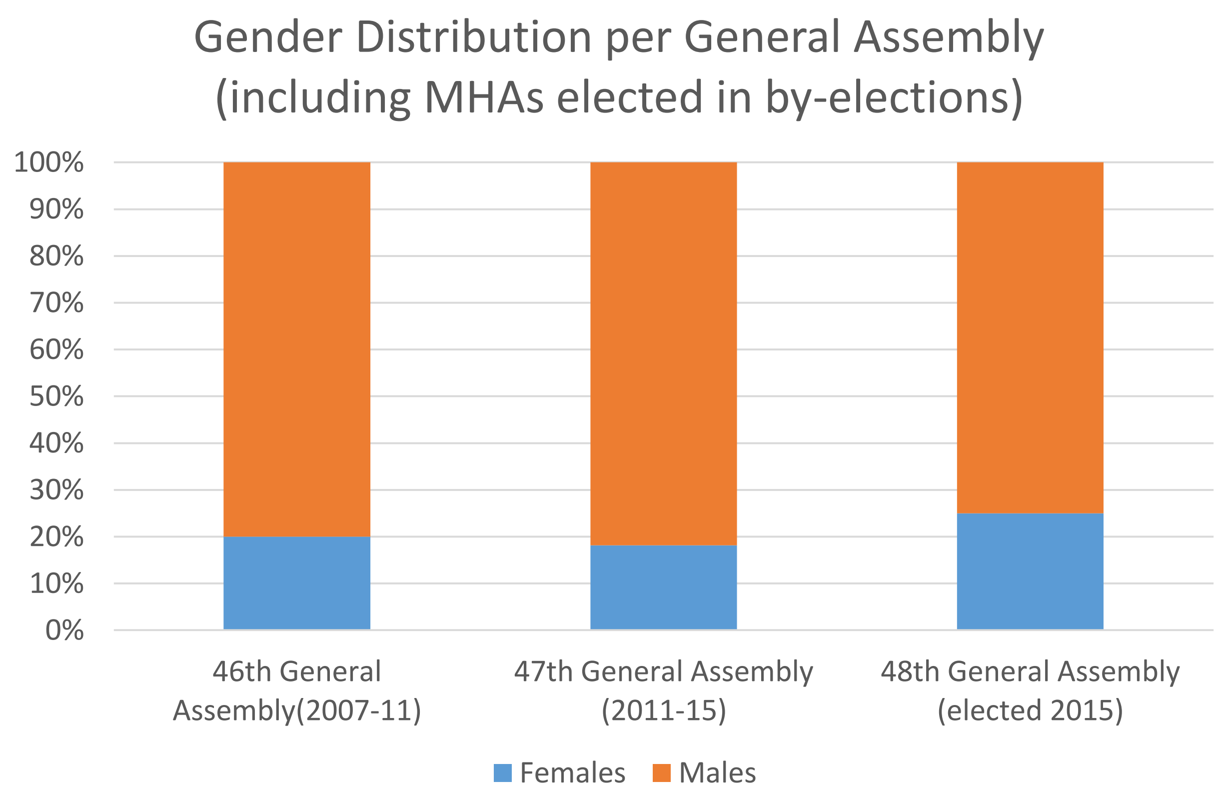
Government of Newfoundland and Labrador
Members of the House of Assembly
(by age)



Source: House of Assembly

Chart I.3

Government of Newfoundland and Labrador
Members of the House of Assembly
(by gender as a percentage of total Members)



Source: House of Assembly

In each of the 46th and 47th Assemblies, Members from the fields of education and business were prominent. That changed dramatically in the 48th Assembly when MHA occupations favoured community and government service sectors and, to a lesser extent, the business sector.

Women have not held many seats in any of the last three General Assemblies – currently women make up 25% of the Members of the House of Assembly. Since 1949, of the 371 Members of the House of Assembly, 33 Members have been women.

It is impossible within the time permitted to complete our report to assess what attracts people to public office.

In our discussions with MHAs, it was clear that all of them felt a sense of public duty pulling them towards public office. It is telling that very few of the MHAs knew what the remuneration package was when they first ran for office, and it was not a consideration for them when deciding to run for office. But that is not to say that remuneration does not or should not hold any importance.

The 1989 Morgan Commission rejected the notion that "the scale of remuneration should not be so large as to be of itself an inducement for a person to enter into political life", and instead concluded that "compensation should be based on the assumption that the current role of a member of the Legislature has become a full-time assignment".[10] In designing a remuneration package, we are also guided by Recommendation 58 of the Green Report:

> For the purposes of determining the appropriate level of remuneration to be paid to a Member of the House of Assembly, the types of supports that should be paid to assist the MHA to carry out his or her functions, and the standards and level of commitment expected from elected representatives, the work should be regarded as the work of a professional.[11]

During his address to the Institute of Public Administration of Canada in October 2007, Chief Justice Green had this to say about the job of a professional:

> "Just as public servants generally should be regarded as professionals in the expectations we have of them so also should it be for politicians. Professions are

[10] Newfoundland, *The Report of the Commission on Remuneration to the Members of the House of Assembly,* (September 18, 1989) (Chair: Dr. M.O. Morgan) [Morgan Commission].
[11] Green Report, p. 9-25.

> occupations whose jobs are highly specialized, are committed to ethical codes and are regulated as to standards of behaviour in the public interest."[12]

We have considered these factors in our assessment of MHA salaries.

[12] Green, IPAC Address, October 2007.

SALARIES

There are three salary components that the Committee is charged to review:

a. Basic Salary
b. Additional Salaries
c. Committee Work

Basic Salary

Prior to 2007, MHA salaries comprised a taxable component and a non-taxable component. The rate of increase in MHA salaries was tied to the "salaries paid to employees of the government of the province."[13]

In 2006, MHA salaries in Newfoundland and Labrador ranked 5th amongst MHAs/MLAs across all Canadian jurisdictions.[14] In 2007, Green combined the two salary components into one taxable income - $92,580. In 2008, MHAs received the expected increase of 3% (being the increase in pay for the public sector the previous year) to reach a salary of $95,357. With that adjustment, MHA salaries remained 5th ranked, behind Ontario, Quebec, Northwest Territories and British Columbia. The average MHA/MLA salary across Canada in 2007 was $86,290.[15]

There have been no adjustments to Newfoundland and Labrador MHAs salaries since 2008. The lack of any adjustment (or any mechanism for an adjustment) arose as a result of a number of factors:

1. The 2009 MCRC rolled back the 8% increase that was due to MHAs on July 1, 2009. It did not address the manner in which MHA salaries had been adjusted in the past (i.e. to keep pace with the public sector adjustments), and did not present a mechanism for adjustments to MHA salaries in the future;

2. In 2013, the Management Commission seems to have been influenced in its decision by a last minute presentation by the Minister of Finance to freeze MHA salaries, perhaps in anticipation of the freeze on public sector salaries in 2013 and 2014. (The important role of the Management Commission is set out elsewhere in this report).

[13] Green Report, p. 9-3. For a history of MHAs salaries from 1898 to 2007, see Green Report, Chart 9.1, p. 9-5.
[14] Green Report, Chart 9.2, p. 9-9.
[15] Data gathered by HOA staff.

In 2009, the ranking of MHA salaries in Newfoundland and Labrador compared to the rest of Canada did not change from that in 2007; in 2012 the ranking fell to 6th place; and in 2016, provincial MHA salaries rank 9th, just ahead of PEI, Manitoba, Nova Scotia and New Brunswick.[16]

The manner of determining an MHA salary (or the reasonableness of the salary) is not simple or straightforward. Various methods have been proposed through our public consultations:

- ***Make MHA salaries the average of salaries in Newfoundland and Labrador.***

  - The rationale given for this proposal is that an MHA is a public servant and thus should be paid the average public servant wage. If we were to apply this rationale to MHAs simply because they are public servants, then it should follow that all public servants should be paid the average wage in the province.
  - Remuneration is typically based on a variety of factors – level of education, skill, experience, and career and tenure expectation. MHAs typically consist of a cross section of the provincial community, with varying degrees of skill, education, experience, etc. – making them a unique group to assess.
  - Furthermore, this method does not support the recommendation of the Green Report, which was to regard the work of an MHA as a "profession".

- ***Do a comparison of salaries for MHA/MLA across Canada.***

  - This seemingly simple analysis is fraught with difficulties and complexities:
    - How are comparisons made among MHAs/MLAs who are responsible for varying numbers of constituents or those who are not required to travel as far as other MHAs/MLAs? How do we reasonably compare those factors with varying district areas, cost of living variances, and economic circumstances of each district/province?
    - Even if those factors can be reasonably assessed and compared, what is the appropriate rank for our MHAs on the Canadian list – would they be placed on the top, the bottom, the middle? What factors would be considered in determining where our MHAs should land on that list?

[16] Appendix B: Table of multi-year comparison of MHA/MLA salaries across Canada. In 2015, Alberta's MLA salaries were rolled back 5%, and Northwest Territories MHA salaries were reduced by about 3%. There have been no changes in the MHA/MLA salaries in Ontario and New Brunswick since 2009; the reason being that New Brunswick has not had a review committee since 2009, and Ontario salaries are tied to the increases in salaries of Members of the House of Commons.

- No one we talked with had a solution.
- An analysis of MHA remuneration for Alberta was conducted by Mr. Justice John Major in 2012. He confirmed the circular reasoning of this approach.[17]

- ***Increase MHA salaries by the dollar amount increase in public sector wages, not by the percentage increase in public sector wages.***

  – Some members of the public suggested that it is not reasonable to increase an MHA salary by the "percentage increase" of public service wages; rather, increases to the MHA salaries should be based on the "dollar increase" in public service wages. This is an impractical solution as each position in the public sector has a different wage scale. A 3% increase for a public service salary of $25,000 ($750 increase) is a different dollar value than a 3% increase for a public service salary of $150,000 ($4,500 increase).

A search across Canada has revealed there is no consistent formula by which MHA/MLA salaries are assessed or determined.

However, and despite the complexity in determining an MHA salary, this Committee's mandate is to determine the appropriate level of an MHA salary.

In 2008, public sector wages increased by 8%. As expected, in 2009, MHA salaries were increased by that amount in accordance with the implemented recommendation in the Green Report and past practice.[18]

However, in 2009 public sector wages increased again by 4%. Despite a press release, by then Minister of Finance Tom Marshall, explaining the mechanism by which MHA salaries were adjusted, the public's perception of the 8% increase in wages for MHAs in the same year that the public sector wages increased by only 4% created a public outcry:

[17] Alberta. *Review of Compensation of Members of the Legislative Assembly of Alberta*. (May 2012) (Commissioner: The Honourable J.C. Major, CC, QC) p.26.
[18] Rules, subsection 15(2).

"NL politicians get pay hike during salary review"[19]

"Pensioners outraged at MHA salary increase"[20]

"Payday for politicians"[21]

"MHA pay panel an exercise in futility"[22]

The timing of the increase was also unfortunate. The 2009 MCRC had just been appointed and the "automatic" salary increase came just days prior. The appearance was such that the automatic increase usurped the role of the 2009 MCRC. The 2009 MCRC recommended the 8% increase be relinquished by MHAs and that MHA salaries be frozen until the next MCRC was appointed. The Management Commission complied with that recommendation.

The 2012 MCRC recommended that MHA salaries be adjusted each year in accordance with the Consumer Price Index. That recommendation was not accepted by the Management Commission, and MHA salaries were frozen until reviewed by the next MCRC – being this Committee.[23]

The result is that no adjustments to MHA salaries have been made since 2008.

It is a credit to each MHA with whom we spoke that none of them suggested an increase to their current salary would be appropriate given the province's present economic climate. However, they did want a mechanism in place to allow for salary adjustment over time.

If the previous trend of adjusting MHA salaries in accordance with adjustments to the public sector had continued, MHA salaries would look like this:

2007--$ 92,580[24]
2008--$ 95,357 (3%)
2009--$102,986 (8%)
2010--$107,105 (4%)
2011--$111,389 (4%)
2012--$115,845 (4%)
2013--$115,845 (0%)

[19] *CBC*, September 21, 2009.
[20] *The Telegram*, Wednesday, September 23, 2009, p. A3 (Laura Power).
[21] *The Western Star*, Opinion, Thursday, September 24, 2009, p. 6.
[22] *The Western Star*, Opinion, Saturday, September 26, 2009, p. 7 (Randy Simms).
[23] http://www.assembly.nl.ca/business/commission/13-02-27ManagementCommission.htm.
[24] Green Report, p. 9-12.

2014--$115,845 (0%)
2015--$118,162 (2%)
2016--$121,707 (3%)

Source: House of Assembly and MCRC 2016

MHA salaries for 2015 would have ranked 3rd across the country, behind Alberta and Quebec.

Having considered numerous factors and comments made by the public, MHAs, former MHAs and policy advisors, this Committee recommends that adjustments to MHA salaries be adjusted in accordance with the average public sector adjustments each year - a similar mechanism by which MHA salaries were adjusted in the past. Such adjustments would be contemporaneous to the adjustments made in the public sector (in other words, with no delay mechanism to implement the adjustments).

The negotiation process with the public sector unions is typically done in good faith, balancing the needs of the public sector employees with the public's ability to pay. Such safeguards in negotiation would result in little risk of a conflict of interest in adjustments to MHA salaries.

We do not recommend a "delay" in the implementation of the public service rate to MHA salaries, as was traditionally the case. Prior to 2007, increases in MHA salaries were delayed by one year after the increase in public sector wages. The reasoning behind the delay was to "give credit" to the public sector for having bargained the adjustment. However, this reasoning does not consider the fact that government negotiators were also part of the negotiation process.

In making our recommendations on salary, we have considered the comments made by Chief Justice Green regarding the significant responsibilities of an MHA, our current economic climate as set out in the provincial budget in April 2016, as well as comments made by informed members of the public.

Basic Salary Recommendations

As part of a comprehensive MHA remuneration package, the Committee's salary recommendations are:

1. Commencing with the completion of the next public sector union negotiations, MHA salaries shall be adjusted in accordance with the average negotiated percentage adjustments related to the following collective agreements:[25]

   a. General Service Contract
   b. Health Professionals Contract
   c. Registered Nurses Union Contract
   d. Royal Newfoundland Constabulary Association Contract

2. The adjustment to MHA salaries shall occur within 30 days of implementation of the adjustments to the last of these four collective agreements.

Legislative Office Holder Positions – Additional Salaries

Many members of the public have expressed the view that MHAs are entitled to "bonuses". That is not the case.

"Additional salaries", as they have come to be known, are provided to MHAs who hold significant additional responsibilities. Legislative Offices have been created partly on tradition but some are essential in fulfilling the role of democracy in our province.

Part of our mandate is to review the salary levels of such Legislative Offices.

Traditionally, there are 11 Legislative Office positions that attract an additional level of remuneration.[26] Members are not permitted to have more than one salary if they hold more than one Legislative Office.

Given the current economic climate of the province, the Legislative Office salaries shall not be adjusted in accordance with the Committee recommendations regarding MHA salaries during

[25] These contracts were chosen as they fell within the March to June period each year, and would be timely in implementing adjustments to MHA salaries.
[26] Further detail of the duties of each parliamentary position can be found at Appendix C.

the 48th General Assembly. Furthermore, the salaries for all Legislative Office holders (as set out below) shall be reduced by 10%, effective April 1, 2017.

In reaching our conclusions and recommendations regarding the Legislative Office positions and salaries, we have reviewed and compared the number of Members in each Legislature across Canada, and which Legislatures provide for various legislative positions and salaries.[27]

We have formulated our conclusions on each Legislative Office position below:

Speaker of the House

The position of Speaker is equal to that of the Premier who has responsibility for the executive branch of government. The Speaker is responsible for the efficient running of the House of Assembly and in turn the foundation of the democratic process. We have not recommended any change to the remuneration for this position, save for the 10% reduction.

$54,072 current
$48,665 effective April 1, 2017

Deputy Speaker and Chair of Committees

The role of the Deputy Speaker is essentially to ensure the smooth running of the House in the absence of the Speaker. All Bills must go through Committee of the Whole so the Chair of Committees conducts the proceedings of the House at this legislative stage. Our Committee has concluded that the salary for this position should be reduced to $12,166.

$27,033 current
$12,166 effective April 1, 2017

[27] Appendix D: Number of Seats in Each Legislature and Jurisdictional Survey Members' Pay April 2016.

Deputy Chair of Committees

This position is designed to ensure continuity in the absence of the Speaker and of the Deputy Speaker. We have concluded that the responsibility of this position does not warrant an additional salary. This recommendation shall be effective April 1, 2017.

$13,517 current
$NIL effective April 1, 2017

Leader of the Official Opposition

This position is critical to the role of democracy, and requires strong leadership skills and extensive knowledge of the issues. We do not recommend any change to the remuneration for this position, save for the recommended 10% reduction.

$54,072 current
$48,665 effective April 1, 2017

Opposition House Leader

This role, too, is critical for the effective functioning of the legislature. The role requires extensive knowledge of the issues, and of parliamentary authorities and precedents. We do not recommend any change to the remuneration of this position, save for the recommended 10% reduction.

$27,033 current
$24,330 effective April 1, 2017

Deputy Opposition House Leader

This role is to fill-in when the Opposition House Leader is absent. It can be (and has been) held by a variety of MHAs if the Opposition House Leader and the Leader are both absent. We have concluded that the responsibilities associated with this position do not warrant a salary.

$18,457 current
$NIL effective April 1, 2017

Leader of the Third Party

As with the official opposition, the third party has an important role to play in the working of the legislature. It, too, represents the diversity in the House and provides a perspective that may be different from the government and the opposition. Given the importance of this role, we recommend that the salary for this position should be increased to $24,330. This recommendation shall be effective April 1, 2017. The 10% salary reduction shall not be applied to this positon.

$18,918 current
$24,330 effective April 1, 2017

Party Whip

While this position is considered to be a long held, traditional role, the role has changed significantly with the advent of technology, and with the reduction in the number of MHAs in the House of Assembly (from 48 members in 2007 to 40 members in 2015). All MHAs have cell phones, most are on social media and can be contacted instantly. Furthermore, we refer back to the Green Report which emphasized the responsibility of the MHA as a professional. Thus, it is expected that each MHA must be responsible for being apprised of what is happening in the House and when his/her presence is required. While the Party Whip does have a role to play in the legislature, the role does not hold so great a responsibility as to warrant a salary.

$13,517 current
$NIL effective April 1, 2017

Caucus Chair

Similarly, we do not regard the Caucus Chair as requiring such significant time, experience or skill as to require a salary.

$13,517 current
$NIL effective April 1, 2017

Chair of the Public Accounts Committee

The Public Accounts Committee is responsible to oversee the public expenditures of the Government of Newfoundland and Labrador. Amongst its duties, the PAC reviews the Auditor General (AG) reports, reviews responses from the government departments and agencies identified in the AG reports, and, requires the attendance of those entities to publically account for the issues in the AG reports. Actual correspondence, research and scheduling of hearings are ordinarily done by the Clerk Assistant. This position requires considerable responsibility, experience and strong leadership. We do not recommend any change to the remuneration for this position, save for the recommended 10% reduction.

$13,517 current
$12,166 effective April 1, 2017

Vice-Chair of the Public Accounts Committee

The Vice-Chair has significant responsibilities for this important Committee. We do not recommend any changes to the salary for this position, save the 10% reduction recommended for the other Legislative Office positions.

$10,333 current
$9,300 effective April 1, 2017

Upon review of the various Legislative roles, we noted that there is no role for a Third Party House Leader. Similar to the role of the Opposition House Leader, we have concluded that a Third Party House Leader would contribute towards the effective governance of the province. As a Third Party, the Leader would not be entitled to the same remuneration as the Opposition House Leader. We therefore recommend the creation of a Legislative position of "Third Party House Leader" at a salary of $12,165. This recommendation shall be effective April 1, 2017. The 10% salary reduction shall not apply to this position.

Legislative Office Holder Recommendations

As part of a comprehensive MHA remuneration package, the recommendations for the salaries for Legislative Offices are:

3. Legislative Office salaries shall not be adjusted in accordance with the Committee recommendations regarding MHA salaries during the 48^{th} General Assembly;

4. Subsection 12(1) of the Act be amended to change the salaries of the following Legislative Offices, effective April 1, 2017:

a. Speaker of the House - $48,665
b. Deputy Speaker and Chair of Committees - $12,166
c. Leader of the Official Opposition - $48,665
d. Opposition House Leader - $24,330
e. Leader of the Third Party - $24,330
f. Chair of the Public Accounts Committee - $12,166
g. Vice-Chair of the Public Accounts Committee - $9,300

5. Subsection 12(1) of the Act be amended such that there be no salary for the following Legislative Offices, effective April 1, 2017:

a. Deputy Chair of Committees;
b. Deputy Opposition House Leader;
c. Party Whip; and
d. Caucus Chair.

6. Subsection 12(1) of the Act be amended to add a Legislative Office position and salary as follows:

a. Third Party House Leader - $12,166

Committee Work

There are three types of committees associated with the work of the House of Assembly:[28]

1. Striking Committee
2. Standing Committees
   - Public Accounts
   - Government Services
   - Resource
   - Social Services
   - Privileges and Elections
   - Standing Orders
   - Miscellaneous and Private Bill
3. Select Committees

The following chart represents the number of days that each standing committee has met in each year since 2007:

Sitting Days per Committee
(2007 to 2016)

Committee	07	08	09	10	11	12	13	14	15	16
Public Accounts	-	3	7	6	1	11	9	15	10	2
Government Services	4	6	6	5	5	3	4	3	4	4
Resource	6	6	6	7	6	7	6	6	6	5
Social Services	5	6	6	6	6	7	6	6	7	7
Privileges Elections	-	4	-	-	-	-	-	-	-	-
Standing Orders	-	1	-	1	-	-	-	-	1	2

[28] Further details of the committees and their roles are set out at Appendix E.

Committee	07	08	09	10	11	12	13	14	15	16
Private Members Bills	-	-	-	-	-	-	-	-	-	-

Source: House of Assembly

The current remuneration scheme for standing and select committees is a per diem of $190 for the chair and $145 for each committee member if the committee meets when the House is not in session. Members are also entitled to reasonable travel and accommodation expenses if such are required to attend the committee meetings. There is no meeting per diem provided if the committees meet when the House is in session.

A member or chair of these committees who is a Minister or who holds a Legislative Office is not entitled to receive the meeting per diem.

There is no doubt that committee work is an important part of governance. This Committee heard from current and past MHAs and from the public that the appointment to a committee and the work of a committee should be considered an honour and as part of an MHA's duty as a Member of the House of Assembly. This Committee agrees with that sentiment.

Accordingly, this Committee recommends that there shall be no meeting per diems for the chair or committee members for meetings held when the House is not in session. It is anticipated that some committee work can be done by teleconference or videoconferencing, and thus reduce travel and accommodation costs. Nevertheless, it is reasonable to reimburse committee members for costs associated with travel and accommodations when meetings are required to be held when the House is not in session.

Committee Recommendations

As part of a comprehensive MHA remuneration package, the recommendations regarding committee work are:

7. There shall be no meeting per diems for the chair and/or committee members for meetings held when the House is not in session;

8. The chair and committee members are expected to take advantage of electronic media to participate in committee work where practical;

9. The chair and committee members shall be reimbursed for expenses associated with travel and accommodations when meetings are required to be held when the House is not in session.

ALLOWANCES

Members of the public raised a concern that MHAs have access to "slush funds" or "pots of money" for which they are not accountable. This is untrue.

Rather, an MHA is required to pay an expense, out of pocket, and submit the supporting receipt to the House of Assembly staff who will assess whether the expense is in compliance with the Rules. If the expense is not in compliance with the Rules, the expense is not reimbursed to the MHA from the MHA's Allowance. If the expense is approved, the MHA is reimbursed and the amount is deducted from his/her Allowance.

We found that most MHAs are prudent with the funds that are allotted to them. As one MHA put it:

> "I would do whatever is cheapest … as if it were me paying".

Members of the House of Assembly (HOA) are entitled to access 4 categories of Allowances:[29]

a. Office Allowances
b. Operational Resources
c. Travel and Living Allowance
d. Constituency Allowance

As part of our mandate, we are obligated to review each category of Allowance.

Office Allowances

Office Accommodations

The Committee heard arguments from MHAs in support of having more than one constituency office in a district and for an increase in staffing (e.g. an additional half-time Constituency Assistant) to accommodate increased district sizes resulting from the 2015 Newfoundland and Labrador Electoral Districts Boundaries Commission recommendations.

[29] A detailed explanation of the various Allowances can be found in the *Members' Administration Guide* at: http://www.assembly.nl.ca/pdf/MembersAdministrationGuide.pdf.

As discussed in the section on Intra/Extra Constituency Allowances, we were not able to ascertain the additional costs and expenses incurred by MHAs as a result of the 2015 boundary changes. We have left this issue to be researched and implemented by the Management Commission.

There were other concerns expressed about the size of the constituency office and the layout of offices for privacy purposes. The Committee is satisfied that the Management Commission together with the House of Assembly officials are able to deal with privacy issues regarding constituency offices.

Office Operations, Supplies & Communications

There is currently a cap of $12,000 (inclusive of HST) for this Allowance for each Member. The purpose of this Allowance is to assist the MHA with the effective operation of the constituency office and to provide effective (non-partisan) communication to constituents. MHAs must strategize and properly budget their Allowance to maximize the benefit of the Allowance to the constituency.

This Allowance includes expenses, such as:

- Office Supplies
- Newspapers
- Printing (newsletters, householders, etc.)
- Advertising
- Cards (Christmas, Sympathy, other greetings, etc.)
- Postage

Members' use of the Operations, Supplies and Communications Allowance since 2007 is depicted in the chart below:

Fiscal Year	*Office Operations*	
	Cap	**Usage**
2007-2008	$303,880.00	$108,792.49
2008-2009	$636,960.00	$213,105.11
2009-2010	$637,152.00	$254,024.76
2010-2011	$637,152.00	$312,263.99
2011-2012	$637,242.00	$336,882.25

2012-2013	$637,152.00	$398,224.68
2013-2014	$518,448.00	$350,510.59
2014-2015	$509,480.00	$368,646.96
2015-2016	$488,052.00	$270,496.05
2016-2017	$417,400.00	$40,138.09[30]
	$5,422,918.00	$2,653,084.97

Source: House of Assembly

Generally, Members have not utilized all of this Allowance. It is not clear as to why this is the case.

When reviewing our recommendations it is important to bear in mind our earlier comments regarding what constitutes "constituency business". The expenses permitted by this Allowance must relate only to constituency business.

The following categories of expenses have come to our attention and merit comment and recommendation:

Cards (seasonal cards, sympathy cards, birthday cards, etc.)

There has been a long standing tradition of sending greeting cards to constituents to mark significant occasions and the public has come to expect greeting cards from their Members. However, as one person we interviewed stated, "just because we have always done something, does not mean that we should continue to do so, unless it is necessary".

We have asked ourselves, MHAs and members of the public whether the sending of greeting cards is necessary to conduct constituency business, and the answer has consistently been "No". Greeting cards serve no primary constituency function other than the advancement and recognition of the Member.

Seasonal greetings and the marking of special events can be accommodated in MHA newsletters that also contain information as to what the MHA is doing in his/her district and the province.

Thus, it is our recommendation that the Office Operations, Supplies and Communications Allowance be restricted such that the recovery of expenses incurred for seasonal and special occasion cards is prohibited. This does not mean that the MHA is not permitted to

[30] To August 31, 2016.

send such greetings, but merely that any such expense incurred by the MHA would come from his/her personal resources.

Accordingly, paragraph 24(j) of the Rules is to be repealed.

Advertising

Advertising is an expense that is reimbursable to the Member from this Allowance provided that it falls within the parameters of the Advertising Policy (March 2011).

Members have been guided by the Advertising Policy which currently permits messages of welcome, messages of greetings (holidays), messages of congratulations (recognizing an individual(s) on a significant achievement or award), as well as the recognition of weeks, days and events at the national, provincial and constituency levels. Advertising is restricted to non-partisan information, limited to business card format and required to contain the Member's contact information.

A few Members are not in compliance with the Advertising Policy in that oversized ads have been placed in arenas and sports fields.

Members often receive letters from community groups or organizations requesting them to advertise in their brochures/pamphlets for a fee. This expectation from such groups and organizations is increasing. If the Member was to accommodate each request the Allowance would be quickly exhausted. A Member is in a difficult position if she/he agrees to one organization's request and not another. It is incumbent on the Member to show leadership in this area and have a budget and strategy in the use of the Allowance for the benefit of the constituency.

Oftentimes, organizations use such wording as "thank you for your donation/sponsorship" when making the request for an ad. This appears, at first glance, to run afoul of the Rule restricting Members from making a donation. However, when looked at in the broader context, the Member is actually receiving something tangible (the advertisement) in exchange for the "donation". Therefore the expense should be permitted. One must look to the ***purpose*** of the expense.

The following chart represents a summary of the advertising expenses from April 1, 2011 to July 19, 2016:

Year	Advertising Expense	Average Expenditure per Member
2011-2012	$235,265.40	$4,901.36
2012-2013	$265,027.02	$5,521.39
2013-2014	$259,004.81	$5,395.93
2014-2015	$257,453.55	$5,363.61
2015-2016	$167,936.83	$4,198.42[31]

Source: House of Assembly

On average, the advertising expenditure for this period is $4,003.42 per Member (or one third of his/her Office Operations, Supplies and Communications Allowance).

In keeping with our recommendations regarding cards, we recommend the following amendments to the Rules regarding advertising and the Advertising Policy:

- Advertising of messages of welcome, greetings and congratulations are no longer permitted as reimbursable expenses, except for the recognition of weeks, days and events at the national, provincial and constituency levels. An amendment to paragraph 24(i) of the Rules will be required;
- Advertising is to be restricted to the size of a business card;
- Advertising shall contain a Member's contact information only, and shall not contain any partisan information;
- The HOA staff shall prepare a template to be approved by the Management Commission which will be used by the Members for all advertising to provide consistency in approach and content of advertising for all MHAs; and
- A Member shall be permitted recovery of an expense for advertisement (that meets the amended Rules and the revised Policy) in an organization's brochure/pamphlet, despite any reference to "donation" or "gift".

Considering the increasing costs of postage, couriers and printing, as well as our recommendations to restrict recovery of expenses for cards and advertising, the Committee does not recommend any changes to the amount of the Office Operations, Supplies and Communications Allowance.

[31] Adjusted to 40 Members as a result of boundary changes.

Office Resources Supplied by the HOA

The HOA supplies MHAs with promotional items for use in the districts. Such material includes lapel pins, provincial flag, certificates, business cards and letterhead. These are provided pursuant to section 27 of the Rules.

The HOA, as with Government departments, must budget its needs. While it is important that all Members have access to the promotional items provided by the HOA, it is equally important to accept that there is a limited means by which such material can be supplied.

Issues have arisen where some MHAs have used all the promotional items budgeted, leaving none for the remaining MHAs. This unnecessarily increases costs to the HOA in having to provide additional promotional items for the remaining MHAs.

This Committee recommends that, upon determination by the HOA as to the promotional items it has budgeted, such promotional items shall be made available to the MHAs based on the population of their district, on a pro rata basis.

Office Allowances Recommendations

As part of a comprehensive MHA remuneration package, the recommendations for the Office Resource Allowance are:

10. The recovery of expenses incurred for seasonal and special occasion cards is prohibited. Paragraph 24(j) of the Rules is to be repealed;

11. Recovery of expenses incurred for advertising of messages of welcome, greetings and congratulations is prohibited, except for the recognition of national, provincial, constituency level weeks, days and events. Members may still include messages of welcome, greetings and congratulations in MHA newsletters;

12. All advertising by MHAs is to be restricted to the size of a business card;

13. The HOA staff shall prepare a template to be approved by the Management Commission which will be used by the Members for all advertising to provide consistency in approach and content of advertising for all MHAs;

14. Paragraph 24(i) will require an amendment to comply with the advertising recommendations;

15. A Member shall be permitted recovery of an expense for advertisement (that meets the amended Rules and the revised Policy) in an organization's brochure/pamphlet, despite any reference to "donation" or "gift" by the organization;

16. Upon determination by the HOA as to the promotional items it has budgeted, such promotional items shall be made available to the MHAs based on the population in their respective districts, on a pro rata basis; and

17. This Allowance shall remain capped at $12,000 (inclusive of HST).

Travel and Living Allowance

The Rules related to Members' Travel and Living Allowance are complex and dependent on a variety of factors.[32]

This Committee has identified certain areas that merit comment and recommendation.

Accommodations

Residences/Accommodations[33]

Presently, a Secondary Residence is one where the Member has an ownership or leasehold interest and is eligible to receive $53 for each night of occupation. Private Accommodation entitles the Member to $53 per night provided that the property is not owned or leased by the Member or the Member's spouse or children.

We have been asked to consider removing the restriction under Private Accommodation such that Members who are able to stay with their children (for example) while the House is in Session will be eligible for the $53 per night allowance.

[32] *Members' Administration Guide*, p. 52. Per diems are based on Member accommodation during HIS and when a Member uses a HNIS trip.
[33] *Members' Administration Guide*, p. 66.

In recommending that the distinction be eliminated, we have considered the benefit to the Member of being in a home together with family (rather than being in a hotel), and the fact that the overall cost to government would be reduced. We have also considered that the Executive Council does not make this distinction.

Accordingly, paragraph 28(e) "Private Accommodation" is to be amended to remove the reference to Member's children.

Temporary Accommodations (Hotel, B&Bs, etc.)

Currently, the Rules restrict Members to a standard room, overnight parking fees and incidentals. Members are not restricted to a particular hotel(s) and the actual costs of hotel accommodations are reimbursed to the Member.

This Committee recommends that the Management Commission place a Request for Proposal (RFP) for hotel and apartment-type accommodations in the Capital Region to ensure the best rate for Members. Members who wish to occupy a hotel or apartment-type accommodations, whether the House is in Session or whether the House is not in session, will be required to use the accommodations selected through the RFP process.

We acknowledge that it can be stressful for an MHA to constantly check in/out of hotel accommodations when the House is in Session (HIS). Thus, we recommend that the RFP provide for the Member keeping his/her room for the duration that the House is in Session (as that term is defined at paragraph 28(c) of the Rules), so the Member can avoid having to "move out" each time the House breaks for the weekend.

Other Accommodations

Some Members have requested a lump sum amount to allow them to choose their own accommodation, particularly in the event that the Member may want to maintain a residence in the Capital Region throughout the year.

This builds on the Temporary Accommodation concept in trying to ensure that Members' lives are not unreasonably disrupted each time the House breaks. Bearing in mind that the taxpayer's financial burden cannot be more than the cost of Temporary Accommodations while the House is in Session, this Committee recommends that if a Member wishes to seek his/her own accommodation that he/she may do so and be provided with a lump sum at the commencement of each fiscal year.

This option shall apply to the Capital Region only, for the entire fiscal year, and whether the House is in Session or the House is not in Session.

A Member who chooses this option, must elect this option no later than 30 days before the commencement of the fiscal year. If he/she does not so elect, the Member will not be permitted this option and shall have to choose from Secondary Accommodation, Private Residence or Temporary Accommodation options.

The lump sum will be calculated as follows:

a. Using the average number of days the House is in Session calculated over an 8 year period (2008/09 to 2015/16 the average sitting days of the House was 51)

   Multiplied by

b. The temporary accommodation rate (at the RFP price).

If a Member elects this option, he/she may not seek other accommodation expenses for the remainder of that fiscal year. If the Member leaves office prior to the end of the fiscal year, the Member must repay the lump sum on a pro rata basis.

Given the nature of this option, the lump sum shall constitute a taxable benefit to the Member.

Travel

Orientation and Swearing-in Ceremonies

Currently, MHAs must use one of their House Not In Session (HNIS) trips to attend their orientation and swearing in ceremonies, if the House in Session rules are not in effect.

This Committee recommends that for any travel required by MHAs at the request of the House of Assembly for purposes other than their usual duties, the Members' travel costs shall be paid by the House of Assembly and shall not count as one of the 20 HNIS trips allocated to the Members.

Types of Vehicles

The current Rules respecting vehicle allowances for various classes of vehicles remains reasonable and satisfactory.

Car Rentals
Members who use a rental vehicle in their districts must utilize their I&E Allowances for this expense. If parking fees are incurred in relation to the primary vehicle while using a rental vehicle in the district, the parking fee is not an eligible expense for reimbursement.

Mileage Claims
Members are currently not permitted to claim mileage for travel from their permanent residence to their constituency offices. This Committee does not recommend any change to this Rule.

Commuting Distance of 60 Km
Essentially, Members who live within the commuting distance may not claim mileage, and those who reside outside the commuting distance may claim mileage.

Rule 29(1) provides:

A member who travels

a) to and from the capital region when the House of Assembly is in session;
b) to and from the capital region for constituency business when the House of Assembly is not in session; or
c) to and from his or her permanent residence which is not in his or her district to that district

may claim for travel and living allowance only where the member:

d) is engaged in constituency business; and
e) is outside commuting distance of the member's permanent residence.

However, there is little fairness between Members who are "close" to the commuting distances.

Moreover, many people in this province travel far greater distances to and from their place of work and receive no benefit for such travel.

The Committee recommends that there be no mileage allowance for any Member travelling within the 60km zone. By way of example, the Member for Terra Nova will be permitted to claim a mileage expense for travel up to and including 60km from the Capital Region, but may not include mileage within the 60km zone. This will place all Members who travel within the 60km zone on the same footing.

(This restriction does not apply to Intra/Extra Constituency Allowances.)

Defeated, Retiring or Resigning Members

Members who no longer hold office require some time to vacate their offices at the Confederation Building. A reasonable time frame to vacate his/her office would be one day. Therefore, this Committee recommends that a Member be granted one day to vacate his/her office, and that the Member be permitted to be reimbursed for travel and accommodations expenses for the day before and the day after attending at their office, and be permitted the meal allowance for that period of time.

<u>**Travel & Living Allowance Recommendations:**</u>

As part of the comprehensive MHA remuneration package, the recommendations for the Travel and Living Allowance are:

18. Paragraph 28(e) "Private Accommodation" shall be amended to delete the reference to Members' children.

19. Within 60 days of the receipt of this Report, the Management Commission shall place a Request for Proposals (RFP) for hotel and apartment-type accommodations in the Capital Region. The RFP shall provide for the Member keeping his/her room available for the duration that the House is in Session (as that term is defined at paragraph 28(c) of the Rules).

20. Members who wish to occupy a hotel or apartment-type accommodations, whether the House is in Session or whether the House is not in session, will be required to use the accommodations selected through the RFP process.

21. A Member may opt to receive a lump sum for his/her accommodations rather than avail of the Secondary Accommodation, Private Accommodation or Temporary Accommodation:

a. such lump sum shall be a taxable benefit to the Member;

b. shall apply to the Capital Region only, for the entire fiscal year, whether the House in Session or the House not in Session;

c. the Member must elect this option no later than 30 days before the commencement of the fiscal year. If he/she does not so elect, the Member will not be permitted this option and shall have to choose from the Secondary Accommodation, Private Residence or Temporary Accommodation options;

d. The lump sum will be calculated as follows:

   i. Using the average number of days the House is in Session calculated over an 8 year period (2008/09 to 2015/16 the average sitting days of the House was 51) *multiplied by*
   ii. the Temporary Accommodation rate (at the RFP price).

e. the Member may not seek other accommodation expense reimbursement for the remainder of that fiscal year;

f. if the Member leaves office prior to the end of the fiscal year, the Member must repay the lump sum on a pro rata basis.

22. Travel expenses incurred by an MHA at the request of the House of Assembly for purposes other than the usual duties of an MHA, shall be paid by the House of Assembly and shall not count as one of the 20 HNIS trips allocated to the Member.

23. Members who use a rental vehicle in their districts must utilize their I&E Allowances for this expense. If parking fees are incurred in relation to the primary vehicle while using a rental vehicle in the district, the parking fee is not an eligible expense for reimbursement.

24. There will be no mileage allowance for any Member travelling within the 60km zone (commuting distance). This restriction does not apply to Intra/Extra Constituency Allowances.

25. A Member will be granted one day to vacate his/her office. The Member will be permitted to be reimbursed for travel and accommodations expenses for the day before and the day after attending at their office, and be permitted the meal allowance for that period of time.

Intra and Extra Constituency Allowance (I&E Allowance)

The types of travel under this category currently include:[34]

- Travel within the constituency.
- Travel between the constituency or the Capital region and another constituency outside the Capital region.
- Travel to and from other parts of Canada for constituency business.
- Travel of the constituency assistant, where necessary, to attend to constituency business.

The Green Report directed:

> Members should have flexibility to adopt whatever arrangement seems best for their individual circumstances and how they perceive they can best serve their constituents. The travel rules should be flexible enough to accommodate these differing possibilities provided, of course, that controls against abuse are built in.[35]
>
> The needs of the district and the disparities in transportation infrastructure, especially in the rural areas, will continue to require an estimate, based on the peculiarities of each district, of a maximum amount that can be spent. … Where a strong case can be made, in respect of individual districts, that an amount is not adequate or is based on wrong [or outdated] assumptions, it would be open to the Commission on application by a Member, to amend the amounts accordingly in accordance with the procedures of governing its operation.[36]

In reviewing the comments by HOA staff and MHAs, there appeared to be no accommodation for travel *between* districts in the Capital Region, or travel between districts outside the Capital Region and districts inside the Capital Region. Upon review of the Green Report, we noted Recommendation 73(1)(d):[37]

[34] *Members' Administration Guide*, p. 57.
[35] Green Report, p. 10-34.
[36] Green Report, p. 10-35.
[37] Green Report, p. 10-37.

Rules respecting allowances adopted by the House of Assembly Management Commission should contain a provision for reimbursement of the cost of travel by a Member of the House …

(d) to another district in relation to matters affecting his or her district

This Recommendation does not appear to have been incorporated into the Rules.

The Committee recommends that section 30 of the Rules be amended to incorporate Recommendation 73(1)(d) of the Green Report to allow for recovery of expenses properly incurred in such circumstances.

No changes were made to the I&E Allowance until 2013. The following changes have since taken place:

2013 a 20% reduction was applied to each district (48 at the time) as a cost savings measure

2014 redistribution of allowances was made between districts to accommodate shortfalls in 4 districts

In 2015, the NL Electoral District Boundaries Commission was given a mandate to "divide the Province into 40 proposed one-member districts"; a reduction from 48 districts. As a result, changes were necessary to the I&E Allowance to accommodate the change in the boundaries and the reduction in the number of districts.[38] Changes to the I&E Allowances were approved by the House of Assembly Management Commission in June 2015.

In assessing the current I&E Allowance the Committee encountered difficulties in determining the base (or bases) from which the Green Report assessed the Allowance. For example, the Green Report provided the following I&E Allowances for the following districts:

District	***Actual Km in District***	***Green Report Km Allowance***	***Green Report Allowance***
Ferryland	505	15,000	$12,600
Bonavista South	497	15,000	$12,600
Lake Melville	486	6,000	$10,000

[38] Briefing Note 2015-019: http://www.assembly.nl.ca/mancomm/bm/2015-16/June08/BN2015-019-AmendmentstoMembersResourcesandAllowancesRules.pdf.

District	*Actual Km in District*	*Green Report Km Allowance*	*Green Report Allowance*
Trinity- Bay de Verde	450	10,000	$10,800
Burgeo – La Poile	432	15,000	$14,100

Source: Green Report, Appendix 10.3

We could not discern a formula to explain the variation of Allowances between the districts. It is possible that the data that was used was uncertain/unreliable as it had been accumulated during the period prior to the 2006 spending scandal. It is also possible that some MHAs may not have claimed a travel allowance, thus skewing the data.

Whatever the reason, the adjustments made to the I&E Allowances since 2007 have been based on the Green Report numbers. We now have almost 10 years of data to rely upon since 2007, and it is an opportune time to reassess the I&E Allowances.

Members' use of the I&E Allowance since 2007 is depicted in the chart below:

Fiscal Year	*Intra &Extra Constituency Travel (All Districts)*	
	Cap	**Usage**
2007-08	$264,120	$57,126.08
2008-09	$554,420	$181,686.20
2009-10	$553,525	$193,709.25
2010-11	$554,065	$172,322.88
2011-12	$554,069	$215,747.67
2012-13	$554,335	$235,453.55
2013-14	$394,654[39]	$180,753.04
2014-15	$395,485	$183,149.64
2015-16	$380,283	$161,263.53
2016-17	$335,639	$43,687.03[40]
	$4,540,595	$1,624,898.87

Source: House of Assembly

[39] Represents 20% reduction in Allowance.
[40] Low usage represents partial fiscal year.

Some Members have not utilized a significant portion of the Allowance allotted to them. The reasons for this are unclear. This has budgeting implications.

MHAs in the Capital Region and in Corner Brook have an I&E Allowance of $6,000-$6,600. MHAs in these districts typically have very short distances to travel within their district or between districts, but are nonetheless required by the Rules to keep detailed mileage records of their travel. Some MHAs in these districts find the task unnecessarily onerous. The Committee is of the view that MHAs in these districts can be reasonably remunerated with a monthly vehicle allowance of $200. The remainder of the current I&E Allowance for the Capital Region ($3,600) and for Corner Brook ($4,200) can be used for the other expenses permitted by the Rules for this Allowance. MHAs in these districts would have a choice at the beginning of each fiscal year to claim mileage or to take the monthly allowance (the latter being a taxable benefit to the Member).

The Committee has reviewed the new boundaries, and has determined that in assessing and determining the reasonableness of the I&E Allowances, the following assumptions would be relevant:

- A Member would be expected to be active in his/her district for a minimum of 175 days of the year;[41]

- The following factors in each district would be weighted as follows:

  - Kilometers per district;
  - Number of communities in each district;
  - The cluster of communities in each district;
  - Kilometers of unpaved road in each district; and
  - Wear and tear on vehicles being greater on unpaved roads.

- Most districts have similar populations, except for Labrador; and

- Particular consideration may be required for the South Coast of the Island and Labrador due to the unique travel that is required when compared to other districts.

[41] 365 days less an estimated 100 HIS/HNIS days, less 21 days holidays, less weekends and statutory holidays.

This Committee was unable to come up with a formula or mechanism to compute the I&E Allowances for each district due to the time limitations of the report.

We recommend that the Management Commission strike a sub-committee within 30 days of this report being presented to the Speaker to assess the realistic level of I&E Allowance for all districts using the assumptions we have identified as well as any other assumptions that may be relevant.

There is no need for the Management Commission to incur the cost to have an independent review of the I&E Allowances. Current public servants have exceptional expertise and skill to assist the Management Commission with this task.

We recommend that the sub-committee include the Economics and Statistics Branch of the Department of Finance, the Clerk of the House of Assembly, and the Chief Financial Officer or their designates. The sub-committee shall present its recommendations to the Management Commission within 120 days of being struck. The Management Commission shall, within 60 days of the report from the sub-committee, utilize their legislative authority pursuant to sections 20 and 64 of the Act (as they did when they considered and approved the I&E Allowances in June 2015) to make decisions regarding the I&E Allowances for each district.

This Committee is concerned with any ensuing delay should the Management Commission not exercise its authority and instead defer the matter to the next MCRC. The role of the next MCRC would be to ***review*** the I&E Allowances constituted by the Management Commission.

Intra & Extra Constituency Allowance Recommendations

As part of a comprehensive MHA remuneration package, the recommendations for the I&E Allowance are:

26. Section 30 of the Rules be amended to add the following:

> A member may claim reimbursement for travel and associated accommodation and meal costs related to travel …
>
> > to another district in relation to matters affecting his or her district

27. MHAs in the Capital Region and in the Corner Brook district only, have the option at the beginning of each fiscal year to choose between:

a. Claiming mileage; or
b. A monthly automobile allowance of $200, which will be a taxable benefit to the Member.

The remainder of the current I&E Allowance (until it is changed as recommended herein) to be allotted for the other uses permitted by the Allowance.

28. The Management Commission shall:

a. strike a sub-committee within 30 days of this Report being presented to the Speaker to assess the realistic level of the I&E Allowances for all districts using the assumptions we have identified as well as any other assumptions that may be relevant;

b. not secure an independent review of this recommendation but rather utilize public servant resources to assist the Management Commission with this task;

c. ensure the sub-committee includes representation from the Economics and Statistics Branch of the Department of Finance, the Clerk of the House of Assembly, the Chief Financial Officer or their designates;

d. require the sub-committee to present its recommendations to the Management Commission within 120 days of being struck;

e. within 60 days of the report from the sub-committee, utilize their legislative authority pursuant to sections 20 and 64 of the Act to determine the I&E Allowances for each district.

Constituency Allowance

There is a cap of $3,000 (inclusive of HST) in relation to this Allowance.

This Allowance provides reimbursement to Members for expenses incurred in conducting constituency business. Expenses may include such things as meals or purchase of food for meetings with constituents, memberships in community or other organizations, and renting facilities to accommodate constituency meetings. It also allows for MHA training and attendance at conferences, if approved by the Speaker.

The recommendations of the Green Report resulted in significant restrictions regarding the expenses an MHA could expect to have reimbursed.[42]

The use of the Constituency Allowance from 2007 to 2015 is represented in the following chart:

Fiscal Year	**Constituency Allowance**	
	Cap	***Usage***
2007-08	$60,780	$8,577.72
2008-09	$127,680	$25,786.49
2009-10	$127,440	$29,724.92
2010-11	$127,440	$40,556.85
2011-12	$127,450	$40,480.97
2012-13	$127,440	$51,551.48
2013-14	$127,440	$50,325.58
2014-15	$127,382	$55,507.24
2015-16	$117,841	$43,213.91
2016-17	$104,360	$12,138.57[43]
TOTAL	$1,175,253	$357,863.73

Source: House of Assembly

[42] *Members' Resources and Allowances Rules*, Part VIII, subsection 46(4).
[43] Partial fiscal year (to August 31, 2016).

Members have not utilized a significant portion of the Allowance allotted to them. The reasons for this are unclear, but may have to do with the confusion and uncertainty by Members as to the use and availability of this Allowance.

A Member is currently permitted to purchase meals or bulk purchases of food, non-alcoholic beverages and supplies for meetings with constituents related to constituency business or constituency related occasions. This has been interpreted by some Members to permit the purchase and supply of items such as Canada Day cakes to all communities in their districts, and to allow Members to "treat" constituents to meals while discussing constituency business. While some of these expenses can be legitimized by the MHA and rationalized as conforming to the Rules, some cannot.

A brief review of claims reveals that some Members have claimed meals taken with constituents in restaurants. In some cases, for example, children's meals are shown on the receipt and form part of the Member's claim. Due to privacy issues, Members are not required to specify the person(s) with whom they have met. Members have rationalized the inclusion of children's meals as legitimate expenses by citing the definition of constituency business as paragraph 2(f) of the Rules:

> "an activity directly connected with a member's responsibilities as a member *in relation to the ordinary and proper representation of electors* *<u>and their families</u>* and other residents in the constituency, but does not include partisan political activities"

This practice and interpretation of the Rule is troubling and leads us to question whether some Members understand and appreciate the trust that is placed in them to use this Allowance wisely and for the purpose for which it was intended.

The overall perception of the public is that constituency meal expenses incurred by Members to discuss constituency business cannot be understood as constituting "constituency business". Furthermore, current economic realities dictate restraint in such expenditures.

In making our recommendations we are guided by paragraph 5(1)(c) of the Rules:

> All claims and invoices submitted by or on behalf of a member or to provide resources to a member and all payments and reimbursements made under these rules . . .
>
> 1. *shall not relate to a personal benefit to a member* or an associated person of a member.

There is clearly a personal benefit to the Member in claiming an expense for his/her meals when meeting with constituents.

There are, however, times when such expenditures are reasonable. In the example provided to the Committee, a fish plant in a community was being closed. The MHA for the district gathered together various federal and provincial agencies to be available at a 3-4 hour meeting for the community. The MHA was in attendance and supplied sandwiches and beverages for the community members affected by the closure. The expense was reasonable and was reimbursed to the MHA.

Further, and in keeping with the philosophy of community engagement, this Committee supports the use of the Constituency Allowances as an adjunct to a community activity or event, such as in the example provided above. We would also consider expenses incurred in providing a BBQ with food and non-alcoholic beverages during a community event in the Member's district, such as a yearly community cleanup, as being in compliance with the Rules. While the Member or his/her Constituency Assistant **must be** present at these events, it is not necessary that the Member "host" the event.

We reiterate our earlier comments that one must look to the ***purpose*** of the expense, and whether it fits within the definition of "constituency business".

Constituency Allowance Recommendations:

As part of the comprehensive MHA remuneration package, the recommendations for the Constituency Allowance are:

29. The recovery of meal expenses from restaurants, pubs, delicatessens and the like under the Constituency Allowance shall be prohibited. Members shall not be permitted to claim this expense as part of their meal per diem.

30. If incurring an expense as an adjunct to a community event in the district, the Member or his/her Constituency Assistant is required to be present at the event, but is not required to host the event.

SEVERANCE

"Severance can act as a financial bridge while [former MHAs] are attempting to return to the work force. The shorter tenure of a typical political career is also a rationale for providing severance".[44]

The purpose of a severance/transition payment is to provide financial support while Members, in most cases, reestablish themselves outside of public life. This is fair and reasonable considering that some Members put themselves out of the work force during their political careers and may encounter difficulties in regaining employment or readjusting to the workforce or private life after their term of office has ended.

The Committee heard anecdotal evidence that MHAs, especially those who hold high profile positions, have a harder time reentering private life and gaining employment when government changes as the MHA is often seen as a "pariah". Members who are able to predict a change in government will often seek employment and resign prior to the end of their term or upon an election call, thus ameliorating the impact on their employability.

Presently, severance benefits are paid to MHAs in a lump sum, irrespective of whether they resign, retire or are defeated. Severance is paid based on one month for every year of service, with a minimum of three months and a maximum of twelve months.

There has been historical approval of such an allowance.[45] Chief Justice Green, following a historical review of the issue of severance, recommended that a future MCRC consider severance levels in the public service, severance arrangements in other jurisdictions, and the "special impact that leaving public life may have on future employment prospects".[46]

It is also important to note that, unlike members of the public, MHAs are not currently entitled to receipt of Employment Insurance benefits upon cessation of office.

[44] 2012 MCRC, p. 29.
[45] Green Report, pp. 9-41 to 9-43.
[46] Green Report, Recommendation 62, p. 9-43.

Following the Green Report, the *House of Assembly Accountability, Integrity and Administration Act* was passed. Paragraph 11(3)(a) of that Act provided severance for MHAs as follows:

> 11(3) Upon ceasing to be a member, the Member is entitled to
>
> > (a) a severance allowance, upon the conditions, in amounts and in accordance with the formula to be determined by a directive of the commission…

The House of Assembly calculates severance based on 81.2% of gross salary for MHAs (which calculation does not include consideration of Ministerial salaries or Legislative Office salaries). This calculation was confirmed by the Management Commission at its June 7, 2011 meeting (CM 2011-026 refers), and was in keeping with Recommendation 62 in the Green Report.

The Committee was directed to a policy regarding "severance" provided to Members who hold Legislative Office positions. The policy provides that a Member who, on the commencement of a new General Assembly, held a Legislative Office position in the former General Assembly but ceased to hold such position in the new General Assembly, is entitled to "severance" from that Office. The amount of the severance is the salary to the end of the month in which they hold the position plus one additional month's salary.

The policy seems to have its genesis in a June 23, 1999 Minute of the Commission of Internal Economy (the forerunner of the current Management Commission) wherein the Commission revoked the then current severance policy, and implemented the following:

> Members who were Members immediately before an Election are eligible for severance pay when they cease to be Members for any reason. Severance is calculated at one month's current basic indemnity for each year of service and prorated for part of the year's service. Minimum severance is three months (sic) pay; maximum is twelve month's pay. *Office holders of the House including the Deputy Speaker, the Opposition House Leader, the Whips, etc. shall be paid severance in accordance with the same rules that apply to Cabinet Ministers when they leave office.*

The severance policy for Legislative Office holders implemented by the Commission of Internal Economy appears to have been taken from the 1975 severance policy for Ministers:[47]

> Ordered that, henceforth, Ministers vacating their portfolios and retiring Members of the Executive Council shall continue to receive salary up to the end of the month in which they retire plus one additional month's salary; this payment to be made to them in installments on the normal Government salary cheque issue dates or in one amount as the Minister may prefer.

This issue was not addressed in the Green Report and it falls to this Committee to review the policy.

The 2009 MCRC Report considered the Green Report's Recommendation 62(2)(a) and concluded that comparisons with the public sector could not be rationalized in determining severance for MHAs. The 2009 MCRC found:

> The tenure of elected officials in Newfoundland and Labrador in the past twenty years has ranged from a low of 1 year to a high of 17 years for an overall average of 7.5 years.[48] Clearly this data shows that the average tenure of an MHA is far lower than that of a public sector employee. It has also been suggested that the prospects for an elected official to obtain employment after politics may be minimal. This is especially the case where an elected official on the government side is defeated at the same time that there is a change in government.

The 2009 MCRC Committee recommended as part of the "conditions to be attached to the [severance] payments":

> "An MHA who voluntarily resigns prior to a general election for reasons other than his or her own serious illness or a serious illness in his or her immediate family shall not be eligible for Severance Pay."

[47] Minutes of Executive Council, 1975/10/02 (1202-75).
[48] The tenure of elected officials from 1949 to 2015 ranged from 1 year to 30 years. The average term of service was 9.07; the median term of service was 7.66 years.

After considering these recommendations, the Management Commission decided that the 2009 MCRC recommendations were too vague to implement and monitor, and decided to have the next MCRC address the issue of severance in a fuller context.[49]

The 2012 MCRC recommended the following changes to MHA severance benefits:

- The current provisions of the MHA severance policy remain unchanged, with the following exceptions:
    - Severance shall not be payable to MHAs who are retiring;
    - Severance shall be payable in monthly installments until exhausted and if during this period the MHA becomes reemployed should immediately cease;
    - If these recommendations are implemented, they shall apply only to MHAs who are elected after the implementation date.

The 2012 MCRC Report recommendation regarding severance was not placed before the Management Commission for consideration and no decision has been recorded regarding the 2012 MCRC Severance recommendation.

Current Review

This Committee agrees with the reasoning provided by previous MCRCs that it is impractical to compare other public sector severance benefits with the benefit currently available to MHAs.

Furthermore, severance benefits in the public sector are negotiated benefits forming part of a collective agreement, typically based on years of service. It is an earned benefit payable to an employee in addition to any other payment to which he or she is entitled upon termination of employment. While such severance benefits in the public sector may have been intended as a financial bridge to other employment, public sector employees who are relieved of their employment are entitled to notice of their termination by way of a financial payment (otherwise referred to as "pay in lieu of notice") in addition to the payment of a severance benefit.[50]

[49] Management Commission meetings. November 18, 2009 (http://www.assembly.nl.ca/mancomm/meetings/2009-10/November18.htm); February 3, 2010 (http://www.assembly.nl.ca/mancomm/meetings/2009-10/February03-2010.htm).
[50] See for example, Fitzgerald v. Waterford Hospital Board, (1995), 134 Nfld. & P.E.I.R. 1 (Nfld. S.C.T.D.).

The same cannot be said for MHAs. They do not receive any "pay in lieu of notice" following the termination of their position, whether voluntarily ending their career by resigning or as a result of an election. MHAs are not entitled to EI benefits upon leaving office. It is a risk that all MHAs face at the time of an election. Recognition of this risk, as part of the overall remuneration package of an MHA, is reasonable and fair.

All other Canadian jurisdictions, except Alberta, provide such a severance-type benefit to MHAs/MLAs (see Appendix F). Alberta appears to have rejected their Committee's recommendation to reduce the severance allowance, and the Alberta Legislative Assembly has eliminated the allowance completely. It is unclear why that occurred.

Most of the public who provided commentary agreed that it was fair for MHAs to have some form of financial support until they found further employment or transitioned back to private life; however, the public wanted specific, but reasonable conditions placed on a Member's eligibility to receive such benefits.

The Committee considered the recommendation of the 2009 MCRC that severance not be paid to those Members who resign, other than for illness. Members have enormous pressures placed upon them and can experience great difficulties in their roles as MHAs, such as receiving threats by members of the public, and having highly inappropriate messages sent to them via social media. The Committee does not want to limit or place any restrictions on the reasons for an MHA leaving his or her office when it comes to severance entitlement. Whatever the reasons, the same challenges and difficulties face Members in finding employment, returning to the workforce or transitioning to private life.

The difficulty in maintaining a true transition allowance is that there will be some MHAs who will be self-employed and/or who have business interests that may be carried on after the MHA is no longer in office. How would the HOA assess a transition allowance for MHAs who have no employment prospects or for MHAs who are able to reengage with their businesses immediately upon cessation of office? Furthermore, how would the HOA assess whether one MHA is making sufficient income from a business as opposed to another MHA who requires time to rebuild clientele for a business enterprise? A policy of this type would be very difficult to implement and monitor.

If the transition allowance is terminated (as it was in Alberta), MHAs who are unable to find employment or find it difficult to transition to private life may suffer significant financial crises having spent part of their lives in service for the people of the province. This is not reasonable.

To assist in our deliberations, we are guided by the Morgan Commission:[51]

> Persons of the quality our society needs to participate intelligently in the task of the legislature today and to provide help and guidance to their constituents are often at the peak of their earning career when they are being persuaded to enter political life. They are being induced to leave secure positions within their professions or other occupations and accept a sacrifice to themselves and their families. It is a wonder that any of them can be persuaded. *After only one term of three or four years members may be able to return to their occupation and, though with difficulty, resume the pattern of their lives, but after seven or eight years that becomes difficult indeed today.*

In our attempts to make the total MHA remuneration package reasonable and one that is administratively straight forward to implement, we have decided not to differentiate between Members based on their relative net worth, anticipated employment prospects, business investments or ability to transition to private life when implementing severance. Such circumstances will vary with each Member and with each General Assembly.

There is an issue of transparency in the manner in which severance is calculated and which must be addressed. The current payment of severance based on 81.2% of the MHA salary is not transparent. For example, a Member earning $95,357 who serves a minimum term of 3 years is entitled to severance of $19,357. This does not equate to 3 months of the MHA's actual salary; rather, it is 2.4 months. A Member who serves a maximum of 12 years is entitled to a severance of $77,439, which equates to 9.6 months of severance – not 12 months. A clearer method of calculating severance is needed.

The severance policy currently in place for Legislative Office holders appears to be borne out of a comparison with the severance policy in Executive Council. Nevertheless, this Committee finds that it is not in keeping with the spirit and intent of a transition allowance that a Legislative Office holder is entitled to severance upon leaving office, despite the fact that the Member may continue in his/her role as an MHA.

[51] Morgan Commission, p. 29.

Severance Recommendations:

As part of a comprehensive MHA remuneration package, severance shall be calculated as follows and subject to the following restrictions:

31. A Member must serve 3 years to be eligible to receive severance;

32. Severance shall be calculated as follows:

a. If the Member's service ends at the conclusion of his/her 1st General Assembly, 20% of the Member's salary is payable as severance;
b. If the Member's service ends at the conclusion of his/her 2nd General Assembly, 50% of the Member's salary is payable as severance;
c. If the Member's service ends at the conclusion of his/her 3rd General Assembly or thereafter, a maximum of 75% of the Member's salary is payable as severance.

Provided that, if a Member's service ends prior to the end of an Assembly, the severance will be pro-rated for the years of service.

Severance, based on the current salary of $95,357, would be:

Years of Service	**Severance (rounded)**	
	Current	***Proposed***
3 (Minimum)	$15,892	$14,303
4 (1st General Assembly)	$25,810	$19,071
5	$32,263	$29,799
6	$38,715	$35,759
7	$45,168	$41,719
8 (2nd General Assembly)	$51,621	$47,678
9	$58,608	$53,638
10	$64,526	$59,598
11	$70,979	$65,558
12 (3rd General Assembly)	$77,432	$71,517

Source: House of Assembly

33. Severance shall be paid monthly during the transition period;

34. A Member who is or becomes disqualified from being a Member pursuant to Part V of the Act (other than the failure to be re-elected or the resignation of his/her seat) is not eligible to receive severance;

35. No additional severance shall be paid to an MHA who has vacated or otherwise terminated his/her Legislative Office for any reason whatsoever;

36. Severance benefits paid to an MHA from any other government source including, but not limited to, severance benefits available to Members through Executive Council (e.g. the receipt by a Minster of payment upon leaving a Ministerial office and an extended car allowance) shall be deducted from the severance payable to an MHA from the HOA, so that the overall severance payable to the MHA from all sources does not exceed severance payable to a Member pursuant to Severance Recommendation 32;

37. Severance benefits shall cease in the event that a Member:

a. is eligible to receive a pension sponsored by the Government of Newfoundland and Labrador during the transition period;
b. obtains fulltime employment with the public sector;
c. is appointed a provincial or federal judge;
d. is appointed to the Senate of Canada;
e. is elected as a Member of the House of Commons;
f. is appointed Lieutenant-Governor of Newfoundland and Labrador;
g. is appointed Governor General of Canada;

38. if a Member becomes a Member again, following a break in service, prior service for which severance has already been paid is not to be counted towards years of service for future severance pay, and the Member shall be considered as commencing his/her first General Assembly, regardless of how many Assemblies he/she may have served previously.

PENSIONS

Brief History of the MHA Pension Plan – 1962 to 2016

The origin of the MHA Pension Plan (MHAPP) dates back to 1962. The initial Plan was a defined contribution plan to which Members of the House of Assembly and Government each contributed 7% of a Member's sessional indemnity.[52]

This Plan was replaced on January 1, 1976 with a defined benefit plan which had the following key aspects:

1976 MHA Pension Plan*

Annual Benefit Accrual	5% for the first 10 years of service, 4% for the next 5 years of service, and 2.5% for the following 2 years of service
Maximum Pension	With 17 years of service (75% of salary)
Pension Eligibility	Member's age plus service years total 60; age 55 for Premier
Salary Base	Average of the 3 best years' salary
Annual Contribution Rate	7%
Vesting	5 years and 2 General Assemblies

**Members who were subject to the terms of the 1962 pension plan were not impacted by these changes.*

Further changes to the MHAPP occurred in 1998. The key aspects of the 1998 Plan were as follows:

[52] This sessional indemnity was the taxable component of the MHA salary.

1998 MHA Pension Plan**

Annual Benefit Accrual	5% for the first 10 years of service, and 2.5% for the next 10 years of service
Maximum Pension	With 20 years of service (75% of salary)
Pension Eligibility	Member's age plus service years total 60; age 55 for Premier
Salary Base	Average of 3 best years' salary
Annual Contribution Rate	9%
Vesting	5 years and 2 General Assemblies
Integration with CPP	Benefits reduced from age 65 by a formulated amount

*** Members who were subject to the terms of earlier plans were not impacted by the changes in 1998.*

The Plan was amended in 2005 to reflect new requirements for Registered Pension Plans (RPPs) under the *Income Tax Act* (Canada) and to ensure the ongoing tax deductibility of Members' annual contributions. These changes did not alter the Plan's annual benefit accruals, pension eligibility criteria, contribution rate, etc. The effect of these 2005 changes was as follows:

- To ensure that the contributions and benefits under the MHAPP complied with the requirements for RPPs under the *Income Tax Act*; and

- To provide that benefits in excess of those permitted under the *Income Tax Act* (not payable from the RPP) would be paid from a supplementary employee retirement plan (SERP) that was established in the Consolidated Revenue Fund of the Province.

The MHAPP has also been the subject of a number of examinations, reviews and analyses over the years including the 1990 Report of the Commission of Enquiry on Pensions;[53] a review by the Provincial Department of Finance (1995); the Green Report (2007); and, the 2 preceding MCRCs (2009 and 2012). The recommendations of the 2009 MCRC resulted in changes to the Plan and the following Plan design:

[53] *Report of the Commission of Enquiry on Pensions*, (March 1990), also referred to as the Cummins Report.

2009 MHA Pension Plan***

Annual Benefit Accrual	3.5%
Maximum Pension	With 20 years of service (70% of salary)
Pension Eligibility	Age 55 (eligibility for reduced pension from age 50)
Salary Base	Average of 3 best years' salary
Annual Contribution Rate	9%
Vesting	5 years and 2 General Assemblies
Integration with CPP	Benefits reduced from age 65 by a formulated amount

*** Members who were subject to the earlier plans were not impacted by the changes in 2009.

Of particular importance to the 2016 MCRC are Recommendation 78 (1) of the Green Report and Recommendation 6 of the 2012 MCRC.

Recommendation 78 (1) of the Green Report[54] stated:

> The House of Assembly Management Commission, assisted by the Department of Finance, should proceed to develop a proposed new pension structure for MHAs:
>
> a) eliminating the existing defined benefit plan and implementing a defined contribution, RRSP type of arrangement that takes account of cost and levels of benefits relative to other public service plans; or
>
> b) significantly modifying the terms of the existing defined benefit plan to make it conform more closely, in terms of levels of benefits, with other public service plans.

Recommendation 6 of the 2012 MCRC report provided:[55]

> Immediately upon receipt of this report, the Management Commission should adopt Recommendation 78 of the Green Report and develop a proposal that either converts the MHA Pension Plan to a defined contribution plan or significantly modifies the existing defined benefit plan. This proposal should be submitted to the next Members' Compensation Review Committee and that Committee should be given the necessary

[54] P. 11-32
[55] 2012 MCRC, p. 26

time and resources to conduct a thorough review of the proposal and of the existing MHA Pension Plan.

At its February, 2013 meeting, the Management Commission endorsed the proposal outlined in Recommendation 6 of the MCRC 2012 report and the Speaker was directed to develop a strategy for a thorough review of the Recommendation. This resulted in a "Strategy to Review MHA Pension Plan" paper and an Advisory Committee comprising officials of the House of Assembly and the Pensions Division, Department of Finance being struck with the following tasks:[56]

- The Committee will conduct and review the pension provisions for elected members in all Canadian provinces and territories, as well as the Federal Government. The data will be updated as needed to ensure the most current data is provided to the next MCRC;

- The Committee will review the 2014 criteria adhered to in the modification of the public sector plans to determine their relevant applicability to the MHA Pension Plan;

- The Department of Finance be directed to do an actuarial review of the MHA Pension Plan; and

- The Committee will do an analysis of all compiled information and provide both the analysis and the information to the [2016] MCRC.

The 2016 MCRC has been provided with the information from this Advisory Committee. Therefore Recommendation 78(1) of the Green Report and Recommendation 6 of the 2012 MCRC have become part of the 2016 MCRC mandate for consideration in its review of the MHAPP.

Pensions Generally

As described above, the current MHAPP is a defined benefit plan. The main characteristics of a defined benefit plan include:

- pension income received by members at retirement is predictable;

[56] CM 2013-014: http://www.assembly.nl.ca/mancomm/minutes/Approved/2012-13/Minutes2013Feb27.pdf.

- pension formula is based on an annual benefit accrual rate, average earnings and years of service;
- contributions are typically made by both the plan members and the employer;
- contributions not required for benefit payments are invested on behalf of the plan members by a professional investment manager; and
- unless the plan is jointly sponsored, the employer is generally responsible for unfunded pension liabilities and therefore bears the risk that accumulated assets may not be sufficient to meet the pension promise.

While several Canadian jurisdictions provide a defined benefit plan for elected members, other jurisdictions provide a defined contribution plan (also known as a money purchase plan). A defined contribution plan differs from a defined benefit plan in that:

- income received at retirement is not predictable;
- contributions by both the employer and the plan members are fixed;
- individual investment accounts are maintained for each member;
- income received at retirement is based on total contributions and investment income generated over the years;
- the amount of annual retirement benefits is subject to limits imposed under both provincial regulatory legislation and the *Income Tax Act*(Canada); and
- the member bears the investment risk.

As there has been a move across Canada towards defined contribution plans in the private sector and some areas of the public sector, we determined that a thorough review and analysis of both of these distinct plan structures were necessary to assist in our analysis and to support our recommendations regarding the MHAPP.

Current Plan Analysis

Pension benefits are determined, primarily, by accrual rates, years of service and salary. Salary is defined as the MHA base salary plus, where applicable, the salaries of Ministers and Legislative Office holders.

There are currently 205 Members of the MHA Pension Plan; 161 are in receipt of pension benefits, and the remaining 44 are either active members or members in deferred pension status waiting to reach the age to qualify for a pension.

Depending on when a Member was first elected to the House of Assembly, one of three pension formulae apply. These three formulae are summarized as follows:

CHART P.1

MHA Pension Plan

Pension Formula – Benefit Accrual Rates and Entitlements

Pension Accrual Rates	***Formula***		***Benefit (as % of salary)***
Members first elected **prior to February 1999**[1]			
5.0%	for first 10 years x best 3 years' average salary	=	50.0%
4.0%	for next 5 years x best 3 years' average salary	=	20.0%
2.5%	for next 2 years x best 3 years' average salary	=	5.0%
	17 years **Maximum**	**=**	**75.0%**
Members first elected **from Feb 1999 to Dec 2009**[2]			
5.0%	for first 10 years x best 3 years' average salary	=	50.0%
2.5%	for next 10 years x best 3 years' average salary	=	25.0%
	20 years **Maximum**	**=**	**75.0%**
Members first elected **after December 31, 2009**[3]			
3.5%	for 20 years x best 3 years' average salary	=	70.0%
	20 years **Maximum**		**70.0%**

1. Prior to the 44th General Assembly
2. From the 44th General Assembly to 46th General Assembly
3. After the 46th General Assembly

Source: Data extracted from the *Members of the House of Assembly Retiring Allowances Act* SNL. 2005, c. M-6.1.

The current maximum pension entitlements for both an MHA and a MHA/Minister are indicated in Chart P.2.

CHART P.2

MHA Pension Plan
(after December 31, 2009)

Maximum Pension Entitlement
MHAs and Ministers

Plan Member	***Salary Base[1]***	***Service Years'[2]***	***Maximum Accrual***	***Maximum Pension***
MHA	$95,357	20	70%	$66,750
MHA/Minister	$149,029	20	70%	$104,600

1. *Assumes the three year average equals the current MHA and MHA /Minister salary*
2. *Assuming the MHA has no other credited service and the 20 years to accrue maximum entitlement if elected after December 31, 2009.*

Source: Application of formulas under the *Members of the House of Assembly (Retiring Allowances) Act,* SNL 2005 C. M-6.1 to current remuneration levels as provided by the Pensions Division, Department of Finance.

The MHA and MHA/Minister in the Chart have 20 years of service and an accrued pension of 70% (20 service years times 3.5% yearly accrual). Based on the current MHA salary of $95,357, a Member who has served for 20 years is entitled to an annual pension of $66,750 at retirement. If the Member also serves as a Minister for 20 years, the total annual pension is $104,600 (based on a total Member and Ministerial salary of $149,429).

A Member with 5 years of service would have an annual pension entitlement of $16,687; if he/she was also a Minister, the total pension would be $26,150. For an MHA and MHA/Minister with 10 years of service, the annual pension entitlements would be $33,375 and $52,300 respectively.

The following chart shows the financial status of the MHAPP for the fiscal years 2006/07-2014/15. Over that period, the unfunded liability has increased by $27.4 million or 34%.

CHART P.3

MHA Pension Plan

Financial status of MHAPP for years ending March 31
($millions)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015 [2]
Assets	11.5	11.9	9.3	11.9	13.3	14.7	15.9	19.4	22.0
Liabilities	85.7	88.0	88.6	90.8	90.4	103.9	109.0	114.7	123.6
UFL[1]	**74.2**	**76.1**	**79.3**	**78.9**	**77.1**	**89.2**	**93.1**	**95.3**	**101.6**

1. Unfunded Liability
2. Extrapolated from 2012 actuarial valuation report

Source: Public Accounts

Chart P.3 only reflects the assets invested to fund benefits under the portion of the MHAPP that is registered under the *Income Tax Act*. The liabilities include those related to the registered portion of the Plan and the Supplemental Pension Plan (SERP) portion of the Plan (which is not compliant with the *Income Tax Act*). Due to *Income Tax Act* limitations, the SERP is not funded and, consequently has no assets. Benefits paid in respect of the SERP are paid by the Province on a "pay as you go" basis from the Consolidated Revenue Fund. As of March 31, 2015, the unfunded liability in relation to the SERP was $101 million.

From 2008 to 2016 total pension benefits paid to former MHAs (as a percentage of current MHA's salary costs) have increased from 1.32% to 2.53 %. On a relative basis, Chart P.4 shows the increasing budgetary impact of MHA pension costs for the province.

CHART P.4

MHA Pension Plan

MHA Salary Costs and Cost of Pensions to Former Members

($000's)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Current Salary Costs	**4,511**	**4,760**	**4,577**	**4,577**	**4,577**	**4,577**	**4,577**	**4,514**	**3,814**
Pensions	349	487	545	531	779	964	1,026	1,204	1,630
Supplementary	5,602	5,621	6,367	5,572	5,363	5,440	5,644	5,765	8,014
Pension costs	**5,951**	**6,108**	**6,912**	**6,103**	**6,142**	**6,404**	**6,670**	**6,969**	**9,644**
Total Costs	**10,462**	**10,868**	**11,489**	**10,680**	**10,719**	**10,981**	**11,247**	**11,483**	**13,458**

Source: Pensions Division, Department of Finance

The Committee concluded that a number of elements in the current Plan make it unsustainable. The charts above detail the continuing growth in the Plan's unfunded liability and annual cost to the province. With a funded ratio of only 17%,[57] the MHAPP is the lowest funded of the five government sponsored plans. As one member of the public put it "the MHA Pension Plan is broken and needs to be fixed".

There are other important aspects and features of the MHAPP that we have considered.

Portability of Service

An MHA, who was a former member of the Public Service Pension Plan (PSPP), the Teachers' Pension Plan (TPP), the Memorial University Pension Plan or the Uniformed Services Pension Plan (USPP), may transfer that service to the MHA Pension Plan under the *Portability of Pensions Act.*[58]

The current features of portability are:

[57] The low funded ratio is directly related to the *Income Tax Act* (Canada) and the fact that the offside benefits cannot be funded, without establishing a fairly complex arrangement.
[58] RSNL 1990, Chapter P-17.

- past service is credited at 2% per year in the MHA Pension Plan;

- members are required to pay the full actuarial cost of the service as determined at the time of election to purchase;

- no portability is permitted for Members who have pensionable service with private sector pension plans.

Since 2007, twenty one (21) MHAs have transferred pensionable service, resulting in $2.9 million being added to the MHAPP's unfunded liability.[59] Given the size of the Plan's membership, neither Government nor the Plan members can continue to subsidize the cost of portability.

Canada Pension Plan

Since 1998, benefits under the MHAPP have been integrated with those received under the Canada Pension Plan. This has the impact of reducing a Member's pension benefits from age 65, the date at which members are eligible for an unreduced pension under the Canada Pension Plan. All other government sponsored pension plans, with the exception of the Provincial Court Judges Pension Plan (PCJPP), are integrated as well. Integration of public sector defined benefit plans with the Canada Pension Plan has been common practice across Canada since the creation of the Canada Pension Plan in 1967.

Indexing

The MHAPP does not provide for annual increases in pension benefits to offset increases in the cost of living. Benefits under the PSPP and the TPP are partially indexed from age 65 but only in respect of service accrued prior to January 1, 2015 for the PSPP and September 1, 2015 for the TPP. Benefits under the PCJPP are partially indexed from age 65. The USPP has no indexing provision. These other provincial pension plans have funding policies in place that may provide for indexing once the funded status improves and it is determined that it is affordable. This is considered "conditional indexing".

Most other provincial jurisdictions also have some form of indexing of pension benefits.

[59]Department of Finance, Pensions Division.

Age

The current Plan formula provides that a vested MHA is eligible to receive pension starting at age 55; however, qualified Members can take an early reduced pension at age 50. In the latter case, the Member's pension is reduced by 6% for each year that the Member's age is less than 55. The other four government sponsored plans have varying eligibility criteria that are based on service and/or reaching a certain age. The trend with public sector pension plans across Canada is to increase in the age of eligibility for unreduced pension benefits.

Double Dipping

Currently, an MHA can be in receipt of a pension from one of the other government sponsored pension plans and receive a salary as an MHA or and MHA/Minister. There is no legislation in the province that prohibits former members of the public sector from collecting a public sector pension while receiving an MHA salary from the provincial government. Similar information was not available for other jurisdictions.

Survivor Benefits

The MHAPP provides a joint and survivor benefit which entitles a deceased Member's spouse to a survivor benefit of 60% of the deceased Member's pension entitlement. This benefit is consistent among all five government sponsored plans and is a minimum standard under the provincial *Pensions Benefit Act, 1997*.[60]

Survivor benefits are a common feature of MHA/MLA pension plans in other Canadian provinces, but the level of those benefits vary by jurisdiction and the type of pension arrangements in place.

Comparison of the MHA Pension Plan with Other Public Sector Plans

The other four government sponsored defined benefit public sector pension plans were reviewed by this Committee to determine how they compared with the MHAPP in respect of plan benefits, annual costs and current funded status.

[60] SNL1996, Chapter P-4.01 .

CHART P.5

Comparison of Pension Plans
Government of Newfoundland and Labrador

Key Elements in Benefit Structure

Pension Plan	***Annual Benefit Accrual***	***Pensionable Salary Base***	***Maximum Pension Accrual***	***Pension Accrual***		***Indexing To CPI***
				20 Years	***35 Years***	
MHAPP	3.5%	BAE3[1]	70%	70%	70%	No
PSPP	2%	BAE6	No max	40%	70%	60% of CPI; max 1.2%[2]
TPP	2%	BAE8	No max	40%	70%	60% of CPI; max 1.2%[2]
USPP	2%	BAE3	75%	40%	70%	No
PCJPP	3.3%	Final	66.6%	6.6%	66.6%	60% of CPI; max 1.2%

1. BAE3 – Best 3 Year Average Earnings
2. Only service up to December 31, 2014 (PSPP) and August 31, 2015 (TPP) is indexed. Post reform service will not be indexed until plans are sufficiently funded.

Source: Pensions Division, Department of Finance

As is evident from Chart P.5, the most significant differences between the MHAPP and the other government sponsored plans are the annual benefit accrual rate and the required service to achieve the maximum benefit. The 2009 MHAPP has an annual benefit accrual rate of 3.5% and a 20 year maximum service cap, which results in a 70% pension. With the exception of the PCJPP, this compares to an annual accrual rate of 2% and 35 years of service to achieve a 70% benefit under the other plans.

CHART P.6

Comparison of Pension Plans
Government of Newfoundland and Labrador

Current Service Cost and Contributions

Pension Plan	***Current Service Cost (% of pay)***	***Member Contributions (% of pay)***	***Total[1] Contribution (% of pay)***	***Excess (Deficiency) (% of pay)***
MHAPP				
Registered Plan	17.6	9.0	17.6	0.0
Supplementary Plan	29.2	0	0	(29.2)
	46.8[2]	9.0	17.6	(29.2)
PSPP	15.1	9.7	19.4	4.3
TPP	16.0	11.3	22.6	6.6
USPP	17.2	8.6	17.6	(0.4)
PCJPP	50.9	9.0	14.0	(36.9)

1. Includes both employer/government and employee/member contributions
2. Reflects preliminary estimates in the December 31, 2015 valuation

Source: Pensions Division, Department of Finance

Chart P.6 shows the current service cost (i.e. the estimated costs of plan benefits) accruing in the year following each valuation (as a percentage of current payroll costs) as well as the contribution arrangements for each plan. It highlights that the MHAPP and the PCJPP have the highest current service cost (46.8% and 50.9% respectively) and the highest annual current service funding deficiency (29.2% and 36.9% respectively). The plan members in each of these two plans are small in comparison to the other plans (as can be seen in Chart P.7 below). This, coupled with the fact that a portion of the plan benefits exceed limits under the *Income Tax Act* (Canada) and are not funded the same as for the Registered Pension Plan, contributes to the significant annual underfunding.

Chart P.7 shows the actuarial estimates (as of December 31, 2015) of the current unfunded liability and the funded ratio for all five government sponsored plans.

Comparison of Pension Plans
Government of Newfoundland and Labrador

Funding Status of Pension Plans
(Actuarial Funding Estimates as of December 31, 2015)

Pension Plan	***Actives***	***Pensioners***	***Value of Fund ($millions)***	***Estimated Unfunded Liability ($millions)***	***Funded Ratio %***
MHAPP[1]	39	161	21	100	17
PSPP[2]	28,392	19,127	8,437[1]	814	91
TPP[2]	5,982	8,863	2,994	1,782	63
USPP[2]	667	860	179	276	40
PCJPP[2]	18	6	7	14	50
	35,098	29,017	11,638	2,986	

1. Includes promissory note of $2.6 Billion

Source: *1*. Preliminary results for the 2015 MHAPP Actuarial Valuation
2. Extrapolations prepared for the December 31, 2015 Pooled Pension Fund and PSPP Financial Statements.

The MHAPP shows an unfunded liability of $100 million and a funded ratio of 17% (or a funding deficiency of 83%), making the MHAPP the most poorly funded of the government sponsored pension plans. As discussed earlier, this is mainly due to the fact that a significant portion of the benefits earned under the MHAPP exceed the limits for Registered Pension Plans under the *Income Tax Act* (Canada) and, rather than fund the benefits through permissible arrangements under the *Income Tax Act*, government has chosen the “pay as you go” option.

Comparison of the MHA Pension Plan with MHA/MLA Pensions Plans in Other Canadian Jurisdictions

Four other provinces (Quebec, Nova Scotia, Prince Edward Island and British Columbia) currently have a defined benefit plan design for its elected Members, whereas the remaining provinces use either a defined contribution plan or an RRSP arrangement.

CHART P.8

Interprovincial Comparison of MHA/MLA Defined Benefit Pension Plans

Key Elements in Benefit Structure

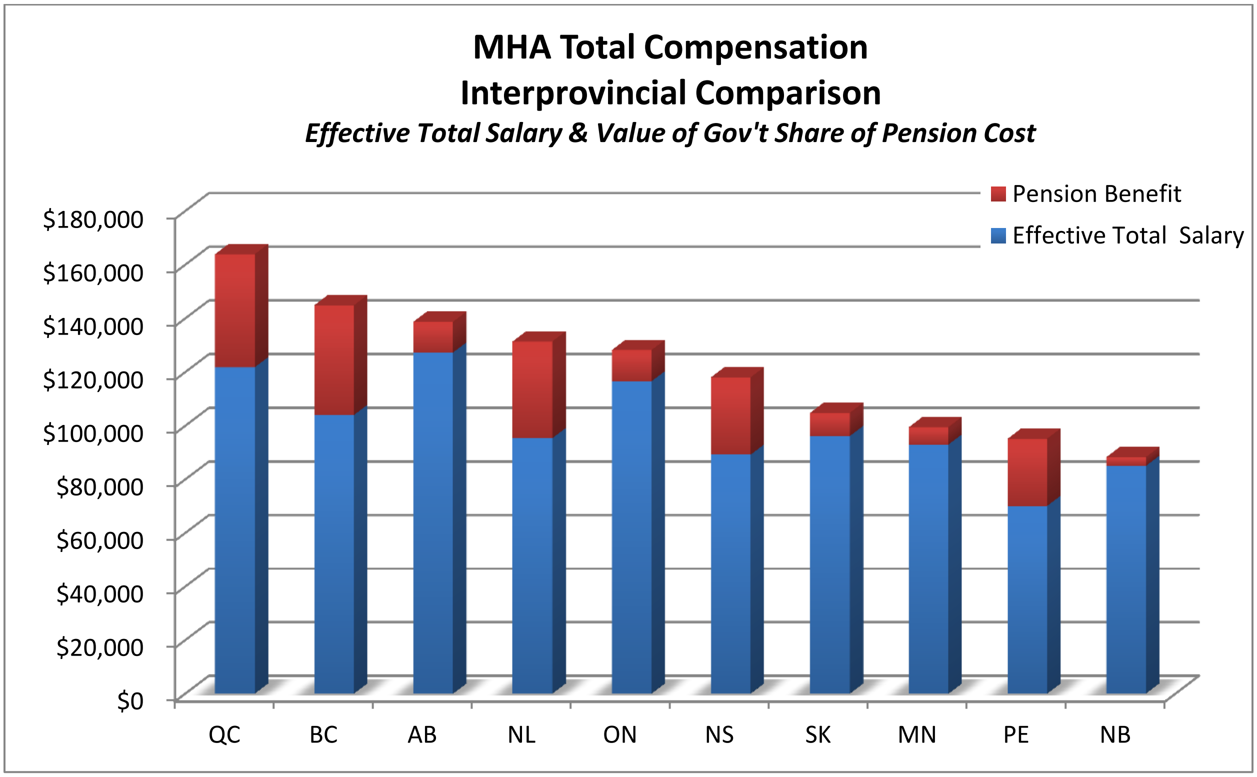
Jurisdiction	*Annual Benefit Accrual*	*Pension Salary Base*	*Maximum Pension Accrual*	*EURD*[1]	*Indexing (% CPI)*	*Benefit Accumulation 1 year*
NL	3.5%	BAE3	70%	Age 55	None	$3,337
Quebec	Credit of 4% of indemnity	CAE Indexed	None	Age 60	Pre – fully indexed; Post – max of CPI and CPI-3%	$3,634
NS	3.5%	FAE3	70%	Age 55	0.85%[2]	$3,123
PEI	44.45% x required contributions	N/A	20 years	Age 60	1.5% for 2016. Contingent after that	$2,804
BC	3.5%	FAE3	20 years	Age 65	Full CPI, subject to funding	$3,611

1. Earliest unreduced retirement date
2. Based on Indexing granted under the Public Service Superannuation Plan. From 2016 – 2020 indexing will be 0.85%.

Source: Pensions Division, Department of Finance

The Newfoundland and Labrador MHAPP compares favorably with the other four provinces on all of the key elements, with the exception of indexing of pensions. The other four provinces have some form of indexing, whereas the Newfoundland and Labrador MHAPP does not have indexing.

CHART P.9



S*ource:* Pensions Division, Department of Finance

Total compensation is the total of MHA/MLA "effective total salary", which is the MHA/MLA's basic salary or indemnity plus the value of government's share of pension cost for 2015.

Chart P.9 illustrates that the total compensation arrangements for Newfoundland and Labrador MHAs currently rank fourth highest of Canada's ten provinces, below the levels in Quebec, British Columbia and Alberta. Among the provinces, our province ranks sixth in MHA/MLA salaries, at $95,357. At $38,047, we rank third (slightly behind British Columbia and Quebec) in cost to fund our province's annual obligation for MHA pension benefits. This leaves one to conclude that our MHAs (when compared to their counterparts in other Canadian provinces) still enjoy an attractive compensation package.

The Committee's Goals in Reviewing the Current MHA Pension Plan

Upon a review of the various elements of a pension plan; the other public sector pension plans; plans from other provincial jurisdictions; our consultations with the public, present and former MHAs, public servants; and, consultations with the actuarial firm of Morneau Shepell, the Committee set out its goals for MHA pensions as follows:

- Develop an MHA Pension Plan that had stability, certainty and sustainability into the future. Key factors for consideration included:
  - a plan that is affordable given the Province's current and long term fiscal outlook;
  - a plan that provides sufficient annual funding;
  - a plan whose design features and benefits are sufficiently attractive to persons considering politics as a career, and
  - a plan that dovetails into and supports a comprehensive MHA remuneration package.
- Cap (or preferably decrease) the current Plan's unfunded liability.

Are Changes to the Current MHA Pension Plan Necessary?

In Support of No Change

The comments in the Cummins Report are of particular interest and relevance:[61]

> Members of the House of Assembly are unique when compared to public servants, teachers and uniform services. Members of the House of Assembly must expend considerable amounts of time, effort and money before they are elected. They are not compensated by government for their time, effort and expenditure made before they are elected.
>
> Even after they are elected, they do not qualify for a retiring allowance until they are elected for a second term. It could occur that an MHA who is performing adequately, or perhaps even above average, is not re-elected due to a change in the mood of the electorate or the "time to change" syndrome. On the other hand, it is unlikely that a

[61] Volume 1, p. 14.

public servant, teacher or a member of the uniform services would be dismissed in such circumstances.

It has also been alleged that, once a person becomes an MHA, their life is not their own. Commitments must be made and honored outside what most of us would consider the normal working day. There is no such thing as an 8-hour day or a 40-hour week for an MHA, particularly if an MHA is dedicated and committed.

Similar comments pertaining to the special/unique circumstances of an MHA can be found in this Report, the Morgan Report, the Green Report and the previous MCRC Reports. We also heard these themes in our various consultations. Many of these comments were made in support of a reasonably attractive MHA pension plan.

The continuing importance of enticing high quality candidates to professional positions is an essential element of a remuneration package. Although many individuals who enter politics do so because they feel a calling and desire to influence change and make a difference, the job has to continue to have an attractive total remuneration package. Otherwise, highly qualified candidates may think twice before leaving their current positions where job security and compensation levels are particularly attractive.

In Support of Change

There has not been a detailed examination of the MHAPP since 2007, and no review since 2009. Comments from the Green Report illustrate the perception of the MHAPP in 2007:

"the MHA Pension Plan would, by most measures, be considered generous and, from a financial perspective, be regarded as quite costly"[62]

"the MHA Pension Plan is the most attractive of all provincial public sector plans in Newfoundland and Labrador"[63] and

"this analysis indicates that the MHA Pension Plan is relatively lucrative compared to the arrangements one might expect in a province which has historically had a relatively low fiscal capacity, high debt burden and in many respects is still regarded as a have-not province in economic terms".[64]

[62] Green Report, p. 11-10.
[63] Green Report, p. 11-14.
[64] Green Report, p. 11-31.

Similarly, the 2009 MCRC concluded:

> "based on our jurisdictional comparison of MHA/MLA pension plans across Canada the Committee is satisfied that the pension plan currently in place for Newfoundland and Labrador MHAs is among the best, if not the best, in Canada".[65]

The 2012 MCRC report, in reference to public comments and presentations, commented:

> "all referred to the pension plan as being too generous…."[66]

As with other elements of MHA remuneration, the Committee received comments and feedback on the MHAPP from current and former MHAs, current and former senior public servants, policy advisors and the public.

Some comments from MHAs and former MHA's were as follows:

> "I would not be here without the defined benefit plan, as the other compensation is low"
>
> "MHA pension is important because the opportunities for re-employment after politics are low, but changes are necessary"
>
> "We need to solve the unfunded liability issue"
>
> "Idea would be to pay people what they are worth today but that won't happen, so it's difficult to cut severance and pension"
>
> "Think pensions have to change, but unsure of what the changes should be"

Comments from the general public echoed the views expressed in the Green Report and the two previous MCRC Reports:

> "Current plan is way too rich and not sustainable"
>
> "Pensions of MHAs is the biggest issue that the public has with MHA compensation"
>
> "Defined benefit pensions are a huge strain on government funds"

---

[65] MCRC 2009, p. 23.
[66] MCRC 2012, p. 3.

> "When pensions are paid out I have become aware that they are topped up to avoid any claw back incurred from their Canada Pension".
>
> "I would recommend that an MHA serve 10 years to be eligible for a pension".

The Committee found that public sentiment and negative comments relating to MHA pensions have been magnified by the reality of the province's current financial predicament and the impact of the 2016 provincial budget.

We also became acutely aware of some largely held misunderstandings regarding the MHAPP. Two particularly prevalent misunderstandings expressed by the public were in regards to "a top-up" of the MHA pension with CPP benefits and the existence of a "second pension" available to MHAs. Both perceptions are untrue. As indicated earlier, upon receipt of CPP benefits, a Member's pension is "clawed back" in a manner similar to other public sector pensioners. As to the concept of a "second pension", the funding for the MHAPP comes from two sources – the RPP and the SERP. The confusion for the public appears to center on the SERP (supplementary employee retirement plan) and the meaning of "supplementary". The term "supplementary" in this context does not refer to an "additional" pension, but rather the source of funding for the MHAPP.

Many of the MHAs we spoke with were familiar with the public's perception of the MHA Plan as being "too rich" and "gold plated". Those MHAs who addressed the issue of pension benefits, acknowledged that elements of the Plan needed to be compatible with the new fiscal realities facing the province and with the overall trend of pension reform in Canada.

In the course of our research and deliberations, we came to realize that the formulation of an MHA remuneration package (including a reasonable pension plan) could also be challenging as a result of the compromises to the overall MHA remuneration package in the past eight years.

Review

Taking all of the forgoing factors into consideration, and focusing on the goals regarding an MHA pension scheme, we concluded that the current Plan was unsustainable and provided too great a benefit to Members in conjunction with other elements of remuneration.

We concluded that the following factors would form the basis of our recommendations regarding the MHAPP:

Portability of Service

The MHAPP is unable to sustain the porting of pensions into the Plan. We recommend that the legislation be amended such that the porting of pensions to the MHAPP be prohibited.

Accrual Rates

The unfunded liability of the MHAPP must be addressed. Part of the solution is to address the accrual rates for the Plan. Accordingly, we selected accrual rates of 2.0% and 2.5% for use in the plan design options that the Committee examined related to pension reform.

Age

From 2007 to 2015 the average age of retirement in Canada, across all sectors, ranged from 61.6 years to 63.4 years; for the public service, the range was 59.3 to 61.4.[67] This Committee recommends that eligibility for an MHA to receive a pension change to 60 years of age, and that MHAs should not be permitted the opportunity to take early retirement benefits below this age.

Term of Office

The average term of office of an MHA in Newfoundland and Labrador from 1949 to 2015 is 9.07 years; the median is 7.66 years.

Income

We have assumed that MHA salaries will not increase in the next 4 years. We note that this is an assumption for the purposes of pension review only. Our recommendations regarding adjustments to MHA salaries remain and are not to be discounted by our assumptions for pension review.

Vesting

Current vesting of the MHAPP is 5 years and 2 general assemblies. Given the average term of service for an MHA, we recommend no changes to the current vesting requirement.

[67] Appendix G: Statistics Canada, Labour Force Survey estimates, retirement age by class of worker and sex.

Retirement Goals

It has been suggested to us that, generally, a reasonable goal for retirement income is between 60% and 70% of salary. However, it is also important to bear in mind that 20 years' service is no longer considered a complete career, and a person is expected to have built or will be able to build retirement income prior to or following a 20 year career in politics. Furthermore, there should be no expectation that the MHAPP will fulfill all of an MHAs retirement income goals.

Indexing

Due to the Plan's current unfunded liability we do not recommend the indexing of MHA Pensions.

Double Dipping

We received comments from the public who did not like the idea of MHAs being in receipt of both pension benefits and a salary from the House of Assembly. The issue of "double dipping" is complex and controversial. This Committee determined that this issue is beyond our mandate, and is one that relates to public policy and debate.

Survivor Benefits

We do not recommend any changes to this aspect of the Plan.

Analysis

In keeping with our goals for pensions, the Committee engaged the actuarial firm of Morneau Shepell to model alternative pension plan designs with comparisons to the current MHAPP. After our review of the preliminary actuarial valuation at December 31, 2015 and further discussions with the Actuary and the Pensions Division, Department of Finance, we requested the Actuary to provide us with two pension plan options (incorporating the previously stated assumptions) for our consideration and to inform our recommendation. The details of the two options and comparisons with the current Plan are set out in Appendix H.

One of the key variables to consider in pension plan design is the length of service of an MHA. The following chart summarizes the years of service of MHAs from 1949 to 2015.

CHART P.10

Government of Newfoundland and Labrador

MHA Term of Service (rounded)
(1949 to 2015)

Average Term of Service	9 years
Median Term of Service	7.5 years
Less than 10 years	68%
Less than 8 years	56%
Between 5 and 10 years	34%

Option 1: Hybrid Plan – Key Aspects

Option 1 incorporates aspects of both a defined contribution plan and a defined benefit plan.

Upon being newly elected, an MHA would be eligible to participate in a defined contribution plan for the first eight years of service. If the Member was not re-elected after one term (or vacated his/her seat prior to that time), the Member would receive a return of his/her contributions plus investment income. Once a Member was elected twice and served in two General Assemblies, he/she would be entitled to his/her contributions plus Government's contributions and investment income. It is expected that older Members who do not serve beyond eight years would be expected to have sufficient retirement savings from a previous career. Conversely, younger Members would be expected to have sufficient time to build retirement savings following their period of service as an MHA.

Once a Member was elected to a 3rd General Assembly, the Member would participate in a defined benefit plan for future service, and accrue a pension benefit equal to 2% of the average of the best three years' salary times his/her years of service under the defined benefit plan. This would be advantageous for someone entering politics at an earlier age and staying for a longer period, and recognizes the impact of their longer political service on their ability to generate future retirement income.

We also considered that between 1949 and 2015, 68% of Members served less than ten years.[68] Assuming this term of service is indicative of future trends, utilization of the defined

[68] House of Assembly.

benefit component of the Plan will be limited. Accordingly, our analysis assumes that benefits under Option 1 would not be integrated with those of the Canada Pension Plan.

Unlike the current Plan, this Option would not provide any benefits in excess of those permitted under the *Income Tax Act* (Canada) and consequently, there would be no increases in the supplementary allowances paid from the Consolidated Revenue Fund of the Province. Members' contributions and benefits will be within the limits of the *Income Tax Act*.

Of significant benefit to government (i.e. the taxpayers of the province) with this option is that new Members to the MHAPP would not be adding to its unfunded liability. The current unfunded liability would decrease over time and eventually be eliminated as current pensioners leave the Plan.

Option 2: Revised Defined Benefit Plan – Key Aspects

Under Option 2 Members will accrue a pension equal to 2.5% of the average of the three best years' salary times years of service. The accrued pension will be integrated with benefits under the Canada Pension Plan.

We also considered the length of service for an MHA with this Option. This Plan does not favor any age group, rather all age groups are on an equal footing because pension benefits are predetermined by the Member's years of service as an MHA or an MHA/Minister. This is an important consideration in terms of creating diversity in the House of Assembly.

Unlike Option 1, the Plan's unfunded liability will continue to grow, albeit at a much slower rate. Over time, however, it should decline significantly from current levels due to attrition. The unfunded liability will not be eliminated entirely but should be manageable. The impact on the taxpayers of the province would be greater than that of Option 1, but it would be significantly better than the current Plan.

Further Comparisons of Plan Options

It is important to recognize that these calculations assume that the MHA and the MHA/Minister salaries do not increase over the next four years. It is quite possible that such salaries will increase in accordance with the public sector increases (per our earlier Salary Recommendations) and thus the comparisons below may not be an accurate reflection of the actual benefit to the Member.

Chart P.11 is an analysis that confirms the significant reduction of the service cost and contributions for the Hybrid and the Revised Defined Benefit Plan Options.

CHART P.11

Current Service Cost and Contributions
(Including Options)
Pension Plans – Government of Newfoundland and Labrador

Pension Plan	***Current Service Cost (% of pay)***	***Member Contributions (% of pay)***	***Total* Contribution (% of pay)***	***Excess (Deficiency) (% of pay)***
MHAPP				
Registered Plan	16.4	9.0	16.4	0.0
Supplementary Plan	26.1	0	0	(26.1)
	42.5	9.0	16.4	(26.1)
MHAPP (*Option 1*)	32.3	9.0	16.4	(15.9)
MHAPP (*Option 2*)	33.5	9.0	16.4	(17.1)
PSPP	15.1	9.7	19.4	4.3
TPP	16.0	11.3	22.6	6.6
USPP	17.2	8.6	17.6	(0.4)
PCJPP	50.9	9.0	14.0	(36.9)

* Includes both employer/government and employee/member contributions

Source: Pensions Division, Department of Finance-Numbers reflect Public Accounts disclosure to March 31, 2016 and MCRC salary assumptions

The immediate impact on the reduction of the annual funding deficiency in going with either Option 1 or Option 2 for the MHAPP is also significant.

Comparison of the two Plan Options with the current MHAPP for Newfoundland and Labrador and the other Canadian jurisdictions who have a defined benefit plan is set out in Chart P.12.

CHART P.12

Interprovincial Comparison of MHA/MLA Defined Benefit Pension Plans
Key Elements in Benefit Structure

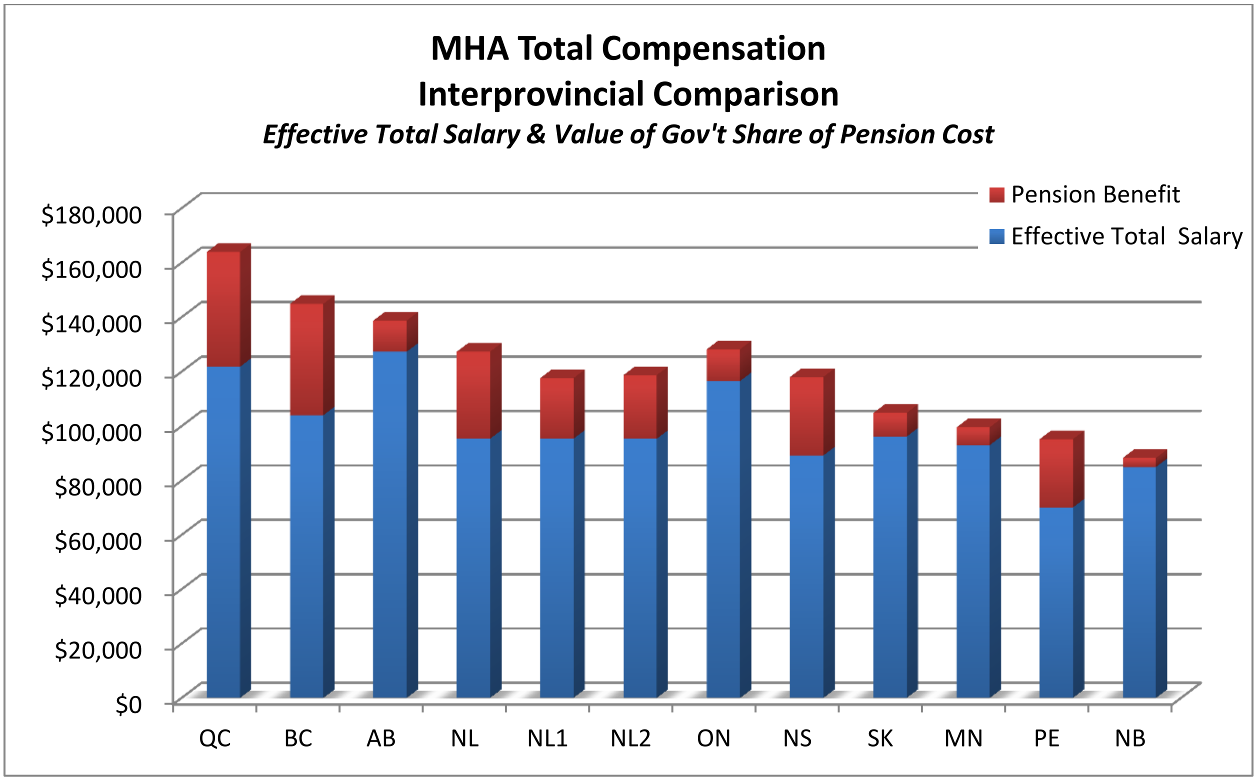
Jurisdiction	*Annual Benefit Accrual*	*Pension Salary Base*	*Maximum Pension Accrual*	*EURD*[1]	*Indexing (% CPI)*	*Benefit Accumulation 1 year*
NL (current)	3.5%	BAE3	70%	Age 55	None	$3,337
NL (option1)	2.0% in the 9th year	BAE3	N/A	Age 60	None	$1,907 in the 9th year
NL (option2)	2.5%	BAE3	50%	Age 60	None	$2,384
Quebec	Credit of 4% of indemnity	CAE Indexed	None	Age 60	Pre – fully indexed; Post – max of CPI and CPI-3%	$3,634
NS	3.5%	FAE3	70%	Age 55	0.85%[2]	$3,123
PEI	44.45% x required contributions	N/A	20 years	Age 60	1.5% for 2016. Contingent after that	$2,804
BC	3.5%	FAE3	20 years	Age 65	Full CPI, subject to funding	$3,611

1. Earliest unreduced retirement date
2. Based on Indexing granted under the Public Service Superannuation Plan. From 2016 – 2020 indexing will be 0.85%.

Source: Pensions Division, Department of Finance

Chart P.13 revisits and illustrates the earlier Interprovincial Comparison of total compensation arrangements, but now inclusive of the two Plan Options.

CHART P.13



Source: Pensions Division, Department of Finance. Newfoundland and Labrador numbers reflect Public Accounts disclosure to March 31, 2016 and MCRC salary assumptions.

The Chart illustrates that the total Newfoundland and Labrador compensation arrangements now rank sixth highest, compared to the current MHAPP which ranks fourth across the country. Both Plan Options are in line with other MHA/MLA Pension Plans in the other Canadian provinces.

Conclusions and Recommendations

The process of designing a pension plan requires insight into the goals and objectives of its members. Just as in other sectors, Members of the House of Assembly are diverse and have varied goals and objectives. It is impossible and impractical to design a pension plan that meets each and every Member's needs. Typically, pension plans are intended to meet the goals and objectives of the majority of its members.

From 2007 to 2015, 71% of the Members of the House of Assembly were 46 years of age or older, and, of those Members, 59% were between the ages of 46 and 55 years. This is not surprising as many people of that age category are often well into their careers and have gained considerable life experience, including the development of leadership skills which are beneficial when seeking elected office.

The length of an MHA's career also informs us as to the design of an appropriate pension plan. Because most Members serve between 5 and 10 years, it is important to recognize that for the Member who is between 46 and 55 years of age, this period of time would constitute the greatest earnings potential for most careers and thereby have the greatest impact on their ability to secure retirement savings.

Accordingly, we have chosen Option 2 - Revised Defined Benefit Plan as our recommendation to the Management Commission. The particulars of the Plan Option are set out in the Morneau Shepell Report at Appendix H. This Plan would be effective for new MHAs at the start of the 48th General Assembly and thus would not impact Members who were subject to an earlier Plan formula.

Pension Recommendations

39. There shall be no portability option to the Member of the House of Assembly Pension Plan. An amendment shall be necessary to the *Portability of Pensions Act*;

40. Eligibility for an MHA to receive a pension shall be at 60 years of age, and there shall be no option to select an early retirement option;

41. The MHAPP shall have no indexing component;

42. The current MHAPP vesting component and survivor's benefit remain unchanged; and

43. The Defined Benefit Plan as outlined in the Morneau Shepell Report attached as Appendix H (Option 2) shall apply to Members of the House of Assembly who were first elected on or after November 30, 2015.

GRANDFATHERING PROVISION

The Committee was asked to consider that its recommendations not apply to current Members of the House of Assembly, but to MHAs who will be elected after the 48th General Assembly.

We cannot agree. This has not been the recommendation of previous MCRCs and for good cause.

MHAs and those who consider running for political office should be aware that a Members' Compensation Review Committee is appointed at the commencement of each General Assembly to review and make recommendations regarding the MHA compensation package. Members and those running for office should therefore be aware that the compensation package for the then current General Assembly may be adjusted.

There is no rationale to delay the consideration and imposition of MCRC recommendations for 4 years. MCRC recommendations are based on current research, consultations and deliberations. Such recommendations would be meaningless (and possibly dated and irrelevant) if they were applicable to the next General Assembly only.

Nevertheless, there are two aspects of MHA remuneration that require grandfathering – severance and pensions. Existing MHAs have built their future retirement plans on the pension plan to which they are subject. It is neither reasonable nor fair to "change the rules" mid-stream for those MHAs. However, for MHAs newly elected to the 48th General Assembly, reliance on the current pension and severance plans cannot be said to be as great.

The timing of the appointment of the Members' Compensation Review Committee at the beginning of each General Assembly (as opposed to at the end of each General Assembly) also supports our view on this issue.

Grandfathering Recommendation:

44. The Severance and Pension Recommendations shall not apply to Members of the House of Assembly who were elected before November 30, 2015.

ADDITIONAL LEGISLATIVE AMENDMENTS

Upon review of the various aspects of MHA remuneration and the applicable legislation, we noticed what appeared to be inconsistencies or inaccuracies in the legislation.

Section 16 of the Act creates the MCRC each General Assembly. As we have noted throughout this Report, MCRCs are charged with the review of MHA remuneration – salaries, pension, severance and allowances.

The heading of section 16 "Inquiry re: salaries" is misleading. The inquiry is to all aspects of MHA compensation not just salaries.

Subsection 16(1) of the Act correctly refers to:

> … an inquiry … respecting the salaries, allowances, severance payments and pensions to be paid to members

However, the global aspect of MHA remuneration is not captured in the remaining subsections of the Act. Specifically:

- Paragraph16(5)(a) refers to:

  > … relating to salaries and non-taxable allowances and other matters that may be necessary to implement by legislation …

  There is no reference to "non-taxable allowances" in any other section of the Act. The use of this phrase is confusing and not transparent. The language in this subsection must be consistent with the rest of the section.

  Further, there is no reference to the other heads of remuneration – severance and pension. The absence of these heads of remuneration is confusing and not transparent.

- Subsection 16(6) refers to:

  > … with respect to salaries, non-taxable allowances to salaries, non-taxable allowances or other amounts for which a member may be entitled to claim reimbursement or payment on his or her behalf for reasonable and legitimate expenses …

In addition to our reference earlier to "non-taxable allowances", there is no reference to severance and pension benefits in this section. It is not reasonable to conclude that the Management Commission may make changes to certain areas of remuneration and be restricted to changing others

- Section 17 refers to:

  … salaries, allowances and expenses payable under this Act …

  Similarly, there is no reference to pension and severance benefits.

We recommend that each of these sections of the Act be amended to ensure that all aspects of MHA remuneration are referenced, and that the references are consistent and transparent.

Additional Legislative Amendments Recommendations

45. The heading of section 16 of the Act be amended as follows:

"Inquiry re: MHA Compensation"

or such similar wording as to capture the entirety of the remuneration that forms part of the Inquiry.

46. Paragraph 16(5)(a) of the Act be amended to delete the reference to "non-taxable allowances" and to properly reference severance and pension.

47. Subsection 16(6) of the Act be amended to delete the reference to "non-taxable allowances" and to properly reference severance and pension.

48. Section 17 of the Act be amended to properly reference severance and pension.

HOUSE OF ASSEMBLY MANAGEMENT COMMISSION

As one of the three branches of government, the Legislature operates independently and must therefore take responsibility for the stewardship of its operations and act accordingly. The Management Commission is the mechanism through which stewardship is achieved.

The House of Assembly Management Commission (HOAMC) is responsible for the House of Assembly's administrative and financial policies. The Commission comprises three government members, two official opposition members, and one member of the third party. In the event of a tie, the Speaker casts the deciding vote. The Clerk of the HOA is a non-voting member of the Commission.

The forerunner of the Management Commission was the Commission of Internal Economy (IEC). The IEC, its governance and operation, was the subject of much criticism by Chief Justice Green.[69] Some of the criticism directed to the IEC was in relation to its failure to publically disclose the substance of particular decisions made by the IEC regarding MHA remuneration, and the failure of the Speaker and the IEC to provide meaningful disclosure of the substance of all IEC decisions in the minutes and annual reports to the House.[70]

The legislative changes that took place following the Green Report placed significant responsibilities on the then newly named Management Commission to close gaps that were found following the spending scandal.

Notwithstanding the significant legislative reforms that took place, there are issues regarding the workings of the Management Commission that we feel require comment and recommendation.

It is unfortunate that we feel the need to make recommendations regarding the Management Commission, largely arising because a few Officers of the House and Members of the Commission do not regard their role in relation to the Commission as significant and as important as it is. Some may argue that we have overstepped our mandate in commenting on and making recommendations regarding the workings of the Management Commission. We disagree.

[69] Critique and criticism of the forerunner of the Management Commission (Commission of Internal Economy) can be found in the Green Report at Chapters 4, 5 and 6.
[70] Green Report, p. 4-34.

If the purpose of each MCRC is to make recommendations to the Management Commission regarding MHA remuneration and allowances, we have concluded that it is well within the mandate of each MCRC to ensure its recommendations are brought before each Management Commission and the recommendations be dealt with in accordance with the legislation.

While we have in the short time afforded us on this Committee identified certain areas of the functioning of the Management Commission that are cause for concern, it is equally disturbing that there has been no independent recognition or remedy to the problems identified in this Report – save for those persons with whom we met and who were forthcoming with their own concerns.

Documentation of Decisions and Public Disclosure

This Committee was discouraged to discover that, while the decision-making power of the Management Commission is working well regarding financial matters, it is not working as well in other areas for which the Management Commission has responsibility.

The Act requires the Speaker to refer all recommendations made by MCRCs to the Management Commission. The duty placed upon the Speaker is mandatory as the Act does not permit the Speaker any discretion in that regard. Upon receipt of MCRC recommendations from the Speaker, it is the responsibility of the Management Commission to discuss, debate and decide on each recommendation, and to do so in a public forum.[71]

In the course of our review, we noted that all Minutes and Agendas of all formal Management Committee meetings dealing with MCRC recommendations were posted to the House of Assembly website and tabled with the House of Assembly in accordance with the Act.

In the further course of our review, we discovered that 12 of the 26 recommendations made by MCRC 2012,[72] did not form part of any agenda of the Management Commission meetings. Incredibly, and despite requests by some HOA staff to do so, such recommendations were not forwarded by the Speaker to the Management Commission. There is no record of any member of the Management Commission addressing the omissions and there is no record that any follow up has been done to have the matters placed on the agenda for consideration by the Management Commission. This is clearly a breach of subsection 16(5) of the Act by all involved, except the HOA staff.

[71] Subsection 16(5) of the Act.
[72] A summary of the 12 recommendations not presented to the Management Commission is at Appendix I.

We inquired as to why the 12 recommendations were not forwarded to the Management Commission but we were not convinced that the explanations given were reasonable enough to permit the Speaker to deny the Management Commission its obligation to address the recommendations, or to allow the Management Commission to abdicate its responsibility to consider and make decisions regarding the recommendations. Again, there is no discretion in the Act to allow the Speaker to withhold MCRC recommendations from consideration by the Management Commission.

We were also disconcerted by the fact that the Speaker and some (or all – we are not sure which) members of the Management Commission held informal discussions regarding the 12 recommendations, and agreed not to bring the recommendations to the public forum for debate and decision. Because the discussions were informal, no documentation of such discussions and decisions were recorded or exists, and there is no record as to who participated in the informal meeting. This informal meeting took place regarding the MCRC 2012 recommendation concerning severance benefits.[73]

Where the Speaker, Members of the Management Commission and House officers and staff consider their duty under the Act to be "optional" or "discretionary", there is a danger that future decisions will not be recorded and thereby kept from public scrutiny. This behaviour could be the first step to leaving transparency behind.

We refer to Recommendation 9 of the Green Report:[74]

> It should be a legislative requirement:
>
> a. that the [Management Commission], officers of the House and the staff of the House of Assembly administration document decisions and recommendations;
>
> and
>
> b. that it is an offence to fail to so document, or to destroy documentation recording decisions or the advice and deliberations leading up to those decisions.

Upon review of the Act, it is not easily discernable as to where this recommendation is embodied in the Act. There are references to the responsibility for records and record keeping scattered throughout the Act, but there is no section that places a positive obligation on the

[73] 2012 MCRC, Recommendation 9, p. 30.
[74] Green Report, p. 5-24.

Management Commission, the officers of the House and staff to ensure that ***all*** decisions of the Management Commission are documented – both formal and informal.

This Committee recommends an amendment to the Act to specifically follow Chief Justice Green's recommendation and to ensure accountability of each member of the Management Commission and of the House of Assembly officers and staff as follows:

> The Management Commission, officers of the House and the staff of the House of Assembly administration shall be responsible and accountable to ensure that all advice, deliberations, decisions and recommendations of the Management Commission (whether such advice, deliberations, decisions and recommendations are the result of informal or formal meetings of the Members of the Commission) are properly documented;
>
> and
>
> It is an offence to fail to so document, or to destroy documentation recording decisions and recommendations or the advice and deliberations leading up to those decisions and recommendations.

While there is an Audit Committee of the Management Commission, its function is with respect to financial matters. There is no reason why the function of the Audit Committee cannot be expanded to ensure legislative compliance by the members of the Management Commission and the officers and staff of the House of Assembly. To ensure that all MCRC recommendations are placed before the Management Commission and that the members of the Management Commission address each MCRC recommendation, it is also recommended that the role of the Audit Committee be expanded to specifically review compliance by the Speaker and each member of the Management Commission regarding the requirement to review and make decisions on all MCRC recommendations.

Attendance by Members at Management Commission Meetings

Recommendation 11 of the Green Report provided, in part:

1. Legislation governing the House of Assembly Management Commission should set out clearly the standards, diligence, prudence, knowledge acquisition, supervision and good faith expected of each member of the Commission;

2. Those standards should include:

   . . .

3. a duty to attend Commission meetings except in exceptional circumstances

   . . .

Paragraph 21(3)(a) of the Act requires members to attend Commission meetings "unless unable to do so for good reason". Such reasons are not specified in the legislation, but we believe the absence of a member from attending a Commission meeting should be akin to the reasons for a Member not sitting in the House of Assembly.[75]

During our consultations we were told that it seems that some members of the Management Commission do not take their role seriously, do not come prepared to discuss the Agenda items, and do not prioritize Commission meetings ahead of their other duties. Scheduling of Commission meetings becomes very time consuming for staff, and results in the unnecessary adjournment of meetings and deferment of matters requiring decisions. There is no way to measure the impact on the public purse of such deferred decisions. This behaviour is a further abdication of the member's role and duty as part of the Management Commission.

As to the issue of scheduling, we are advised that Cabinet meetings occur based on a preset schedule to which Ministers' attendance is required. There is no reason why the Speaker cannot enforce a similar protocol for the members of the Management Commission.

Of equal concern regarding the decision-making ability of the Commission is that the Act requires a quorum of the Management Commission to consist of at least one government member and one opposition member. We understand from our consultations that, occasionally, where the agenda items affect some (or all) members, those members (government and opposition) will not agree to schedule meetings.

In each instance, such behaviour is a breach of section 21 of the Act, is reprehensible and is unprofessional. A mechanism to defeat such behaviour is required.

The following recommendations are designed to ensure the attendance of members of the Management Commission, in particular of those members who may believe their duties to the Commission are secondary to their other duties and secondary to their loyalty to their caucus, and to ensure there is fairness and balance to the Commission.

[75] Subsection 13(3) of the Act.

This Committee recommends:

- The Speaker shall not set Management Commission meetings that conflict with Cabinet meetings;

- No later than September 15 each year, the Speaker shall set a fixed schedule of a minimum of three (3) Management Commission meetings for the Fall, which all members shall make a priority in attending;

- No later than January 15 each year, the Speaker shall set a fixed schedule of a minimum of three (3) Management Commission meetings for the Spring, which all members shall make a priority in attending;

- No member shall be permitted to be absent from any Management Commission meeting without good cause and prior approval of the Speaker; and

- Subsection 18(8) of the Act to be amended to permit that a quorum shall consist of a simple majority of members of the Commission, without reference to government or opposition members, but must include the Speaker.

Abdication of the Management Commission's Decision-Making Authority

Members of the Management Commission have in the past deferred their decision making authority to a subsequent MCRC rather than make a decision that was well within their legislative authority.

The issues placed before the Management Commission and the decisions to be made are often sensitive and can have the appearance of self-interest. It is understandable that there may be some reluctance to make decisions on such matters, particularly given the mandatory public nature of the discussions.

Judge Brazil thoroughly addressed this concern in the 2012 MCRC Report,[76] following which she felt compelled to make Recommendation 11:

[76] MCRC 2012, pp. 38- 41.

> In compliance with the Rules, no issue should be put before the Members' Compensation Review Committee if the Management Commission has the legislative authority to rule on the issue.

In addition to the legislative requirements for consideration by our Committee, we were also asked to review and provide recommendations as to the following:

- Current accommodation provisions for Members and whether other alternatives are available from a cost-benefit perspective;
- Travel and living costs for training and orientation of Members following general elections and bi-elections;
- Clarification of the parameters regarding the use of constituency allowances; and
- Clarification of the use of rental cars.

The Management Commission has the authority to address and determine each one of these items.

Echoing the concerns expressed by Judge Brazil:

> Such a decision could potentially prevent a matter from being addressed for more than four years. This is contrary to the intent and spirit of the legislation. It is the statutory mandate of the Management Commission to make these decisions. The Rules are meant to be fluid and to adjust to the changing circumstances that may occur within a constituency.[77]
>
> . . .
>
> The responsibilities of the Management Commission are onerous. However, the Commission assumed these responsibilities when the legislation was enacted in June of 2007. To fail to meet its legislative mandate in a timely manner is unfair to the MHA affected and to his or her constituents.
>
> . . .

[77] MCRC 2012, p. 39.

> While I appreciate that the Act and the Rules are relatively new and that the Management Commission may be cautious as a result of the events that led to the appointment of the Green Commission, one of the Management Commission's primary legislated responsibilities is to ensure that MHAs have proper resources to conduct constituency work.[78]

As to the latter comment made by Judge Brazil, it is now almost 10 years following the events of the spending scandal. While the Management Commission must always be cautious in its functioning, it cannot allow that caution to sidetrack its function and legislative responsibilities.

This was one of the 24 Recommendations made by Judge Brazil that was not brought forward to the Management Commission for debate, deliberation and decision. It is one example of an opportunity missed by the Management Commission to address an area of its operation that was considered a short-coming of its function.

It is recommended that the Management Commission review its function and the breadth of its authority.

Notion of Self-Interest

Members of the Management Commission hold and wield significant power.

The decisions made by the Management Commission directly impact all MHAs. There is substantial risk of self-interest in making decisions – not only financial self-interest but political self-interest.

Chief Justice Green raised the issue this way:

> "any system that leaves open the possibility that public interest will be subordinated to self-interest raises serious perception problems affecting public confidence that proper decisions will be made"

Of great concern to this Committee is the significant pressure that is felt by the members of the Management Commission from the public, their respective caucuses and leaders, Executive Council, and the media. Such pressure is typically felt when recommendations have been made to reduce salaries and benefits. For example, in the Salaries section of this Report, we discussed the machinations that led to MHAs having no salary adjustments from 2008. There have been

[78] MCRC 2012, p. 40.

no media headlines about that fact. However, Members' political self-interest is piqued if public perception is that "members are voting themselves a raise".

In such circumstances, Members are exerting political pressure into the decision-making realm of the Commission in order to maximize political gain for the Member (as a MHA) and to (hopefully) secure re-election. This type of pressure conflicts with the role of the MHA as a member of the Management Commission and his/her legislative and professional requirements to be objective and to exercise care, diligence and skill in making such decisions. As one person told us:

> "Once the Members are in the [Management Commission] room, their MHA hats must come off and they must act as a Board exercising a fiduciary duty."[79]

This does not mean that the Commission member must (or should) always make decisions against their self-interest. There are inevitably going to be decisions that will have direct and incidental impacts on the members of the Commission; both positive and negative. This includes salary increases, and changes to other areas of MHA remuneration.

The "check and balance" to the Management Commission decision-making power and the issue of self-interest regarding MHA remuneration is the appointment of the Members' Compensation Review Committee. MCRCs are independent committees who, upon researching and considering the various aspects of MHA remuneration, provide independent recommendations regarding MHA remuneration. This process is designed to eliminate any potential conflict of interest or self-interest influencing the Commission.

Further, it is telling that the legislation does not allow the Management Commission to "reject" the recommendations of the MCRC. The legislation refers only to the Management Commission "accepting" or "modifying" MCRC recommendations.[80] This Committee believes that there is a reason why the term "reject" is not an available option to the Management Commission: it eliminates the political and financial self-interest to which members are naturally subject, and places the burden of determining appropriate and reasonable MHA remuneration on an independent committee who is required to balance the interests of the public (as tax payers) with the interests of the MHAs.

However, despite these checks and balances, the final decision about such matters rests with the Management Commission. As one MHA said to us:

[79] Chief Justice Green made similar comments; see Green Report, pp. 5-26ff.
[80] Subsection 16(5) of the Act.

"if the Commission has no political appetite to adjust MHA [remuneration], MHA [remuneration] will never change."

In fulfilling their fiduciary role, each member of the Management Commission must take care to ensure that MCRC recommendations are not unduly influenced by factors that have no place at the Management Commission table, including self-interest and influence from the Executive Council.

Strong leadership and professional responsibility is required by each member of the Management Commission to debate and assess each recommendation of the MCRC for the benefit of all MHAs - including future MHAs.

House of Assembly Management Commission Recommendations

49. The Management Commission, officers of the House and the staff of the House of Assembly administration shall be responsible and accountable to ensure that all advice, deliberations, decisions and recommendations of the Management Commission (whether such advice, deliberations, decisions and recommendations are the result of informal or formal meetings of the members of the Commission) are properly documented;

50. It is an offence to fail to so document, or to destroy documentation recording decisions and recommendations or the advice and deliberations leading up to those decisions and recommendations;

51. The role of the House of Assembly Management Commission Audit Committee be expanded to specifically review compliance by the Speaker and each member of the Management Commission regarding the requirement to review and make decisions on all MCRC recommendations;

52. The Speaker shall:

   a. not set Management Commission meetings that conflict with Cabinet meetings;

b. no later than September 15 each year, set a fixed schedule of a minimum of three (3) Management Commission meetings for the Fall, which all members shall make a priority in attending;
c. no later than January 15 each year, set a fixed schedule of a minimum of three (3) Management Commission meetings for the Spring, which all members shall make a priority in attending;

53. No member shall be permitted to be absent from any Management Commission meeting without good cause and prior approval of the Speaker;

54. Subsection 18(8) of the Act be amended to permit that a quorum shall consist of a simple majority of members of the Commission, without reference to government or opposition members, but a quorum must include the Speaker.

55. It is recommended that the Management Commission review its function and the breadth of its authority.

RECOMMENDATIONS REGARDING FUTURE MCRCs

The members of MCRC 2016 were named and formally appointed by a resolution of the House of Assembly on May 12, 2016. Those appointments became effective on July 7, 2016, a full 2 months following our appointment.

We met with the Speaker and staff on June 29, 2016 and were presented with relevant documents such as the Green Report and the reports of the previous two MCRCs. From that time on we found ourselves on a steep learning curve. At the same time, we were expected to plan and execute a series of public meetings, consultations with MHAs and others, extensive information gathering and research requests. All this was in preparation for the synthesis and writing of our report due a full two weeks prior to the official completion date so that the report could be formatted and printed.

Communications staff announced our Committee, purpose and public meeting schedule on the Government website along with the schedule of public meetings in mid-July 2016. The press release was followed by distribution to the various media outlets. Unfortunately the meetings were not well publicized as it appeared the media did not pick up on the announcement or the public overlooked the announcements in the media.

Conducting public hearings and MHA consultations over the summer months turned out to be a frustrating experience. Many people were on holidays and not focused on the news. The result, as with previous MCRCs, was that no one attended our meetings in Happy Valley-Goose Bay, Corner Brook and Gander. This was surprising considering the degree of negativity shown Government following the release of the 2016 budget. We were preparing for and expecting lively public commentary and discussion regarding the rationale underpinning the system of compensation for MHAs along with gaining public input. A significant expense was incurred to make public meetings available outside St. John's that turned out to be a waste of money and effort. In hindsight, scheduling interviews, contacting open line shows and the like prior to our public engagement may have prompted greater public awareness and hence participation.

Recognizing this challenge and the inherent causes, the Chair of the Committee reached out through Twitter to broadcast the upcoming public hearings more broadly. As a result we did see about 24 people in St. John's and 8 in Clarenville. The debate at these hearings was passionate and varied and to a person, no one had been aware of our existence, our independence and our purpose. As a result of these factors the Committee decided that we would reach out to others, including former MHAs and retired public servants and engage them with our questions and seek commentary. This proved to be beneficial and helped in no small way to shape our thinking as we moved towards the work of preparing the report.

MCRC Process Recommendations

56. Any relevant materials relating to the work of future MCRCs (such as the Green Report, past reports of MCRCs, the Members' Administration Guide, Provincial and National reports dealing with similar issues, etc.) be delivered to the members of future MCRCs as soon as they are appointed, to allow them time to read and prepare for the work before them;

57. While we recognize that the requirement for appointing a Members' Compensation Review Committee is legislated, some care should be taken in the timing of the official commencement of the MCRC so that public engagement can occur when most members of the public are available to attend public meetings (e.g. during non-summer months, hearings to be held during evening hours, etc.);

58. If the intention is to have healthy and robust public input and participation, we recommend that future MCRCs be given options in a timelier manner as to the preparation and publication of notices, active engagement with the media, the creation of webpages and the use of social media;

59. To aide future MCRCs with their work, they should be informed more promptly of the resources available to them, including the availability of the House of Assembly staff to provide consultation.

SUMMARY OF RECOMMENDATIONS

The following Recommendations form a comprehensive MHA remuneration package:

Salary Recommendations:

1. Commencing with the completion of the next public sector union negotiations, MHA salaries shall be adjusted in accordance with the average negotiated percentage adjustments related to the following collective agreements:[81]

   a. General Service Contract
   b. Health Professionals Contract
   c. Registered Nurses Union Contract
   d. Royal Newfoundland Constabulary Association Contract

2. The adjustment to MHA salaries shall occur within 30 days of implementation of the adjustments to the last of these four collective agreements.

Legislative Office Holder Recommendations:

3. Legislative Office salaries shall not be adjusted in accordance with the Committee recommendations regarding MHA salaries during the 48th General Assembly;

4. Subsection 12(1) of the Act be amended to change the salaries of the following Legislative Offices, effective April 1, 2017:

   a. Speaker of the House - $48,665
   b. Deputy Speaker and Chair of Committees - $12,166
   c. Leader of the Official Opposition - $48,665
   d. Opposition House Leader - $24, 330
   e. Leader of the Third Party - $24,330
   f. Chair of the Public Accounts Committee - $12,166
   g. Vice-Chair of the Public Accounts Committee - $9,300

[81] These contracts were chosen as they fell within the March to June period each year, and would be timely in implementing adjustments to MHA salaries.

5. Subsection 12(1) of the Act be amended such that there be no salary for the following Legislative Offices, effective April 1, 2017:

a. Deputy Chair of Committees;
b. Deputy Opposition House Leader;
c. Party Whip; and
d. Caucus Chair.

6. Subsection 12(1) of the Act be amended to add a Legislative Office position and salary as follows:

a. Third Party House Leader - $12,166

Committee Recommendations:

7. There shall be no meeting per diems for the chair and/or committee members for meetings held when the House is not in Session;

8. The chair and committee members are expected to take advantage of electronic media to participate in committee work where practical;

9. The chair and committee members shall be reimbursed for expenses associated with travel and accommodations when meetings are required to be held when the House is not in Session.

Office Allowances Recommendations:

10. The recovery of expenses incurred for seasonal and special occasion cards is prohibited. Paragraph 24(j) of the Rules is to be repealed;

11. Recovery of expenses incurred for advertising of messages of welcome, greetings and congratulations is prohibited, except for the recognition of national, provincial, constituency level weeks, days and events. Members may still include messages of welcome, greetings and congratulations in MHA newsletters;

12. All advertising by MHAs is to be restricted to the size of a business card;

13. The HOA staff shall prepare a template to be approved by the Management Commission which will be used by the Members for all advertising to provide consistency in approach and content of advertising for all MHAs;

14. Paragraph 24(i) will require an amendment to comply with the advertising recommendations;

15. A Member shall be permitted recovery of an expense for advertisement (that meets the amended Rules and the revised Policy) in an organization's brochure/pamphlet, despite any reference to "donation" or "gift" by the organization;

16. Upon determination by the HOA as to the promotional items it has budgeted, such promotional items shall be made available to the MHAs based on the population in their respective districts, on a pro rata basis; and

17. This Allowance shall remain capped at $12,000 (inclusive of HST).

Travel and Living Allowance Recommendations:

18. Paragraph 28(e) "Private Accommodation" shall be amended to delete the reference to Members' children.

19. Within 60 days of the receipt of this Report, the Management Commission shall place a Request for Proposals (RFP) for hotel and apartment-type accommodations in the Capital Region. The RFP shall provide for the Member keeping his/her room available for the duration that the House is in Session (as that term is defined at paragraph 28(c) of the Rules).

20. Members who wish to occupy a hotel or apartment-type accommodations, whether the House is in Session or whether the House is not in session, will be required to use the accommodations selected through the RFP process.

21. A Member may opt to receive a lump sum for his/her accommodations rather than avail of the Secondary Accommodation, Private Accommodation or Temporary Accommodation:

a. such lump sum shall be a taxable benefit to the Member;

b. shall apply to the Capital Region only, for the entire fiscal year, whether the House in Session or the House not in Session;
c. the Member must elect this option no later than 30 days before the commencement of the fiscal year. If he/she does not so elect, the Member will not be permitted this option and shall have to choose from the Secondary Accommodation, Private Residence or Temporary Accommodation options;
d. The lump sum will be calculated as follows:
    i. Using the average number of days the House is in Session calculated over an 8 year period (2008/09 to 2015/16 the average sitting days of the House was 51)
    multiplied by
    ii. the Temporary Accommodation rate (at the RFP price).
e. the Member may not seek other accommodation expense reimbursement for the remainder of that fiscal year;
f. if the Member leaves office prior to the end of the fiscal year, the Member must repay the lump sum on a pro rata basis.

22. Travel expenses incurred by an MHA at the request of the House of Assembly for purposes other than the usual duties of an MHA, shall be paid by the House of Assembly and shall not count as one of the 20 HNIS trips allocated to the Member.

23. Members who use a rental vehicle in their districts must utilize their I&E Allowances for this expense. If parking fees are incurred in relation to the primary vehicle while using a rental vehicle in the district, the parking fee is not an eligible expense for reimbursement.

24. There will be no mileage allowance for any Member travelling within the 60km zone (commuting distance). This restriction does not apply to Intra/Extra Constituency Allowances.

25. A Member will be granted one day to vacate his/her office. The Member will be permitted to be reimbursed for travel and accommodations expenses for the day before and the day after attending at their office, and be permitted the meal allowance for that period of time.

Intra and Extra Constituency Allowances Recommendations:

26. Section 30 of the Rules be amended to add the following:

> A member may claim reimbursement for travel and associated accommodation and meal costs related to travel …
>
> > to another district in relation to matters affecting his or her district

27. MHAs in the Capital Region and in the Corner Brook district only, have the option at the beginning of each fiscal year to choose between:

a. Claiming mileage; or
b. A monthly automobile allowance of $200, which will be a taxable benefit to the Member.

The remainder of the current I&E Allowance (until it is changed as recommended herein) to be allotted for the other uses permitted by the Allowance.

28. The Management Commission shall:

a. strike a sub-committee within 30 days of this Report being presented to the Speaker to assess the realistic level of the I&E Allowances for all districts using the assumptions we have identified as well as any other assumptions that may be relevant;
b. not secure an independent review of this recommendation but rather utilize public servant resources to assist the Management Commission with this task;
c. ensure the sub-committee includes representation from the Economics and Statistics Branch of the Department of Finance, the Clerk of the House of Assembly, the Chief Financial Officer or their designates;
d. require the sub-committee to present its recommendations to the Management Commission within 120 days of being struck;
e. within 60 days of the report from the sub-committee, utilize their legislative authority pursuant to sections 20 and 64 of the Act to determine the I&E Allowances for each district.

Constituency Allowance Recommendations:

29. The recovery of meal expenses from restaurants, pubs, delicatessens and the like under the Constituency Allowance shall be prohibited. Members shall not be permitted to claim this expense as part of their meal per diem.

30. If incurring an expense as an adjunct to a community event in the district, the Member or his/her Constituency Assistant is required to be present at the event, but is not required to host the event.

Severance Recommendations:

31. A Member must serve 3 years to be eligible to receive severance;

32. Severance shall be calculated as follows:

a. If the Member's service ends at the conclusion of his/her 1st General Assembly, 20% of the Member's salary is payable as severance;
b. If the Member's service ends at the conclusion of his/her 2nd General Assembly, 50% of the Member's salary is payable as severance;
c. If the Member's service ends at the conclusion of his/her 3rd General Assembly or thereafter, a maximum of 75% of the Member's salary is payable as severance.

Provided that, if a Member's service ends prior to the end of an Assembly, the severance will be pro-rated for the years of service.

Severance, based on the current salary of $95,357, would be:

Years of Service	**Severance (rounded)**	
	Current	***Proposed***
3 (Minimum)	$15,892	$14,303
4 (1st General Assembly)	$25,810	$19,071
5	$32,263	$29,799
6	$38,715	$35,759

7	$45,168	$41,719
8 (2nd General Assembly)	$51,621	$47,678
9	$58,608	$53,638
10	$64,526	$59,598
11	$70,979	$65,558
12 (3rd General Assembly)	$77,432	$71,517

Source: House of Assembly

33. Severance shall be paid monthly during the transition period;

34. A Member who is or becomes disqualified from being a Member pursuant to Part V of the Act (other than the failure to be re-elected or the resignation of his/her seat) is not eligible to receive severance;

35. No additional severance shall be paid to an MHA who has vacated or otherwise terminated his/her Legislative Office for any reason whatever;

36. Severance benefits paid to an MHA from any other government source including, but not limited to, severance benefits available to Members through Executive Council (e.g. the receipt by a Minster of payment upon leaving a Ministerial office and an extended car allowance) shall be deducted from the severance payable to an MHA from the HOA, so that the overall severance payable to the MHA from all sources does not exceed severance payable to a Member pursuant to Severance Recommendation 32;

37. Severance benefits shall cease in the event that a Member:

a. is eligible to receive a pension sponsored by the Government of Newfoundland and Labrador during the transition period;
b. obtains fulltime employment with the public sector;
c. is appointed a provincial or federal judge;
d. is appointed to the Senate of Canada;
e. is elected as a Member of the House of Commons;
f. is appointed Lieutenant-Governor of Newfoundland and Labrador;
g. is appointed Governor General of Canada;

38. If a Member becomes a Member again, following a break in service, prior service for which severance has already been paid is not to be counted towards years of service for future severance pay, and the Member shall be considered as commencing his/her first General Assembly, regardless of how many Assemblies he/she may have served previously.

Pension Recommendations:

39. There shall be no portability option to the Member of the House of Assembly Pension Plan. An amendment shall be necessary to the *Portability of Pensions Act*;

40. Eligibility for an MHA to receive a pension shall be at 60 years of age, and there shall be no option to select an early retirement option;

41. The MHAPP shall have no indexing component;

42. The current MHAPP vesting component and survivor's benefit remain unchanged; and

43. The Defined Benefit Plan as outlined in the Morneau Shepell Report attached as Appendix H (Option 2) shall apply to Members of the House of Assembly who were first elected on or after November 30, 2015.

Grandfathering Recommendation:

44. The Severance and Pension Recommendations shall not apply to Members of the House of Assembly who were elected before November 30, 2015.

Additional Legislative Amendments Recommendations:

45. The heading of section 16 of the Act be amended as follows:

"Inquiry re: MHA Compensation"

or such similar wording as to capture the entirety of the remuneration that forms part of the Inquiry.

46. Paragraph 16(5)(a) of the Act be amended to delete the reference to "non-taxable allowances" and to properly reference severance and pension.

47. Subsection 16(6) of the Act be amended to delete the reference to "non-taxable allowances" and to properly reference severance and pension.

48. Section 17 of the Act be amended to properly reference severance and pension.

House of Assembly Management Commission Recommendations:

49. The Management Commission, officers of the House and the staff of the House of Assembly administration shall be responsible and accountable to ensure that all advice, deliberations, decisions and recommendations of the Management Commission (whether such advice, deliberations, decisions and recommendations are the result of informal or formal meetings of the members of the Commission) are properly documented;

50. It is an offence to fail to so document, or to destroy documentation recording decisions and recommendations or the advice and deliberations leading up to those decisions and recommendations;

51. The role of the House of Assembly Management Commission Audit Committee be expanded to specifically review compliance by the Speaker and each member of the Management Commission regarding the requirement to review and make decisions on all MCRC recommendations;

52. The Speaker shall:

a. not set Management Commission meetings that conflict with Cabinet meetings;
b. no later than September 15 each year, set a fixed schedule of a minimum of three (3) Management Commission meetings for the Fall, which all members shall make a priority in attending;
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53. No member shall be permitted to be absent from any Management Commission meeting without good cause and prior approval of the Speaker;

54. Subsection 18(8) of the Act be amended to permit that a quorum shall consist of a simple majority of members of the Commission, without reference to government or opposition members, but a quorum must include the Speaker.

55. It is recommended that the Management Commission review its function and the breadth of its authority.

MCRC Process Recommendations:

56. Any relevant materials relating to the work of future MCRCs (such as the Green Report, past reports of MCRCs, the Members' Administration Guide, Provincial and National reports dealing with similar issues, etc.) be delivered to the members of future MCRCs as soon as they are appointed, to allow them time to read and prepare for the work before them;

57. While we recognize that the requirement for appointing a Members' Compensation Review Committee is legislated, some care should be taken in the timing of the official commencement of the MCRC so that public engagement can occur when most members of the public are available to attend public meetings (e.g. during non-summer months, hearings to be held during evening hours, etc.);

58. If the intention is to have healthy and robust public input and participation, we recommend that future MCRCs be given options in a timelier manner as to the preparation and publication of notices, active engagement with the media, the creation of webpages and the use of social media;

59. To aide future MCRCs with their work, they should be informed more promptly of the resources available to them, including the availability of the House of Assembly staff to provide consultation.

APPENDICES

Appendix A:	Public Advisory (Notice of MCRC Public Meetings) & MCRC Webpage
Appendix B:	MHA Salary & Tax-free Allowance – Multi-year Comparison
Appendix C:	Legislature Office Holder Positions
Appendix D:	Jurisdictional Summary of Members' Pay & Number of Seats in Canadian Legislatures
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APPENDIX A

Public Advisory (Notice of MCRC Public Meetings) & MCRC Webpage

APPENDIX B

MHA Salary & Tax-free Allowance – Multi-year Comparison

APPENDIX C

Legislature Office Holder Positions

APPENDIX D

Jurisdictional Summary of Members' Pay & Number of Sears in Canadian Legislatures

APPENDIX E

House of Assembly Committees

APPENDIX F

Jurisdictional Comparison – Severance/Transition Benefits for Members

APPENDIX G

Labour force survey estimates (LFS) – Retirement age by Class of Worker

APPENDIX H

Morneau Shepell - Report to the Newfoundland & Labrador Members' Compensation Review Committee 2016

APPENDIX I

MCRC 2012 – Status of Recommendations & Implementation

APPENDIX J

Formal Submissions to MCRC 2016

Appendix A

Public Advisory (Notice of MCRC Public Meetings) & MCRC Webpage

House of Assembly
July 25, 2016

The following is being distributed at the request of the Members' Compensation Review Committee:

Public Advisory: Notice of Public Meetings

The Members' Compensation Review Committee is appointed to inquire into and prepare a report respecting the salaries, allowances, severance payments and pensions to be paid to Members of the House of Assembly. Members of the Committee are Sandra Burke, Q.C. (chair), Kathy LeGrow and Jeffrey Pardy.

The committee will be conducting public consultations at the following times and locations throughout the province:

LOCATION	DATE	TIME	PLACE
Happy Valley-Goose Bay	August 2	6:30 p.m.-9:30 p.m.	Hotel North Two
Corner Brook	August 3	6:30 p.m.-9:30 p.m.	Glynmill Inn
Gander	August 4	6:30 p.m.-9:30 p.m.	Albatross Hotel
St. John's	August 8	6:30 p.m.-9:30 p.m.	Holiday Inn Government Centre
Clarenville	August 9	6:30 p.m.-9:30 p.m.	Clarenville Inn

The committee's appointment, in accordance with subsection 16(1) of the *House of Assembly Accountability, Integrity and Administration Act*, was adopted by Resolution of the House of Assembly on May 12, 2016. The appointment became effective on July 7, 2016, and the committee must deliver its report to the Speaker of the House of Assembly on or before November 4, 2016.

Any person wishing to appear at the public consultations is encouraged to contact the committee prior to the meeting either by mail or email at:

Members' Compensation Review Committee
P.O. Box 8700, St. John's, NL A1B 4J6
Email: **mcrc@gov.nl.ca**

The committee is also accepting submissions via the following:

- Telephone (toll-free - message manager) 1-844-445-7945
- Fax (toll-free) 1-888-729-7922
- MCRC webpage **www.assembly.nl.ca/mcrc/**

Any person or organization wishing to make submissions is encouraged to forward submissions to the committee on or before August 31, 2016.

A skype session will be available on August 17, 2016. Further information will be posted to the committee's website **www.assembly.nl.ca/mcrc/** in advance of this date.

- 30 -

Media contact:

Sandra Burke, Q.C.
Chair
Members' Compensation Review Committee
1-844-445-7945
mcrc@gov.nl.ca

2016 07 25 4:05 p.m.

Members' Compensation Review Committee (MCRC)

Mandate Areas of Inquiry/References Other Resources Public Consultations Feedback Form Contact

Mandate

The Members' Compensation Review Committee's mandate is to inquire into and prepare a report respecting the salaries, allowances, severance payments and pensions to be paid to Members of the House of Assembly. The report must be delivered to the Speaker of the House of Assembly no later than November 4, 2016.

The recommendations of the report will be brought to the House of Assembly Management Commission for review. The commission will have the power to modify the recommendations, but only in a manner that does not exceed the maximum amounts recommended by the committee.

The Honourable Tom Osborne, Speaker of the House of Assembly, announced that the Members' Compensation Review Committee was appointed by resolution of the House of Assembly on May 12, 2016, with an effective date of July 7, 2016. The appointment of the committee is in accordance with subsection 16(1) of the *House of Assembly Accountability, Integrity and Administration Act* which requires that such a committee be appointed once during each General Assembly. The appointed committee members are:

Sandra Burke, Q.C. (Chair),

Kathy LeGrow, and

Jeffrey Pardy.

Areas of Inquiry for the Committee and References

1. Salary
    a. *ss. 11(1) and 12, House of Assembly Accountability, Integrity and Administration Act* [1]
    b. *Members' Administration Guide, page 14ff*
2. Allowances
    a. General
        i. *s.14, Members' Resources and Allowances Rules*
    b. Office Allowances
        i. *ss.18-24, Members' Resources and Allowances Rules*
        ii. *Members' Administration Guide, page 40*
    c. Operational Resources
        i. *ss. 25-27, Members' Resources and Allowances Rules*
        ii. *Members' Administration Guide, page 44*
    d. Travel & Living Allowance
        i. *ss. 28-44, Members' Resources and Allowances Rules*
        ii. *Members' Administration Guide, page 52ff*
    e. Constituency Allowances
        i. *ss. 46-47, Schedule A, Schedule B, Members' Resources and Allowances Rules*
        ii. *Members' Administration Guide, page 72ff*
3. Severance Package
    a. *s. 11(3)(a), House of Assembly Accountability, Integrity and Administration Act* [1]
    b. *Members' Admin Guide, p. 21*
4. Pension Benefits Package
    a. *s. 11(3)(b), House of Assembly Accountability, Integrity and Administration Act* [1]
    b. *10-11, 18-20, Members of the House of Assembly Retiring Allowances Act* [2]

c. Members' Administration Guide, page 15

[1] SNL 2007, c. H-10.1
[2] SNL 2005, c. M-6.1

Other Resources

Green Commission Report

2009 Review of MHA Salaries, Allowances, Severance Payments and Pensions
- Annex to Report - Public Presentations & Written Submissions

2012 Review of MHA Salaries, Allowances, Severance Payments and Pensions
- Annex to Report - Schedules

Members' Administration Guide 2015-2016

Public Consultations

The MCRC will be conducting public consultations at the following locations throughout the Province. **All meetings will be held from 6:30pm to 9:30pm.**

Area	Date	Location
Happy Valley/Goose Bay	August 2, 2016	Hotel North Two
Corner Brook	August 3, 2016	Glynmill Inn
Gander	August 4, 2016	Albatross Hotel
St. John's	August 8, 2016	Holiday Inn, Government Centre
Clarenville	August 9, 2016	Clarenville Inn

In the event that you are unable to attend the public forums you may participate by contacting the MCRC using one of methods listed in the Contact section below.

A Public Forum will be held by Skype on August 17, 2016 from 6:30pm to 9:30pm. Persons interested in attending the event are required to pre-register on or before August 10, 2016. To register please contact the MCRC using the contact information below. Please review the guidelines for further information respecting presentations via Skype.

Feedback Form

Note: If you encounter problems using the **online** feedback form below, please use another web browser or download and submit the **fillable/printable** version (PDF) of the form.

Online Feedback Form

The Members' Compensation Review Committee Feedback Form is also available in PDF fill-in-the blank format. **It is recommended that you use Acrobat® Reader to complete the form. Using Acrobat® Reader will ensure that the information you enter on the form is saved in the correct format.** This form can be filled out electronically or it can be printed and filled out by hand.

Fillable/Printable Feedback Form

If you are having trouble filling out/saving/printing the form, please follow the steps below which explain how to save the file to your computer/device and complete it using Acrobat® Reader.

1. Right-click on the link to the form and select "Save target as" or "Save link as" (wording may be different depending on the browser being used).
2. Select a location on your computer/device to save the PDF.
3. Open the PDF from the saved location using Acrobat® Reader. If you cannot open the PDF, or you require a newer version of Acrobat® Reader you can Download Acrobat Reader for free.

4. Fill out the form (note: If you prefer to print the form and fill it out by hand, print it now and follow the instructions on the form to submit it).
5. Click the Save button in Acrobat® Reader.
6. Print the form if necessary.
7. Follow the instructions on the form to submit it.

Contact

Members' Compensation Review Committee
P.O. Box 8700
St. John's, NL, A1B 4J6
Attention: Sandra Burke, Q.C., Chair

Phone: 1-844-445-7945
Fax: 1-888-729-7922

Email: MCRC@gov.nl.ca

Twitter: @NLMCRC2016

APPENDIX B

MHA Salary & Tax-free Allowance – Multi-year Comparison

MHA Salary & Tax-free Allowance - Multi-Year Comparsion

	2006			2009			2012			2016		
Jursidiction	Basic	Tax-free Allow.	Total	Basic	Tax-free Allow.	Total	Basic	Tax-free Allow.	Total	Basic	Tax-free Allow.	Total
Alberta	$47,496.00	$23,748.00	$71,244.00	$52,092.00	$26,046.00	$78,138.00	$134,000.00		$134,000.00	$127,296.00		$127,296.00
British Columbia	$76,100.00		$76,100.00	$101,859.00		$101,859.00	$101,859.00		$101,859.00	$104,009.66		$104,009.66
Manitoba	$73,512.00		$73,512.00	$85,564.00		$85,564.00	$85,864.00		$85,864.00	$93,025.00		$93,025.00
New Brunswick	$43,955.00	$21,978.00	$65,933.00	$85,000.00		$85,000.00	$85,000.00		$85,000.00	$85,000.00		$85,000.00
Newfoundland & Labrador	$48,657.00	$24,328.00	$72,985.00	$102,984.00		$102,984.00	$95,357.00		$95,357.00	$95,357.00		$95,357.00
North West Territories	$87,572.00	$6,784.00 (WCD*) $10,483.00 (NWCD*)	$94,356.00 $98,055.00	$94,331.00	$6,797.00 (WCD*) $13,594.00 (NWCD*)	$101,128.00 $107,925.00	$96,615.00	$6962.00(WCD*) $13,924.00(NWCD*)	$103,577.00 $110,539.00	$103,851.00	$7,484.00	$111,335.00
Nova Scotia	$79,500.00	$12,000.00	$91,500.00	$86,619.00		$86,619.00	$87,845.00		$87,845.00	$89,234.90		$89,234.90
Nunavut	$68,543.00	$1,000.00	$69,543.00	$73,827.00		$73,827.00	$90,396.00		$90,396.00	$97,355.00	$1,000.00	$98,355.00
Ontario	$110,775.00		$110,775.00	$116,550.00		$116,550.00	$116,500.00		$116,500.00	$116,500.00		$116,500.00
Prince Edward Island	$36,689.00	$12,000.00	$48,689.00	$63,750.00		$63,750.00	$66,651.00		$66,651.00	$70,095.00		$70,095.00
Quebec	$80,464.00	$14,234.00	$94,698.00	$85,388.00	$14,983.00	$100,371.00	$86,242.00	$15,895.00	$102,137.00	$90,850.00	$16,465.00	$107,315.00
Saskatchewan	$80,500.00		$80,500.00	$87,195.00		$87,195.00	$91,800.00		$91,800.00	$96,183.00		$96,183.00
Yukon	$38,183.00	$16,669.00 (WC*) $19,091.00 (NWC*/MEC*)	$54,852.00 $57,274.00	$67,891.00		$67,891.00	$71,200.00	$13,692.00	$84,892.00	$75,790.00	$14,574.00	$90,364.00
Senate						$0.00	$132,300.00		$132,300.00	$145,400.00		$145,400.00
House of Commons				$157,731.00		$157,731.00	$157,731.00		$157,731.00	$170,400.00		$170,400.00

WCD = Within commuting distance

NWCD = Not within commuting distance
WC = Within Capital
NWC=Not within Capital
MEC=Members of Exec Council

APPENDIX C

Legislature Office Holder Positions

Legislature Office Holder Positions

It is noted that each of these office holder positions is in addition to the individual's role as a member of the Legislature.

1. The Speaker - $54,072

The Speaker has three roles:

- Parliamentary
- Administrative
- Ceremonial/Protocol

Parliamentary:

The Speaker presides over debate in the House enforcing and interpreting rules, maintaining order, "balancing the rights and interests of the majority and minority in the House to ensure that public business is transacted efficiently and that the interests of all parts of the House are advocated and protected against the use of arbitrary authority. It is in this spirit that the Speaker, as the chief servant of the House, applies the rules. The Speaker is the servant, neither of any part of the House nor of any majority in the House, but of the entire institution and serves the best interests of the House as distilled over many generations in its practices." (O'Brien and Bosc). The Speaker also has authority over the parliamentary precinct and approves who may enter the premises, assignment of space, etc.

Administrative:

The Speaker holds administrative oversight over the Legislature similar to that of a Minister. Additionally, s/he serves as chair of the Management Commission which is the administrative oversight body for the House (similar to Cabinet in the Executive branch.) Administrative role and responsibilities and authorities of the Speaker are now prescribed in detail in our legislation. Specific responsibilities include:

- Ensuring development of the Code of Conduct- (One of the first tasks under the new legislation)
- Oversees operation of the Management Commission (which replaced the IEC). The Speaker chairs the meetings, oversees carriage of the agenda and only votes in the event of a tie;
- Oversees Members' time at duties - must approve absences from the House for reasons not on the specified list;
- Ensures that the recommendations of the members compensation review commission are brought to the Management Commission for consideration
- Exercises authorities delegated by the Management Commission

- Responsible for ensuring that orientation and training for Members, Commission, officers and staff (with legislated timeframes)
- Provides advance rulings regarding eligibility of Members' expenses and receives appeals from Members for denied claims
- Inquires into the fitness of employees and can suspend for misconduct
- Tables reports required of the Legislature – e.g. business plans and annual reports of the legislature and its statutory offices, annual report of the Commission, Minutes of the Commission, reports received from Code of Conduct inquiries, etc.
- Reviews Member's allowance use - either by own initiative or at request of a Member or the Clerk. Can order that an entitlement be withheld
- Subject to orders of mandamus: Court can compel the Speaker to comply with a duty under the Act
- Arrange for legal advice for a member or employee under the whistleblower provisions of the Act
- Speaker is also subject to whistleblower provisions
- Ensures compliance with Transparency and Accountability legislation and Access to Information and Protection of Privacy legislation – both applicable to the legislature.

Ceremonial/Protocol

In his/her ceremonial/protocol role the Speaker represents the House in relations with authorities and persons outside parliament. S/he represents the House as President of the Newfoundland Branch of the Commonwealth Parliamentary Association and represents the House of Assembly at parliamentary conferences in the country and abroad.

The components of the House of Assembly Service, which fall under the authority of the Speaker include the Office of the Clerk, the Corporate and Members' Services Division and the Information Management Division.

The Statutory Offices: the Offices of the Auditor General, the Chief Electoral Officer/Commissioner for Legislative Standards, the Advocate for Children and Youth, the Citizens' Representative and the Information and Privacy Commissioner report to the House through the Speaker.

The Speaker as chief administrator must table an annual activity plan and annual performance plans for the Service in compliance with *House of Assembly Accountability, Integrity and Administration Act* and on behalf of the Management Commission and annual report including the financial statements, audit results and information relating to Members' expenses.

2. **The Deputy Speaker and Chair of Committees - $27,033**

The Deputy Speaker occupies takes the Chair each day when the Speaker vacates the Chair for a period of time and when the Speaker is unavoidably absent; chairs the Management Commission in the absence of the Speaker; possesses the rights and obligations of the Speaker when presiding in the House and whenever he/she is acting in the Speaker's stead. All Bills must go through committee of the whole so the Chair of Committees conducts the proceedings of the House at this legislative stage.

Should the Speaker be unavailable, the Deputy Speaker may fill in for the Speaker as Chair of the Management Commission. (The Deputy Speaker can attend Management Commission meetings when the Speaker is present but cannot vote).

3. Deputy Chair of Committees - $13,517

The Deputy Chair of Committees presides when the House is in Committee of the Whole in the place of the Chair and must be present when the House is sitting. The Deputy Chair "spells" the Chair on a regular basis during this stage of debate.

4. Leader of the Official Opposition - $54,072

The Official Opposition is the party that holds the second largest number of seats in the Legislature. The role of the opposition is to hold the government to account and present an alternative to the governing party.

The Leader of the Official Opposition leads his or her caucus in determining and presenting its policies and priorities. S/he is the chief spokesperson for his/her party, assigns critic roles to official opposition members of the Legislature, leads off question period when the House is in session and plans the caucus agenda. Typically the Leader of the Opposition responds to Statements by the Premier and speaks in response to the Premier in debate.

5. Opposition House Leader - $27,033

The Opposition House Leader represents the Official Opposition in discussions or negotiations with the Government House Leader in respect of the business of the House and is required to be conversant with the Standing Orders, authorities and precedents as he/she represents the Official Opposition when matters of order and privilege are raised during the proceedings. The Opposition House Leader is also one of the specified members of the Management Commission.

6. **The Deputy Opposition House Leader - $18,457**

Represents the Opposition House Leader when he/she is absent.

7. **Leader of a Third Party - $18,918**

Takes the lead in question the Executive for his/her group, and negotiates/collaborates with the other house leaders in respect of parliamentary matters.

8. **Party Whip - $13,517**

While not mentioned in written rules, is well recognized in parliamentary tradition. Whips are Members of each parliamentary group whose job it is to keep their colleagues informed about House business and ensure they are present for sittings of the House and committees especially when a vote is to be taken. Members must inform the whip if they must be absent from a sitting of the House or a committee.

9. **Caucus Chair - $13,517**

The member elected or selected (the House Staff is not privy to this information) by each caucus to preside over their meetings. This member is an important link between the party leadership and the ordinary members.

10. **Chair of the Public Accounts Committee - $13,517**

A member of the Official Opposition elected at the first meeting of the Committee, is the member whose job it is maintain order, ensure fairness in the rotation of questions and rule on procedural matters, all in an impartial manner. The Chair collaborates with the Vice-Chair in setting the agenda, deciding whom to call as witnesses and when to hold meetings. In the Westminster system the position of PAC Chair is considered a prestigious one as the oversight committee of the public accounts of the Province and the reports of the Auditor General thereon.

11. **Vice-Chair of the Public Accounts - $10,333**

A Member of the governing party, elected at the first meeting of the Committee collaborates with the Chair, as part of an informal steering committee, in making decisions concerning the work of the Committee. The Vice-Chair takes over as Chair when the Chair is absent.

APPENDIX D

Jurisdictional Summary of Members' Pay & Number of Seats in Canadian Legislatures

Jurisdictional Survey Members' Pay, (prepared by the Legislative Assembly of Alberta - Human Resource Services based on responses from all jurisdictions) - April, 2016

	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL	YT	NU	NT	Senate	HoC
Basic Salary	$104,009.66	$127,296.00	$96,183.00	$93,025.00	$116,500.00	$90,850.00	$85,000.00	$89,234.90	$70,095.00	$95,357.00	$75,790.00	$97,355.00	$103,851.00	$145,400.00	$170,400.00
Tax - Free Allowance						$16,465.00					$14,574.00	$1,000.00	$7,484.00		
Tax - Free Allowance-Non Capital													$7484.00*		
Speaker	$52,004.83	$63,648.00	$48,969.00	$50,930.00	$36,364.00	$68,138.00	$52,614.00	$49,046.51	$41,184.00	$54,072.00	$29,151.00	$75,505.00	$45,203.00	$59,500.00	$81,500.00
Speaker of pro Tempore (Senate)														$24,500.00	
Deputy Speaker	$36,403.38	$31,824.00	$14,311.00	$10,509.00	$17,249.00	$31,798.00	$26,307.00	$24,523.25	$20,592.00	$27,033.00	$11,660.00	$19,471.00	$7,313.00		$42,200.00
Dep. Chair - Committee Whole	$20,801.93														
Dep. Chair - Committees	$36,403.38	$15,912.00	$7,156.00	$7,506.00	$12,704.00					$13,517.00		$5,108.00	$4,389.00		$16,800.00
Assist. Dep. Chair - Cmte Whole (Hoc)															$16,800.00
Prime Minister (HoC)															$170,400.00
Premier	$93,608.69	$79,560.00	$69,954.00	$77,954.00	$92,424.00	$95,393.00	$79,000.00	$112,791.20	$76,127.00	$72,409.00	$58,300.00	$89,698.00	$78,986.00		
Deputy Premier			$55,964.00									$82,601.00			
Ministers	$52,004.83	$63,648.00	$48,969.00	$50,930.00	$49,301.00	$68,138.00	$52,614.00	$49,046.51	$48,982.00	$54,072.00	$40,810.00	$75,505.00	$55,583.00		$81,500.00
Ministers without Portfolio		$28,644.00		$42,927.00	$22,378.00		$39,500.00	$49,046.51							
Minister of State (HoC and BC)	$36,403.38														*$81.500.00
Parliamentary Secretary (HoC and BC)	$15,601.45					$18,170.00				$27,036.00					$16,800.00
Legislative Assistants			$14,311.00	$4,506.00	$16,667.00					$27,036.00					
Secretaries of State (HoC)															$61,000.00
Govt. House Leader			$14,311.00	$10,509.00	$21,329.00	$68,138.00		$10,506.00	$13,208.00*	$54,072.00					$81,500.00
Leader of the Gov't in Senate (Senate)														$81,500.00	
Deputy House Leader			$7,156.00		$21,329.00	$22,713.00		$5,253.00							$16,800.00
Deputy Leader of the Gov't in Senate (Senate)														$38,700.00	
Government Whip	$20,801.93	$12,732.00	$14,311.00	$7,506.00	$21,329.00	$31,798.00	$26,307.00	$5,253.00	$3,848.00*	$13,517.00				$11,800.00	$30,500.00
Deputy Government Whip	$15,601.45	$9,552.00	$7,156.00		$14,569.00	$18,170.00								$5,900.00	$11,900.00
Government Caucus Chair	$20,801.93		$14,086.00	$6,470.00	$14,569.00	$22,713.00	$8,000.00	$10,506.00				$2,980.00	$3,240.00	$6,900.00	$11,900.00
Deputy Government Caucus Chair			$7,156.00												
Leader Official Opposition	$52,004.83	$63,648.00	$48,969.00	$50,930.00	$64,336.00	$68,138.00	$55,300.00	$49,046.51	$48,982.00	$54,072.00	$40,810.00			$38,700.00	$81,500.00
Off. Opp. House Leader	$20,801.93	$15,912.00	$14,311.00	$7,506.00	$21,329.00	$31,798.00	$8,000.00	$10,506.00	$4,576.00*	$27,033.00					$42,200.00
Deputy House Leader of Official Opposition			$7,156.00		$10,489.00	$18,170.00		$5,253.00		$18,457.00					$16,800.00
Deputy Leader of the Opposition			$14,311.00											$24,500.00	
Off. Opp. Whip	$20,801.93	$9,552.00	$14,311.00	$6,007.00	$16,317.00	$27,255.00	$19,730.25	$5,253.00	$3,848.00*	$13,517.00				$6,900.00	$30,500.00
Deputy Official Opposition Whip	$15,601.45	$7,632.00	$7,156.00		$10,489.00	$18,170.00								$3,100.00	$11,900.00
Off. Opp. Caucus Chair	$20,801.93		$14,311.00	$6,470.00	$14,569.00	$20,441.00	$8,000.00	$10,506.00		$13,517.00		$2,980.00	$9,549.00	$5,900.00	$11,900.00
Off. Opp. Deputy Caucus Chair			$7,156.00												
Leader 2nd Opposition	$26,002.42	$28,644.00	$24,484.00	$42,927.00	$41,608.00	$31,798.00	$19,750.00	$24,523.25	$19,551.00	$18,918.00	$17,490.00				$57,800.00
2nd Opp. House Leader	$10,400.97	$12,732.00	$7,156.00	$6,007.00	$18,182.00	$22,713.00		$10,506.00							$16,800.00
2nd Opposition Deputy House Leader								$5,253.00							$6,000.00
2nd Opp. Whip	$10,400.97	$7,632.00	$7,156.00	$4,506.00	$14,685.00	$18,170.00	$2,500.00	$5,253.00							$11,900.00
2nd Opp. Deputy Whip															$6,000.00
2nd Opp. Caucus Chair	$10,400.97		$7,156.00	$6,470.00	$13,170.00			$10,506.00							$6,000.00
Permanent Chr - max per year	$15,601.45		$14,311.00	**$4,506.00	$16,317.00	$22,713.00		$2,101.00		$13,517.00		$4,399.00	$6,480.00	$11,800.00	$11,900.00
Permanent Vice Chr-max per yr.	$10,400.97		$7,156.00	**$3,750.00	$9,324.00	$18,170.00		$525.00		$10,333.00				$5,900.00	$6,000.00
Temp. Chair of Standing Committee (Quebec)						$13,628.00									
Member of Office of the National Assembly						$13,628.00									
All Party Committees		$200.00/mtg	$111/day	No add'l pay	No add'l pay	$125 per diem	no add'l comp	Chair/Vice		$145/mtg	No add'l pay		No add'l pay		
Other Committees									$6,372.00*	$190/mtg					
Government Committees			$111/day	No add'l pay	No add'l pay	No add'l pay	n/a	n/a			No add'l pay	No add'l	No add'l pay		
Changes	1.1% Increase Change	0% No Change	1.6% Increase Change	2% Increase Change ***Payable $194/mtg. which member presides + 50%*	0% No Change.	0% No Change Wage negotiations ongoing in public service. Decision pending	0% No Change	0% No Change	2% Increase Change **if Member does not receive add'l salary from exec. council*	0% No Change	1.5% Increase Change	0 % No Change	0 % No Change Note* - *only members beyond commuting distance to the capital are eligible*	2.1% Increase Change	1.8% Increase Change **Min. of State increased to Minister remuneration*

Number of Seats in each Canadian Legislature

Alberta	87
British Columbia	85
Manitoba	57
New Brunswick	49
Newfoundland and Labrador	40
Northwest Territories	19
Nova Scotia	51
Nunavut	22
Ontario	107
Prince Edward Island	27
Quebec	125
Saskatchewan	61
Yukon	19
House of Commons	338
Senate	105

Source: House of Assembly, October 2016

APPENDIX E

House of Assembly Committees

Government of Newfoundland and Labrador

House of Assembly Committees

1. Striking Committee

   Meets once each General Assembly to select committee membership and recommends which MHAs will sit on which committees.

2. Standing Committees

   There are 7 Standing Committees. In addition to the roles set out below, these committees can consider legislation or any other matter referred to them by the House.

   a) Government Services Committee: 7 – 17 members
      Considers the budget estimates of Transportation and Works

   b) Social Services Committee: 7 – 17 members
      Considers the budget estimates of the Department of Health and Community Services

   c) Resource Committee: 7 – 17 members
      Considers the budget estimates of Natural Resources

   d) Public Accounts Committee: 7 Members
      Considers the reports of the Auditor General and the Public Accounts of the Province

   e) Privileges and Elections: 5 Members
      Considers any matters of privilege referred to it by the House, and any changes/updates to the Code of Conduct

   f) Standing Orders Committee: 5 Members
      Reviews and makes recommendations for changes to the Standing Orders of the House

   g) Miscellaneous and Private Bills: 5 Members.
      Considers private bills which confer particular powers on individuals or private corporations

3. Select Committees

   Select Committees are struck for a particular purpose and cease to exist once they have reported.

APPENDIX F

Jurisdictional Comparison – Severance/Transition Benefits for Members

Jurisdictional Comparison - Severance/Transition Benefits for Members

Jurisdiction	Eligibility	Calculation	Other applic. Info for Calculation	Restrictions/Conditions	Payment Options
NL	Any member who ceases to be a member for any reason (includes resignations/illness/death)	1 month salary for each year of service. Prorated for partial years of service.	salary = 81.2% of gross member salary	N/A	Lump sum?
NS	Any member who dies, does not re-offer, resigns, or is defeated.	1/12 of annual idemnity and allowance for a member at the rate in force immediately before the person ceased to be a member at 1/12 of a member's months of service		If a member chooses equal payments over 12 months, transition allowance must be **ALL** paid out before the MLA pension payments commence.	Lump sum; **or** in equal amounts over 12 months.
PEI	Any member who ceases to be a member for any reason (includes resignations/illness/death)	1/2 of remuneration at the rate in force immediately before the member ceases to be a member for each year of service	Remuneration includes annual idemnity, expense allowance, and salary paid to member of Executive Council; Speaker; Deputy Speaker; Leader of Opposition; or other office holder position within Legislature	N/A	Not specified

Jurisdictional Comparison - Severance/Transition Benefits for Members

Jurisdiction	Eligibility	Calculation	Other applic. Info for Calculation	Restrictions/Conditions	Payment Options
NB	Any member who: 1) does not seek re-election or is not elected in an election; 2) resigns prior to the Assembly being dissolved for any reason other than permanent illness/infirmity; 3) resigns prior to the Assembly being dissolved due to permanent illness/infirmity; 4) dies	**Members under 1 (not pension eligible), 3 & 4 of eligibility** = 1/12 of member's annual idemnity in force immediately before the person ceased to be a member, for each session or portion of a session of pensionable service in the Assembly. **Members under 1 (pension eligible) & 2 of eligibility** = 1/12 of member's annual idemnity in force immediately before the person ceased to be a member.	Pension eligible = eligibilty for full or reduced pension under *Members' Pension Act*	**1.** Eligibility for members resigning due to <u>permanent illess/infirmity</u>, is determined by Speaker in consultation with Legislative Administration Committee by considering the opinion of a medical practionioner(s) as the Speaker/Committee consider appropriate. **2.** A member is not eligible to receive more than one transition allowance in respect of same period of service as a member **3.** Transition allowance ceases if member: - obtains full-time employment in Public Service; - is eligible to participate in a pension plan sponsored by the province; - appointed a provincial or federal judge; - appointed to Senate of Canada; - elected as Member of House of Commons; - appointed as Lieutenant-Governor; - appointed as Governor General; - becomes eligible for a pension under *Members' Pension Act* during period of time in which the member is in receipt of transition allowance	Not specified
QB	Any member who resigns (for any reason); is defeated in an election; or does not seek re-election	Twice monthly salary for each complete year of service as member (proated for partial years of service)	Monthly salary includes basic annual idemnity; and additional idemnity, if applicable (e.g. paid to member of Executive Council; Speaker; Deputy Speaker; Leader of Opposition; or other office holder position within Legislature)	Ceases if a member becomes a member again.	As lump sum, or over a period of up to 36 months.

Jurisdictional Comparison - Severance/Transition Benefits for Members

Jurisdiction	Eligibility	Calculation	Other applic. Info for Calculation	Restrictions/Conditions	Payment Options
ON	Any member who ceases to be a member for any reason (includes those who do not seek re-election; resign prior to end of term; or death of member.	**Less than 4 years =** 1/2 of average annual remuneration **4 to 8 years =** amount of average annual remuneration **Greater than 8 years =** 1 1/2 of average annual remuneration	Remuneration includes salary payable to a member, plus any additional salary (e.g. paid to member of Executive Council; Speaker; Deputy Speaker; Leader of Opposition; or other office holder position within Legislature). Average remuneration is calculated as highest over 36 consecutive mons. If member does not have 36 mons, the highest over person's longest period of consecutive mons.	A member is not eligible to receive more than one severance allowance in respect of same period of service as a member.	Not specified
MB	**Elected prior to Apr/95 :** Any member who ceases to be a member for any reason. **Elected after Apr/95 :** Any member who chooses not to run in a election; is defeated in a nomination process; or defeated in an election.	**Elected prior to Apr/95:** 1 months current basic salary for each year of service. **Elected after Apr/95:** 6 months current basic salary if member chooses not to run or is defeated in nomination process; 12 months current basic salary if member is defeated in election		A member is not eligible to receive more than one severance allowance in respect of same period of service as a member. A member who is convicted or disqualified from being a member is not eligible for severance.	**Elected prior to Apr/95:** Not specified **Elected after Apr/95:** Paid on bi-weekly basis

Jurisdictional Comparison - Severance/Transition Benefits for Members

Jurisdiction	Eligibility	Calculation	Other applic. Info for Calculation	Restrictions/Conditions	Payment Options
SK	Any member who ceases to be a member due to defeat at polls; does not stand for re-election; or resigns seat prior to dissolution (includes death).	1 month's idemnity for each year of service (prorated for partial years of service)		Not eligible if any of following occur during period of transition: - receives a pension under *Members of the Legislative Assembly Benefits Act* ; -appointed to a paid position on government board, commission or agency during period of transition; -begins employment or returns to former position/employment in government ministry, Crown corporation, agency, board or commission.	Not specified
AB	Does not provide severance/transition benefits to members.	N/A	N/A	N/A	N/A
BC	Any member who chooses not to stand for re-election or is defeated in an election (<u>does not include</u> a member who resigns or dies).	Equal to one month's basic compensation for each full term of parliament.		Discontinues if, during the transitional assistance period, a member: - is re-employed (onus is on member to notify Legislative Assembly of re-employment) - begins receiving MLA pension benefits	Not specified
NWT	Any member who resigns his/her seat; or who is a member prior to the Assembly being dissolved and does not become a member of the next Assembly.	**Speaker or Minister** = annual idemnity **Other members** = 1/12 the annual idemnity for each consecutive year of service (prorated for partial years of service)	annual idemnity = idemnity as of the day the member ceases to be a member	If a member becomes a member again following a break in service, prior service for which a transition allowances has already been paid, is not counted towards years of service.	Not specified
YK	Any member who ceases to be a member of the Legislative Assembly	**5 years or less** = 25% of aggregate **Greater than 5 years/less than 8 years** = 50% of aggregate **Greater than 8 years** = 100% of aggregate	aggreate = idemnity and salary received by member during preceding year	Employees granted a leave of absence from Government of Yukon, and serves only one term as a member, is not entitled to severance allowance	Not specified
NU	Any member who does not become a member of the subsequent Legislative Assembly; or does not continue as a member in the current Legislative Assembly	6 weeks basic annual idemnity (plus applicable allowances) for each year of service (prorated for partial years of service)	applicable allowances =those paid to members of Executive Council; Speaker; Deputy Speaker; Leader of Opposition; and other office holder positions in Legislature	N/A	Not specified

APPENDIX G

Labour force survey estimates (LFS) – Retirement age by Class of Worker

Labour force survey estimates (LFS), retirement age by class of worker[5]

annual (years)

Retirement age[1]	Class of worker	2007	2008	2009	2010	2011	2012	2013	2014	2015
Average age	Total, all retirees	61.6	61.4	62.0	62.1	62.4	62.9	63.0	63.0	63.4
	Public sector employees[2]	59.3	59.6	60.1	60.2	60.8	61.1	61.1	61.5	61.4
	Private sector employees[3]	62.0	62.1	62.4	62.8	62.9	63.3	63.8	63.3	64.1
	Self-employed (including unpaid family workers)[4]	66.1	65.3	66.3	66.0	66.0	66.4	66.7	66.4	66.7
Median age	Total, all retirees	61.1	60.7	61.7	61.6	62.3	62.6	63.2	63.3	64.0
	Public sector employees[2]	58.8	59.6	60.1	59.7	60.6	60.6	60.6	60.3	61.3
	Private sector employees[3]	62.4	62.2	62.4	62.6	63.2	63.3	64.3	64.0	64.7
	Self-employed (including unpaid family workers)[4]	64.6	63.9	65.6	65.4	65.1	65.6	65.4	65.8	66.9

1. The labour force survey asks people who are not working and who have left their last job within the year prior to being surveyed, why they left this job. One of the response categories is retired. The average or median retirement age is calculated from this variable. For a complete description of who is represented and how the age is calculated, please refer to the article Measuring retirement age in Perspectives on Labour and Income, catalogue number 75-001-XPE, summer 1997 issue.

2. Those who work for a local, provincial or federal government, for a government service or agency, a crown corporation, or a government funded establishment such as a school (including universities) or hospital.

3. Those who work as employees of a private firm or business.

4. Includes both incorporated and unincorporated working owners, self-employed persons who do not have a business and persons working in a family business without pay.

5. The Labour force survey collection of tables, starting with number 282-, is large with many possible cross-tabulations for the 10 provinces and other geographic regions. To ensure respondent's confidentiality, detailed data are suppressed. Data for Canada, Quebec, Ontario, Alberta and British Columbia are suppressed if the estimate is below 1,500, for Newfoundland and Labrador, Nova Scotia, New Brunswick, Manitoba and Saskatchewan, if the estimate is below 500, and for Prince Edward Island, under 200. For

suppression levels within census metropolitan areas (CMAs) and economic regions (ERs), use the respective provincial suppression levels above. While suppressing to protect respondent confidentiality has the added effect of blocking-out the lowest-quality LFS data, some remaining non-suppressed data in these very large LFS CANSIM tables may be of insufficient quality to allow for accurate interpretation. Please be warned that the more detailed your LFS CANSIM download, the smaller the sample size upon which your LFS estimates will be based, and the greater the risk of downloading poorer quality data.

Source: Statistics Canada. *Table 282-0051 - Labour force survey estimates (LFS), retirement age by class of worker and sex, annual (years),* CANSIM (database). Date modified: 2016-01-08

APPENDIX H

Morneau Shepell - Report to the Newfoundland & Labrador Members' Compensation Review Committee 2016

Report to the Newfoundland and Labrador Members' Compensation Review Committee 2016

Comparison of Pension Plan Design Options

October 2016

Business. Needs. People.

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Section 1 – Executive Summary

On May 12, 2016, the Speaker of the Newfoundland and Labrador House of Assembly announced the appointment of the Members' Compensation Review Committee (the "Committee"), to review and report on salaries, allowances, severance payments, and pension benefits for Members of the House of Assembly ("MHAs"). The Committee has engaged Morneau Shepell Ltd. to assist with some of the technical analysis relating to MHA pension benefits.

Pensions for MHAs are provided under the Members of the House of Assembly Pension Plan ("MHAPP" or "Plan"). The MHAPP is a defined benefit ("DB") plan, whereby upon retirement, individuals will receive a pension that is payable for their lifetime. For a given Plan member, the total pension is based on a prescribed formula which is dependent upon earnings and service as an MHA.

With respect to its deliberations on pension benefits, the Committee has indicated two main goals:

1. to develop an MHA pension plan that is sustainable into the future; and
2. to cap (or preferably reduce) the unfunded liability associated with the Plan.

In addressing the Plan's unfunded liability, it is important to outline the framework in which retirement programs operate in Canada, and the history of the MHAPP itself. The *Income Tax Act* provides favorable tax treatment to "Registered" retirement programs; Registered Pension Plans ("RPPs") or Registered Retirement Savings Plans ("RRSPs"). Monies set aside under an RPP or RRSP do not incur tax 'in-hand', and investment earnings grow tax-free. This encourages retirement saving and the pre-funding of RPP benefits.

The ITA and Regulations prescribe certain limits on the benefits that can be provided under an RPP. Historically, the MHAPP has provided benefits that exceed the limits prescribed for RPPs, meaning that the total MHA pension is then payable from two sources:

1. the RPP portion of the Plan, which provides benefits up to the limits prescribed by the *Income Tax Act*; and
2. the supplementary ("SERP") portion of the Plan, which provides all benefits that are in excess of the amounts that can be paid from the RPP.

SERP benefits are not afforded the same favorable tax treatment as RPPs. For this reason, Government has elected not to pre-fund the SERP. This in turn means that there will always be an unfunded liability equal to the SERP obligations.

Also significant for the consideration of the current unfunded liability is the fact that all individuals who retired prior to January 1, 2004 are paid under the SERP. At this point, the MHAPP was amended to formally recognize the RPP and SERP portions of the Plan, and funding of the RPP began. However, for individuals who were already retired at this date, the decision was made to continue to pay all benefits for these members from the SERP. This means that the relative size of the SERP is larger than it otherwise would be, and the unfunded liability would be expected to decline over time as these benefits are paid and settled.

While a modest unfunded liability currently exists in respect of the RPP portion of the Plan, it has not been a part of our analysis. This decision was made because of the relatively small size of the RPP unfunded liability, which would normally be dealt with by the decision to make special payments towards its elimination.

The Committee has identified two design options for consideration; a hybrid DB/DC design ("Option 1"), and a redesigned DB plan ("Option 2"). In both cases, the re-designs represent significant overall reductions in the level of benefits targeted by the Plan, which will then naturally translate to reductions in the associated costs. Importantly, we understand that any changes in pension benefits will only be applied to MHAs first elected to the 48th General Assembly in the November 30, 2015 general election, and any MHAs who are elected in the future ("Post-47th MHAs").

Under Option 1, Plan members would earn benefits on a defined contribution ("DC") basis for their first 8 years of service, and benefits earned in years 9 onwards would be on a DB basis. Only benefits that can be provided under an RPP have been considered; the earliest unreduced retirement date is increased to age 60, the DB accrual rate is set at 2% of final average earnings and capped at the maximum allowable under the ITA, and the DC contributions are set as 9% matching for both MHAs and Government.

Under Option 2, Plan members would continue to earn benefits on a DB basis for all years of service. The earliest unreduced retirement date is again increased to age 60, and the accrual rate for the determination of pensions at retirement is reduced to 2.5% of final average earnings for each year of service from the current level of 3.5%. While these two factors greatly reduce the level of SERP benefit, a modest SERP would remain because the accrual rate exceeds the maximum of 2% allowed under the ITA for RPPs.

Morneau Shepell has assisted the Committee by providing the following analysis:

1. Both the short-term and long-term impact on the cost to Government of benefits earned by MHAs has been reviewed. For these purposes, costs have been measured on the basis used by Government for accounting disclosure purposes.

2. A comparative analysis of the expected evolution of the Plan's unfunded liability.

3. Comparative benefits have been provided for various sample MHAs.

Under both Option 1 and Option 2, Government's costs relating to the Plan would be significantly reduced. Currently, Government's cost of providing 1 year of service to all MHAs, as measured on an accounting basis, is 33.5% of payroll. Because of prior changes made to the Plan, this would be expected to reduce to 29.7% in the long-term. In 2016, the immediate reduction in Government's cost from implementing Option 1 is a reduction of 10.2% of payroll. In the long-term, Government would expect to realize a reduction of 21.1% of payroll each year. Implementing Option 2 would mean an immediate reduction in Government's cost of 9.0% of payroll in 2016, and a long-term reduction of 18.5% of payroll each year.

The goal of curtailing the Plan's unfunded liability is met with the implementation of either option. Both greatly reduce the level of SERP benefits provided, which will accelerate the decline of the associated unfunded liability. Option 1 eliminates the SERP completely, which means that over the very long-term, it would be reasonable to expect the unfunded liability to be eliminated. Because

Option 2 retains some SERP benefits, a modest unfunded liability would persist, though it would be greatly reduced from today's level over time.

Both options therefore appear to meet the Committee's financial goals with respect to pensions. The decision would then hinge on an examination of benefit adequacy and the overall retirement goals for MHAs. With the introduction of a significant DC component under Option 1, much of the variability of Government's costs associated with the provision of retirement benefits for MHAs would be greatly reduced. This comes at the expense of the Member, whereby the risk and variability associated with retirement saving on a DC basis is transferred to the individual. Option 2 retains the Plan's traditional DB structure, whereby Members have greater certainty around their retirement benefits, and the risk associated with the funding of retirement benefits remains the responsibility of Government. This is the key distinction and decision point when choosing between the two.

We would like to express our appreciation to the Committee for the opportunity to assist them in this review. We are, of course, available for additional discussion on any of the aspects contained in our report.

Morneau Shepell Limited

Stephen Kelloway, FCIA
Principal

Section 2 - Introduction

2.1 Background

With respect to its deliberations on pension benefits, the Committee has indicated the following two main goals:

1. to develop an MHA pension plan that is sustainable into the future; and
2. to cap (or preferably reduce) the unfunded liability associated with the Plan.

The Committee has indicated that, as part of its review, it wishes to assess two possible re-design options. Morneau Shepell has been retained to provide technical assistance in this exercise. Our analysis of the options focuses on three elements:

1. a review of the impact on the costs to Government associated with the Plan;
2. a review of the impact on the unfunded liability associated with the Plan; and
3. a comparative analysis of the individual pension benefits that might be expected from the Plan.

The following sections provide some background and detail on the methodologies used to perform this analysis.

2.2 Methodology Applied For Financial Analysis of Plan Costs

Because the Committee's goals relate to the control of the financial aspects of the Plan, and particularly, the unfunded liability, our financial analysis has been based on Government's accounting treatment of the MHAPP. In this manner, our analysis illustrates the relative impact on the amounts and costs which Government recognizes in respect of the Plan.

Government's accounting disclosures in respect of its' defined benefit pension plans require a number of assumptions about future experience; this would include both economic (e.g., inflation rates, rates of salary increase, rates of investment return) and demographic (e.g., retirement rates, termination rates, mortality rates) factors. For this analysis, we have used the assumptions chosen by Government for its March 31, 2016 accounting disclosures, other than the rate of salary increase, where the Committee requested that we assume no MHA salary increases are granted for the next four years. Salary increases are then assumed to increase at a rate of 3.00% per year. A complete description of the assumptions used is included in Appendix B.

In measuring the Plan obligations and costs, Government follows Public Sector accounting standards. This standard generally calls for different treatment of the RPP (as a funded plan) and the SERP (as an unfunded plan) with respect to the discount rate used in determining the Plan obligations and costs (which are essentially a measure of the present value of future expected benefit payments). In this case, the discount rate used for the funded RPP is equal to the expected return on the invested Plan assets (6.5% at March 31, 2016), while the rate used for the unfunded SERP is Government's estimated long-term borrowing costs (3.7% at March 31, 2016).

There are several key factors to point out relating to this chosen method of measurement:

1. The different discount rates used for the two components of the Plan have a significant impact on the measurement of Plan costs. As an example, measuring the RPP portion of the Plan using the March 31, 2016 cost of borrowing rate of 3.7% would increase liabilities by approximately 70%.

   Therefore, it should be clear that our calculations reflect the potential impact on Government's accounting costs associated with the Plan. Other methods could be used to measure the value of these benefits, and it would not necessarily be accurate to portray these amounts as "the value" of the benefits provided to members.

2. For all calculations, we have assumed that there will be no change in the underlying assumptions used over time, and that actual experience in the future precisely matches these assumptions. In reality, actual experience will differ over time, and assumptions will be updated as deemed appropriate by Government.

   Of particular note is the cost of borrowing rate used for the discount rate applicable to the measurement of the SERP obligations. In general, this rate is reviewed and changed each year, as a result of fluctuations in bond market yields. In the past, the rate has changed up to 1% over a 12-month period.

3. Given the changes in benefits that have occurred over time in the Plan, the current service cost determine in respect of the accrual of service is expected to change over time as MHAs who are entitled to an older version of benefits are ultimately replaced by newly elected MHAs who will fall under a different set of benefit provisions. To reflect this circumstance, Plan costs were determined on two bases.

   First, the impact on the 2016 current service cost was measured for any given plan change by modeling the change on the Post-47th MHAs only. Second, to estimate the long-term impact, the given plan change was overlaid on the entire active population, as a simulation of what the ultimate population may look like.

All calculations were based on the preliminary valuation results of the MHAPP as at December 31, 2015. We note that these results are considered preliminary because of several outstanding data questions which are yet to be resolved. However, we do not believe these items to be material in relation to the current exercise, and deem the data appropriate for this analysis.

2.3 Methodology Applied For Extrapolation of the SERP Unfunded Liability

Because the unfunded liability related to the SERP is both the most significant portion of the total unfunded liability, and the portion that would be expected to persist over time due to the inability to fund these benefits on a tax effective basis, our analysis has focused on this portion of the Plan only. While a modest unfunded liability currently exists in respect of the RPP portion of the Plan, it was not included, as this would normally be dealt with by the decision to make special payments towards its elimination.

As a key focus of the Committee's goals with respect to pensions, it was important to provide some analysis as to how the SERP unfunded liability was expected to evolve over time. For a small plan such as this, no formal projection of obligations is performed as a part of the normal course of actuarial work, nor would it necessarily be feasible given the complexity of historic benefits.

To model the potential evolution of the SERP unfunded liability, the current unfunded liability was extrapolated forward, reflecting the accrual of interest, the payment of estimated benefits, and the accrual of service over 10 years. The accrual of service was adjusted to reflect the expected evolution of the current service cost as described above in section 2.2. This methodology produces a reasonable approximation of how the unfunded liability is expected to evolve, but should be considered *illustrative* of the relative impact the changes will have rather than *predictive* of the level of the unfunded liability in 10 years.

2.4 Methodology Applied For Financial Analysis of Comparative Plan Benefits

The final component of our analysis in support of the Committee's deliberations relates to a comparison of the benefits that might be payable under the various designs. When comparing the pensions provided under the current design and Option 2, the analysis is relatively straight-forward because both designs remain DB.

In the case of Option 1, the comparison becomes more complex. With the introduction of the DC provisions, the benefits that might be provided as a lifetime income are less readily discernible, and will depend upon individual investment choices, capital market returns, and the manner in which individuals opt to receive their retirement income once retiring.

In addition, the introduction of a DC component would have a different relative impact for different members, depending upon their age when elected and how long they serve as an MHA.

To capture these factors, the Committee decided to compare benefits for members with the following profiles:

- age 30, 40, and 50 at date of first election;
- service as an MHA for 8, 12, and 20 years; and
- an individual whose entire career is served as a Member only, and an individual whose entire career is served as a Minister.

When modeling the expected retirement benefits that might be provided from an individual's DC account balance, we made allowance for the following factors:

1. To illustrate the potential variability due to investment return and investment choices, we first examined the expected return that would be derived for a typical 'balanced' investment approach of 60% equities and 40% fixed income, and that the mix is unchanged over the career of all members. Based on our internal modeling, we expect a net annual return of 5.50% for this asset mix.

   We next examined the potential variability around these returns that might be realized over a 20 year period, and determined a range of returns that would be expected to capture 50% of outcomes. This range was determined as 4.00% to 7.00%. More specifically, this means that:

(a) there is a 25% likelihood that returns would be 7.00% per year or higher,

(b) there is a 50% likelihood that returns would be between 4.00% and 7.00% per year, and

(c) there is a 25% likelihood that returns would be less than 4.00% per year.

We have then showed returns for the sample members at each of these three thresholds, and have labeled them as the 'low', 'moderate', and 'high' expected returns.

2. Upon reaching retirement, to illustrate the comparative lifetime retirement income that might be derived from an individual's DC account balance, we assumed that the Member elected to purchase a life annuity from an insurance company. In this manner, the form of payment at retirement is equivalent between the two plan design options, which provides for direct comparability.

For a complete description of the assumptions and methods used in our analysis, please see Appendix B.

Section 3 – Summary of Current and Redesign Plan Terms

3.1 Current Plan Terms

The provisions of the MHAPP are prescribed in the *Members of the House of Assembly Retiring Allowances Act*.

The benefits under the current MHAPP differ for individual MHAs based on when they were first elected, as a result of changes which have been introduced over time. The last changes were introduced for MHAs first elected after December 31, 2009. If no additional changes were implemented as a result of the Committee's work, newly elected MHAs from the November 30, 2015 election would receive these benefits. Our comparisons of benefits therefore focus on this iteration of benefits. We note that a complete description of the current Plan provisions, including provisions applicable to MHAs first elected prior to January 1, 2010 are provided in Appendix A.

The current Plan design provides pension amounts that are based on a given MHA's best final average earnings over a 3-year period ("FAE"). Periods of service and earnings as a Member and a Minister are tracked separately, such that Ministerial earnings do not impact an MHA's pension in years that they were not a Minister.

Pensions are determined as 3.5% of final average earnings for each year of service. They are subject to an offset at age 65 equal to 0.6% of the average Year's Maximum Pensionable Earnings ("YMPE", as defined under the Canada Pension Plan) for each year of service. MHAs may accrue a maximum of 20 years of Member and Minister service, and the total pension that is payable is subject to an overall maximum of 75% of their final average earnings.

The Plan provides a survivor pension to an eligible spouse equal to 60% of the member's pension. Pensions do not receive any form of guaranteed indexing, either prior to or following retirement.

MHAs vest, meaning they are entitled to receive their accrued pension (based upon the retirement eligibility provisions) upon termination, if they have been elected in two General Assemblies and have accrued at least 5 years of service. Any MHA who does not meet the vesting criteria is entitled to a refund of their contributions with interest.

MHAs are entitled to retire with an unreduced pension at age 55. They may elect to retire as early as age 50, subject to an early retirement reduction of 6.0% for each year that actual retirement precedes age 55.

In considering alternative design options, the Committee has focused on three main elements:

1. The type of retirement benefits provided (DB or DC);

2. The date at which Plan members will be eligible to retire; and

3. The level of targeted benefit, which manifests as the pension accrual rate for each year of service on a DB basis and as the level of member and sponsor contribution on a DC basis.

Other factors, such as survivor benefits, vesting, and the earnings base upon which benefits are determined have remained unchanged.

For reference, the following table provides a summary of the key benefit differences.

	Current Plan As applicable to Post December 31, 2009 MHAs	**Option 1**	**Option 2**
Type of Plan	DB	DB/DC Hybrid DC for first 8 years, DB from years 9 onwards	DB
Earliest Unreduced Retirement Date	55	60	60
Contributions: ➢ **Member** ➢ **Government**	 9% of pay Additional amount required to fund benefits	 9% of pay 9% of pay in first 8 years Additional amount required to fund benefits in years 9 onwards	 9% of pay Additional amount required to fund benefits
DB Accrual Rate	3.5%	2.0%	2.5%
CPP Integration	0.6%	0.0%	0.6%
Benefits Capped by ITA Limits?	No	Yes	No

3.2 Option 1 Plan Terms

Under Option 1, retirement benefits would be provided on a DB/DC hybrid basis. MHAs would receive DC benefits in their first 8 years of service, such that Plan members and Government each contribute 9% of earnings to the accounts of the individual members. Members would (presumably) be responsible for the selection of investment options, and the retirement income they ultimately receive will depend on the performance of those investments.

Starting in their 9^{th} year, Plan members would accrue benefits on a 2.0% DB accrual basis. Benefits would not be integrated with CPP at age 65. The earnings base would remain unchanged from the current Plan, as a best 3-year average, with separate recognition of Member and Minister earnings and service. In respect of both the DB and DC benefits, members would be eligible to retire with an unreduced pension at age 60.

Importantly, only RPP benefits would be provided. No SERP benefits would be provided in respect of earnings or benefits which exceed the *Income Tax Act* limits for RPPs. Contributions to a Member's DC account would be subject to the Money Purchase limit ("MP Limit", currently $26,010 in 2016), and lifetime pension benefits would be subject to the Defined Benefit limit ("DB Limit", currently $2,890 per year of credited service for members retiring in 2016).

With the change in retirement age and capping of benefits at the ITA limits, no SERP benefits would accrue for Post-47th MHAs. Over the very long term, this means the obligations (and resulting unfunded liability) related to the SERP would disappear.

3.3 Option 2 Design

Under Option 2, retirement benefits would continue to be provided on a DB basis. All benefit provisions would remain unchanged from the current design, with two exceptions:

1. the accrual rate would be reduced to 2.5% per year of service, subject to a 0.6% CPP reduction at age 65; and
2. MHAs would first be eligible to retire with an unreduced pension at age 60.

In this case, these two changes greatly reduce the level of SERP benefit associated with the Plan. A modest SERP would remain even in the very long term, due to the level of the accrual rate.

Section 4 – Impact on Government Costs

4.1 Government's Cost of Benefits

The following table shows Government's total current service cost, as measured on an accounting basis, in respect of MHAPP benefits under the current design, and Options 1 and 2. Also shown is the expected long-term current service cost, which reflects the gradual movement of the population to a given benefit structure over time.

Current Plan Design vs. Options 1 and 2			
	Current Plan Design	*Option 1* Hybrid - Capped @ MP/DB Limit	*Option 2* DB - 2.5% Accrual, Uncapped
Government's Current Service Cost as a Percentage of Payroll in 2016	33.5%	23.3%	24.5%
- Immediate Reduction		10.2%	9.0%
- Difference Between Options 1 & 2			1.2%
Estimate of Government's Long-Term Current Service Cost as a Percentage of Payroll	29.7%	8.6%	11.2%
- Expected Long-Term Reduction		21.1%	18.5%
- Expected Long-Term Difference Between Options 1 & 2			2.5%

4.2 Observations

Following are some key observations from the preceding chart.

1. Government's annual cost under the current Plan design can be expected to gradually decline as the impact of the December 31, 2009 changes are fully realized. Currently, some MHAs are still accruing the more generous and more costly pre-2010 benefits. These benefits will gradually be reduced, as new MHAs are elected in future elections. When all current MHAs who accrue pre-2010 benefits have left active membership, Government's annual current service cost would be reduced to 29.7% of payroll, a reduction of 3.8%.

2. Both Options 1 and 2 would provide a significant reduction in Government's cost of benefits under the Plan. Again, because 50% of the membership will continue to accrue benefits under the current and prior iterations of design, there will be a greater impact over time.

3. Option 1 provides the greatest reduction in Government's expected costs. In 2016, the immediate reduction is 10.2% of payroll to 23.3%. Over the long-term, expected annual costs reduce to 8.6% of payroll; a reduction of 21.1% of payroll when compared to the current Plan design.

4. Option 2 would provide an immediate reduction in Government's annual costs of 9.0% of payroll. In the long-term, Government's cost reduces by 18.5% of payroll.

5. Comparatively, Option 1 provides a short-term savings of 1.2% of payroll per year, and a long-term expected savings of 2.5% of payroll.

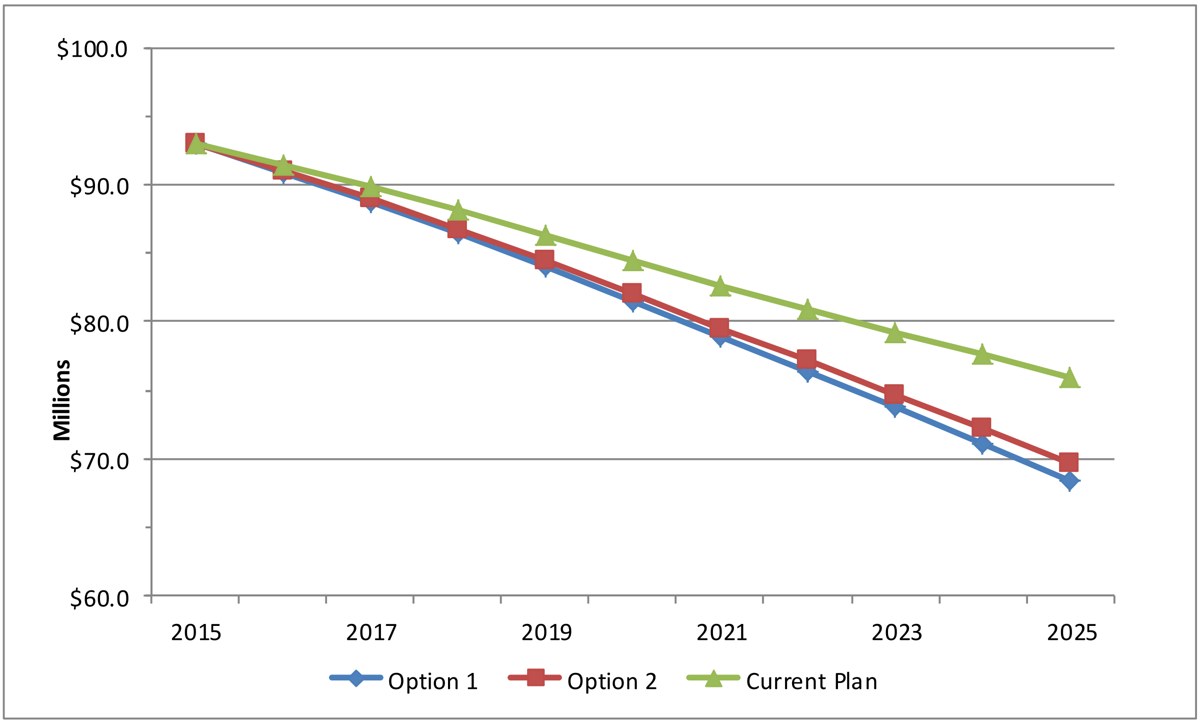
Section 5 – Impact on the Unfunded Liability

5.1 Illustrative Projection of the Unfunded Liability

One of the Committee's goals was to either cap or reduce the unfunded liability in the Plan. The next portion of our analysis focuses on the potential impact the design changes might have on the Plan's unfunded liability. As discussed in section 2, our analysis focuses on the unfunded liability associated with the SERP portion of the Plan, because it is the portion of the unfunded liability that will persist as a result of the decision to not pre-fund these benefits.

Because any benefit changes will be applied prospectively to newly elected MHAs only, the impact on the unfunded liability will change over time. To provide an illustration of the potential impact of the proposed Plan changes, we have extrapolated the current unfunded liability over a ten year period.

Chart 5.1 - Extrapolation of MHAPP SERP Unfunded Liability
Comparison of Plan Design Options



5.2 Observations

Several key conclusions can be drawn from this analysis:

1. The MHAPP unfunded liability relating to the SERP portion of the Plan will naturally decline over time. This is the result of the aging and decline of the pre-2004 retiree group, for whom all benefits are paid from the SERP, and the plan changes that have been made over the years which reduced the level of SERP benefits being accrued (i.e., reductions in accrual rates and delay of early unreduced retirement eligibility to age 55).

   On the March 31, 2016 accounting basis, the unfunded liability would be expected to decline from the current $93.0 million to $76.0 million by December 31, 2025 under the current Plan design.

2. Under Options 1 and 2, the unfunded liability will decrease at a slightly faster rate than the current design, because of the reduced level of SERP benefits associated with these designs.

3. Under Option 1, the unfunded liability would be expected to reduce by an additional $7.5 million by December 31, 2025 to $68.5 million. Over the very long-term (potentially up to 70 years), the unfunded liability would be eliminated, when the final individual entitled to the payment of SERP benefits is deceased.

4. Under Option 2, the unfunded liability would be expected to reduce to $69.7 million by December 31, 2015, an additional $6.3 million reduction when compared to the status quo. In this case, over the long-term the unfunded liability would be greatly reduced compared to current levels, but would continue indefinitely because some SERP benefits are still accruing.

Section 6 – Benefit Comparisons

6.1 Benefit Comparisons

Following is our analysis of the comparative benefits that might be expected under the current plan design and proposed Options 1 and 2. For this analysis, we have presented projections of the lifetime retirement income with the following comparisons:

1. Option 1 vs Current Design
2. Option 2 vs Current Design
3. Option 1 vs Option 2

The comparisons are shown in a series of tables, with results for two specific cases. First, for an MHA who serves all periods as a backbencher ("Member"), and second, for an MHA who serves all periods as a cabinet minister ("Minister"). Each table then shows comparative benefits under two Plan designs, both in nominal terms based on the assumed rate of increase in salaries, and as a percentage of the member's final average earnings upon terminating active membership.

To capture the variability associated with the DC component of Option 1, benefits are shown at three levels of assumed investment return; low (4.0%), moderate (5.5%), and high (7.0%), as discussed in section 2. This gives an indication of the potential volatility that is associated with the lifetime pension benefits that may be derived from a DC plan, which would be dependent upon individual investment experience. Additionally, benefits are shown separately for members first elected at ages of 30, 40, and 50. Again, under a DC arrangement there is additional volatility in the ultimate level of retirement benefit that might be expected based on age, because of the different investment horizons.

Finally, in each table the projected benefits are shown for MHAs who serve for 8, 12, and 20 years. In all cases, members are assumed to retire at the later of age 60 and the age at which they would be assumed to leave the legislature based on the service scenario. As an example, for the scenario of an MHA serving 12 years, both the 30 and 40 year old are assumed to retire at age 60, while the 50 year old is assumed to retire at age 62 (50 + 12 = 62).

It is important to note that these amounts are presented as the actual *projected* benefits, based on the assumed rates of annual salary increase (3.00% in the long-term). Therefore, the amounts shown should not be considered in absolute terms – it would be misleading to use these amounts as an indication of adequacy in the context of 'today's dollars'. Rather, the relative size of the benefits provided between the options should be considered.

In this phase of our analysis, we have focused only on the level of lifetime retirement income under each Plan design. There are other benefit differences between the options which are not illustrated; most notably, the ability for MHAs to retire with an unreduced pension at age 55 under the current Plan design, and the additional payment of the CPP offset prior to age 65 under both the current Plan design and Option 2.

Table 6.1A – Option 1 vs. Current Plan Design, Member

Scenario: Member							
	Option 1			*Current Plan Design*	*Relative Size of Option 1 Pension*		
Plan Design	***Hybrid - Capped @ MP/ITA Limits***			***DB - 3.5% Accrual, Uncapped***	***vs Current Design Pension***		
Age First Elected	***30***	***40***	***50***	***All Ages***	***30***	***40***	***50***
- 8 Years as Member							
Low Return (4.0%)							
>> DC Account Balance @ 60	395,579	267,239	180,537	-			
>> Pension @ 60 - DC	19,737	13,456	9,178	-			
>> Pension @ 60 - DB	-	-	-	26,039			
>> Total Lifetime Pension ($)	**19,737**	**13,456**	**9,178**	**26,039**	**75.8%**	**51.7%**	**35.2%**
>> Total Lifetime Pension (% of FAE)	**18.9%**	**12.9%**	**8.8%**	**25.0%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60	575,285	336,789	197,167	-			
>> Pension @ 60 - DC	28,703	16,958	10,024	-			
>> Pension @ 60 - DB	-	-	-	26,039			
>> Total Pension ($)	**28,703**	**16,958**	**10,024**	**26,039**	**110.2%**	**65.1%**	**38.5%**
>> Total Pension (% of FAE)	**27.5%**	**16.3%**	**9.6%**	**25.0%**			
High Return (7.0%)							
>> DC Account Balance @ 60	833,103	423,507	215,290	-			
>> Pension @ 60 - DC	41,566	21,324	10,945	-			
>> Pension @ 60 - DB	-	-	-	26,039			
>> Total Pension ($)	**41,566**	**21,324**	**10,945**	**26,039**	**159.6%**	**81.9%**	**42.0%**
>> Total Pension (% of FAE)	**39.9%**	**20.5%**	**10.5%**	**25.0%**			
- 12 Years as Member							
Low Return (4.0%)							
>> DC Account Balance @ 60/62	395,579	267,239	195,269	-			
>> Pension @ 60/62 - DC	19,737	13,456	10,305	-			
>> Pension @ 60/62 - DB	9,385	9,385	9,385	43,962			
>> Total Lifetime Pension ($)	**29,122**	**22,841**	**19,690**	**43,962**	**66.2%**	**52.0%**	**44.8%**
>> Total Lifetime Pension (% of FAE)	**24.8%**	**19.5%**	**16.8%**	**37.5%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60/62	575,285	336,789	219,452	-			
>> Pension @ 60/62 - DC	28,703	16,958	11,581	-			
>> Pension @ 60/62 - DB	9,385	9,385	9,385	43,962			
>> Total Pension ($)	**38,088**	**26,343**	**20,966**	**43,962**	**86.6%**	**59.9%**	**47.7%**
>> Total Pension (% of FAE)	**32.5%**	**22.5%**	**17.9%**	**37.5%**			
High Return (7.0%)							
>> DC Account Balance @ 60/62	833,103	423,507	246,485	-			
>> Pension @ 60/62 - DC	41,566	21,324	13,008	-			
>> Pension @ 60/62 - DB	9,385	9,385	9,385	43,962			
>> Total Pension ($)	**50,951**	**30,709**	**22,393**	**43,962**	**115.9%**	**69.9%**	**50.9%**
>> Total Pension (% of FAE)	**43.4%**	**26.2%**	**19.1%**	**37.5%**			
- 20 Years as Member							
Low Return (4.0%)							
>> DC Account Balance @ 60/70	395,579	267,239	267,239	-			
>> Pension @ 60/70 - DC	19,737	13,456	17,042	-			
>> Pension @ 60/70 - DB	35,666	35,666	35,666	92,826			
>> Total Lifetime Pension ($)	**55,403**	**49,122**	**52,708**	**92,826**	**59.7%**	**52.9%**	**56.8%**
>> Total Lifetime Pension (% of FAE)	**37.3%**	**33.1%**	**35.5%**	**62.5%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60/70	575,285	336,789	336,789	-			
>> Pension @ 60/70 - DC	28,703	16,958	21,477	-			
>> Pension @ 60/70 - DB	35,666	35,666	35,666	92,826			
>> Total Pension ($)	**64,369**	**52,624**	**57,143**	**92,826**	**69.3%**	**56.7%**	**61.6%**
>> Total Pension (% of FAE)	**43.3%**	**35.4%**	**38.5%**	**62.5%**			
High Return (7.0%)							
>> DC Account Balance @ 60/70	833,103	423,507	423,507	-			
>> Pension @ 60/70 - DC	41,566	21,324	27,007	-			
>> Pension @ 60/70 - DB	35,666	35,666	35,666	92,826			
>> Total Pension ($)	**77,232**	**56,990**	**62,673**	**92,826**	**83.2%**	**61.4%**	**67.5%**
>> Total Pension (% of FAE)	**52.0%**	**38.3%**	**42.2%**	**62.5%**			

Table 6.1B – Option 1 vs. Current Plan Design, Minister

Scenario: Minister							
	Option 1			*Current Plan Design*	*Relative Size of Option 1 Pension*		
Plan Design	*Hybrid - Capped @ MP/ITA Limits*			*DB - 3.5% Accrual, Uncapped*	*vs Current Design Pension*		
Age First Elected	***30***	***40***	***50***	***All Ages***	***30***	***40***	***50***
- 8 Years as Member/Minister							
Low Return (4.0%)							
>> DC Account Balance @ 60	616,740	416,647	281,472	-			
>> Pension @ 60 - DC	30,771	20,979	14,310	-			
>> Pension @ 60 - DB	-	-	-	42,588			
>> Total Lifetime Pension ($)	**30,771**	**20,979**	**14,310**	**42,588**	**72.3%**	**49.3%**	**33.6%**
>> Total Lifetime Pension (% of FAE)	**18.8%**	**12.8%**	**8.8%**	**26.1%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60	896,698	524,954	307,324	-			
>> Pension @ 60 - DC	44,739	26,432	15,624	-			
>> Pension @ 60 - DB	-	-	-	42,588			
>> Total Pension ($)	**44,739**	**26,432**	**15,624**	**42,588**	**105.1%**	**62.1%**	**36.7%**
>> Total Pension (% of FAE)	**27.4%**	**16.2%**	**9.6%**	**26.1%**			
High Return (7.0%)							
>> DC Account Balance @ 60	1,298,242	659,960	335,490	-			
>> Pension @ 60 - DC	64,773	33,230	17,056	-			
>> Pension @ 60 - DB	-	-	-	42,588			
>> Total Pension ($)	**64,773**	**33,230**	**17,056**	**42,588**	**152.1%**	**78.0%**	**40.0%**
>> Total Pension (% of FAE)	**39.7%**	**20.3%**	**10.4%**	**26.1%**			
- 12 Years as Member/Minister							
Low Return (4.0%)							
>> DC Account Balance @ 60/62	616,740	416,647	304,440	-			
>> Pension @ 60/62 - DC	30,771	20,979	16,067	-			
>> Pension @ 60/62 - DB	14,707	14,707	14,707	71,901			
>> Total Lifetime Pension ($)	**45,478**	**35,686**	**30,773**	**71,901**	**63.3%**	**49.6%**	**42.8%**
>> Total Lifetime Pension (% of FAE)	**24.7%**	**19.4%**	**16.7%**	**39.1%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60/62	896,698	524,954	342,060	-			
>> Pension @ 60/62 - DC	44,739	26,432	18,052	-			
>> Pension @ 60/62 - DB	14,707	14,707	14,707	71,901			
>> Total Pension ($)	**59,446**	**41,139**	**32,759**	**71,901**	**82.7%**	**57.2%**	**45.6%**
>> Total Pension (% of FAE)	**32.3%**	**22.4%**	**17.8%**	**39.1%**			
High Return (7.0%)							
>> DC Account Balance @ 60/62	1,298,242	659,960	384,103	-			
>> Pension @ 60/62 - DC	64,773	33,230	20,271	-			
>> Pension @ 60/62 - DB	14,707	14,707	14,707	71,901			
>> Total Pension ($)	**79,480**	**47,937**	**34,977**	**71,901**	**110.5%**	**66.7%**	**48.6%**
>> Total Pension (% of FAE)	**43.2%**	**26.1%**	**19.0%**	**39.1%**			
- 20 Years as Member/Minister							
Low Return (4.0%)							
>> DC Account Balance @ 60/70	616,740	416,647	416,647	-			
>> Pension @ 60/70 - DC	30,771	20,979	26,570	-			
>> Pension @ 60/70 - DB	55,890	55,890	55,890	151,812			
>> Total Lifetime Pension ($)	**86,661**	**76,869**	**82,460**	**151,812**	**57.1%**	**50.6%**	**54.3%**
>> Total Lifetime Pension (% of FAE)	**37.2%**	**33.0%**	**35.4%**	**65.2%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60/70	896,698	524,954	524,954	-			
>> Pension @ 60/70 - DC	44,739	26,432	33,477	-			
>> Pension @ 60/70 - DB	55,890	55,890	55,890	151,812			
>> Total Pension ($)	**100,629**	**82,322**	**89,366**	**151,812**	**66.3%**	**54.2%**	**58.9%**
>> Total Pension (% of FAE)	**43.2%**	**35.4%**	**38.4%**	**65.2%**			
High Return (7.0%)							
>> DC Account Balance @ 60/70	1,298,242	659,960	659,960	-			
>> Pension @ 60/70 - DC	64,773	33,230	42,086	-			
>> Pension @ 60/70 - DB	55,890	55,890	55,890	151,812			
>> Total Pension ($)	**120,663**	**89,120**	**97,976**	**151,812**	**79.5%**	**58.7%**	**64.5%**
>> Total Pension (% of FAE)	**51.8%**	**38.3%**	**42.1%**	**65.2%**			

6.2 Observations, Option 1 vs Current Plan

The following may be observed form the preceding tables.

1. In the majority of circumstances examined, the benefits provided under Option 1 represent a significant decrease when compared to the current Plan design.

2. Not surprisingly, if market returns are high, the DC component of the Plan will provide superior benefits to younger, shorter service members.

3. For older, short service members, the benefits provided under Option 1 are low. Because of the short investment horizon, market returns have less impact on the expected retirement income.

   As an example, in the case of the age 50/8 year member no DB benefits are accrued and the expected replacement ratio ranges from 8.8% of FAE in the low return scenario to 10.4% in the high return scenario. This would be considered a relatively low contribution towards an individual's retirement planning, whereby between 1.1% and 1.3% of final earnings are provided for each year of service. As an external comparison, Government's other major DB retirement programs (such as the Public Service Pension Plan or Teachers' Pension Plan) target in the vicinity of 1.7% of final earnings per year of service for an individual earning $100,000 (after allowing for integration with CPP).

Table 6.2A – Option 2 vs. Current Plan Design, Member

Scenario: Member

Plan Design	*Option 2* *DB - 2.5% Accrual, Uncapped*	*Current Plan Design* *DB - 3.5% Accrual, Uncapped*	*Relative Size of Option 2 Pension* *vs Current Design Pension*
Age First Elected	*All Ages*	*All Ages*	*All Ages*
- 8 Years as Member			
Return (n/a)			
>> DC Account Balance @ 60	-	-	
>> Pension @ 60 - DC	-	-	
>> Pension @ 60 - DB	17,700	26,039	
>> Total Lifetime Pension ($)	**17,700**	**26,039**	**68.0%**
>> Total Lifetime Pension (% of FAE)	**17.0%**	**25.0%**	
- 12 Years as Member			
Return (n/a)			
>> DC Account Balance @ 60/62	-	-	
>> Pension @ 60/62 - DC	-	-	
>> Pension @ 60/62 - DB	29,885	43,962	
>> Total Lifetime Pension ($)	**29,885**	**43,962**	**68.0%**
>> Total Lifetime Pension (% of FAE)	**25.5%**	**37.5%**	
- 20 Years as Member			
Return (n/a)			
>> DC Account Balance @ 60/70	-	-	
>> Pension @ 60/70 - DC	-	-	
>> Pension @ 60/70 - DB	63,104	92,826	
>> Total Lifetime Pension ($)	**63,104**	**92,826**	**68.0%**
>> Total Lifetime Pension (% of FAE)	**42.5%**	**62.5%**	

Table 6.2B – Option 2 vs. Current Plan Design, Minister

Scenario: Minister

Plan Design	*Option 2* *DB - 2.5% Accrual, Uncapped*	*Current Plan Design* *DB - 3.5% Accrual, Uncapped*	*Relative Size of Option 2 Pension* *vs Current Design Pension*
Age First Elected	*All Ages*	*All Ages*	*All Ages*
- 8 Years as Member/Minister			
Return (n/a)			
>> DC Account Balance @ 60	-	-	
>> Pension @ 60 - DC	-	-	
>> Pension @ 60 - DB	29,521	42,588	
>> Total Lifetime Pension ($)	**29,521**	**42,588**	**69.3%**
>> Total Lifetime Pension (% of FAE)	**18.1%**	**26.1%**	
- 12 Years as Member/Minister			
Return (n/a)			
>> DC Account Balance @ 60/62	-	-	
>> Pension @ 60/62 - DC	-	-	
>> Pension @ 60/62 - DB	49,841	71,901	
>> Total Lifetime Pension ($)	**49,841**	**71,901**	**69.3%**
>> Total Lifetime Pension (% of FAE)	**27.1%**	**39.1%**	
- 20 Years as Member/Minister			
Return (n/a)			
>> DC Account Balance @ 60/70	-	-	
>> Pension @ 60/70 - DC	-	-	
>> Pension @ 60/70 - DB	105,237	151,812	
>> Total Lifetime Pension ($)	**105,237**	**151,812**	**69.3%**
>> Total Lifetime Pension (% of FAE)	**45.2%**	**65.2%**	

6.3 Observations, Option 2 vs Current Plan

The comparison of lifetime retirement benefits provided under Option 2 with the current Plan is more straight-forward, because both designs operate solely on a DB basis.

1. Option 2 represents a significant reduction in benefits compared to the current Plan. Lifetime retirement benefits are 68.0% of the current Plan benefits for Members and 69.3% for Ministers.

2. The lower replacement ratio provided under Option 2 illustrates the fact that under this design, MHAs would be expected to generate additional retirement income from other periods of their career.

   Considering the 20 year Member, the current Plan provides a replacement ratio of 62.5% of final average earnings; this would generally be considered a reasonable overall retirement income (a replacement ratio of 60% to 70% of pre-retirement income is widely used as a target retirement income). Under Option 2, the replacement ratio is reduced to 42.5% of FAE for the 20-year Member. In this case, an individual would be expected to generate additional retirement income from other periods of their career to reach a 60%-70% target.

Table 6.3A – Option 1 vs. Option 2, Member

Scenario: Member							
	Option 1			*Option 2*	*Relative Size of Option 1 Pension*		
Plan Design	***Hybrid - Capped @ MP/ITA Limits***			***DB - 2.5% Accrual, Uncapped***	***vs Option 2 Pension***		
Age First Elected	***30***	***40***	***50***	***All Ages***	***30***	***40***	***50***
- 8 Years as Member							
Low Return (4.0%)							
>> DC Account Balance @ 60	395,579	267,239	180,537	-			
>> Pension @ 60 - DC	19,737	13,456	9,178	-			
>> Pension @ 60 - DB	-	-	-	17,700			
>> Total Lifetime Pension ($)	**19,737**	**13,456**	**9,178**	**17,700**	**111.5%**	**76.0%**	**51.9%**
>> Total Lifetime Pension (% of FAE)	**18.9%**	**12.9%**	**8.8%**	**17.0%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60	575,285	336,789	197,167	-			
>> Pension @ 60 - DC	28,703	16,958	10,024	-			
>> Pension @ 60 - DB	-	-	-	17,700			
>> Total Pension ($)	**28,703**	**16,958**	**10,024**	**17,700**	**162.2%**	**95.8%**	**56.6%**
>> Total Pension (% of FAE)	**27.5%**	**16.3%**	**9.6%**	**17.0%**			
High Return (7.0%)							
>> DC Account Balance @ 60	833,103	423,507	215,290	-			
>> Pension @ 60 - DC	41,566	21,324	10,945	-			
>> Pension @ 60 - DB	-	-	-	17,700			
>> Total Pension ($)	**41,566**	**21,324**	**10,945**	**17,700**	**234.8%**	**120.5%**	**61.8%**
>> Total Pension (% of FAE)	**39.9%**	**20.5%**	**10.5%**	**17.0%**			
- 12 Years as Member							
Low Return (4.0%)							
>> DC Account Balance @ 60/62	395,579	267,239	195,269	-			
>> Pension @ 60/62 - DC	19,737	13,456	10,305	-			
>> Pension @ 60/62 - DB	9,385	9,385	9,385	29,885			
>> Total Lifetime Pension ($)	**29,122**	**22,841**	**19,690**	**29,885**	**97.4%**	**76.4%**	**65.9%**
>> Total Lifetime Pension (% of FAE)	**24.8%**	**19.5%**	**16.8%**	**25.5%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60/62	575,285	336,789	219,452	-			
>> Pension @ 60/62 - DC	28,703	16,958	11,581	-			
>> Pension @ 60/62 - DB	9,385	9,385	9,385	29,885			
>> Total Pension ($)	**38,088**	**26,343**	**20,966**	**29,885**	**127.4%**	**88.1%**	**70.2%**
>> Total Pension (% of FAE)	**32.5%**	**22.5%**	**17.9%**	**25.5%**			
High Return (7.0%)							
>> DC Account Balance @ 60/62	833,103	423,507	246,485	-			
>> Pension @ 60/62 - DC	41,566	21,324	13,008	-			
>> Pension @ 60/62 - DB	9,385	9,385	9,385	29,885			
>> Total Pension ($)	**50,951**	**30,709**	**22,393**	**29,885**	**170.5%**	**102.8%**	**74.9%**
>> Total Pension (% of FAE)	**43.4%**	**26.2%**	**19.1%**	**25.5%**			
- 20 Years as Member							
Low Return (4.0%)							
>> DC Account Balance @ 60/70	395,579	267,239	267,239	-			
>> Pension @ 60/70 - DC	19,737	13,456	17,042	-			
>> Pension @ 60/70 - DB	35,666	35,666	35,666	63,104			
>> Total Lifetime Pension ($)	**55,403**	**49,122**	**52,708**	**63,104**	**87.8%**	**77.8%**	**83.5%**
>> Total Lifetime Pension (% of FAE)	**37.3%**	**33.1%**	**35.5%**	**42.5%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60/70	575,285	336,789	336,789	-			
>> Pension @ 60/70 - DC	28,703	16,958	21,477	-			
>> Pension @ 60/70 - DB	35,666	35,666	35,666	63,104			
>> Total Pension ($)	**64,369**	**52,624**	**57,143**	**63,104**	**102.0%**	**83.4%**	**90.6%**
>> Total Pension (% of FAE)	**43.3%**	**35.4%**	**38.5%**	**42.5%**			
High Return (7.0%)							
>> DC Account Balance @ 60/70	833,103	423,507	423,507	-			
>> Pension @ 60/70 - DC	41,566	21,324	27,007	-			
>> Pension @ 60/70 - DB	35,666	35,666	35,666	63,104			
>> Total Pension ($)	**77,232**	**56,990**	**62,673**	**63,104**	**122.4%**	**90.3%**	**99.3%**
>> Total Pension (% of FAE)	**52.0%**	**38.3%**	**42.2%**	**42.5%**			

Table 6.3B – Option 1 vs. Option 2, Minister

Scenario: Minister

Plan Design	*Option 1* *Hybrid - Capped @ MP/ITA Limits*			*Option 2* *DB - 2.5% Accrual, Uncapped*	*Relative Size of Option 1 Pension vs Option 2 Pension*		
Age First Elected	*30*	*40*	*50*	*All Ages*	*30*	*40*	*50*
- 8 Years as Member/Minister							
Low Return (4.0%)							
>> DC Account Balance @ 60	616,740	416,647	281,472	-			
>> Pension @ 60 - DC	30,771	20,979	14,310	-			
>> Pension @ 60 - DB	-	-	-	29,521			
>> Total Lifetime Pension ($)	**30,771**	**20,979**	**14,310**	**29,521**	**104.2%**	**71.1%**	**48.5%**
>> Total Lifetime Pension (% of FAE)	**18.8%**	**12.8%**	**8.8%**	**18.1%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60	896,698	524,954	307,324	-			
>> Pension @ 60 - DC	44,739	26,432	15,624	-			
>> Pension @ 60 - DB	-	-	-	29,521			
>> Total Pension ($)	**44,739**	**26,432**	**15,624**	**29,521**	**151.5%**	**89.5%**	**52.9%**
>> Total Pension (% of FAE)	**27.4%**	**16.2%**	**9.6%**	**18.1%**			
High Return (7.0%)							
>> DC Account Balance @ 60	1,298,242	659,960	335,490	-			
>> Pension @ 60 - DC	64,773	33,230	17,056	-			
>> Pension @ 60 - DB	-	-	-	29,521			
>> Total Pension ($)	**64,773**	**33,230**	**17,056**	**29,521**	**219.4%**	**112.6%**	**57.8%**
>> Total Pension (% of FAE)	**39.7%**	**20.3%**	**10.4%**	**18.1%**			
- 12 Years as Member/Minister							
Low Return (4.0%)							
>> DC Account Balance @ 60/62	616,740	416,647	304,440	-			
>> Pension @ 60/62 - DC	30,771	20,979	16,067	-			
>> Pension @ 60/62 - DB	14,707	14,707	14,707	49,841			
>> Total Lifetime Pension ($)	**45,478**	**35,686**	**30,773**	**49,841**	**91.2%**	**71.6%**	**61.7%**
>> Total Lifetime Pension (% of FAE)	**24.7%**	**19.4%**	**16.7%**	**27.1%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60/62	896,698	524,954	342,060	-			
>> Pension @ 60/62 - DC	44,739	26,432	18,052	-			
>> Pension @ 60/62 - DB	14,707	14,707	14,707	49,841			
>> Total Pension ($)	**59,446**	**41,139**	**32,759**	**49,841**	**119.3%**	**82.5%**	**65.7%**
>> Total Pension (% of FAE)	**32.3%**	**22.4%**	**17.8%**	**27.1%**			
High Return (7.0%)							
>> DC Account Balance @ 60/62	1,298,242	659,960	384,103	-			
>> Pension @ 60/62 - DC	64,773	33,230	20,271	-			
>> Pension @ 60/62 - DB	14,707	14,707	14,707	49,841			
>> Total Pension ($)	**79,480**	**47,937**	**34,977**	**49,841**	**159.5%**	**96.2%**	**70.2%**
>> Total Pension (% of FAE)	**43.2%**	**26.1%**	**19.0%**	**27.1%**			
- 20 Years as Member/Minister							
Low Return (4.0%)							
>> DC Account Balance @ 60/70	616,740	416,647	416,647	-			
>> Pension @ 60/70 - DC	30,771	20,979	26,570	-			
>> Pension @ 60/70 - DB	55,890	55,890	55,890	105,237			
>> Total Lifetime Pension ($)	**86,661**	**76,869**	**82,460**	**105,237**	**82.3%**	**73.0%**	**78.4%**
>> Total Lifetime Pension (% of FAE)	**37.2%**	**33.0%**	**35.4%**	**45.2%**			
Moderate Return (5.5%)							
>> DC Account Balance @ 60/70	896,698	524,954	524,954	-			
>> Pension @ 60/70 - DC	44,739	26,432	33,477	-			
>> Pension @ 60/70 - DB	55,890	55,890	55,890	105,237			
>> Total Pension ($)	**100,629**	**82,322**	**89,366**	**105,237**	**95.6%**	**78.2%**	**84.9%**
>> Total Pension (% of FAE)	**43.2%**	**35.4%**	**38.4%**	**45.2%**			
High Return (7.0%)							
>> DC Account Balance @ 60/70	1,298,242	659,960	659,960	-			
>> Pension @ 60/70 - DC	64,773	33,230	42,086	-			
>> Pension @ 60/70 - DB	55,890	55,890	55,890	105,237			
>> Total Pension ($)	**120,663**	**89,120**	**97,976**	**105,237**	**114.7%**	**84.7%**	**93.1%**
>> Total Pension (% of FAE)	**51.8%**	**38.3%**	**42.1%**	**45.2%**			

6.4 Observations, Option 1 vs Option 2

In evaluating Option 1 and Option 2:

1. If DC returns are high, younger members (age 30 at election) would be better served under Option 1. Whether a Member or Minister, and irrespective of service, Option 1 produces a higher retirement income in these scenarios.

2. For older members (age 50 at election), the only scenario in which Option 1 is comparable to the expected Option 2 benefit is the high return/20 years of service Member case. In this instance, the lifetime pensions payable upon retirement are very close (within 1%). This is mainly the result of the fact that retirement has been delayed to age 70 in this case, and the cost to purchase an annuity from the DC account has decreased (because benefits will be payable for a shorter period).

3. The potential variability in benefits provided by the DC component of Option 1 is significant. Considering the 8 year Member scenario, realized return variation for a 30 year old suggests a range of replacement ratios of between 18.9% of final average earnings and 39.9%; a full factor of two.

   The difference in effectiveness of a DC plan for older and younger members is also observable. Considering a moderate level of return for the 8 year Member scenario, replacement ratios range between 27.5% of final average earnings for a 30 year old and 9.6% for a 50 year old.

4. The introduction of the DB benefits in the hybrid design of Option 1 tempers the potential variability of the DC portion of the plan. This is observed in the range of replacement ratios seen in the 8 years of service scenarios (8.8% for age 50 election/low return to 39.9% age 30 election/high return) compared to the 20 years of service scenarios (33.1% for age 40 election/low return to 52.0% age 30 election/high return).

Section 7 – Comparison of Option 1 and Option 2

7.1 Comparative Observations

In considering Options 1 and 2, the fundamental choice is whether retirement benefits are to be delivered on a DB or DC basis, acknowledging that Option 1 does retain some DB benefits for longer serving MHAs. In this regard, we offer the following considerations.

1. The main advantage of a DC plan is cost certainty for the plan sponsor. Under Option 1, Government's retirement costs are set at 9% of payroll for the first 8 years of an MHA's career. The variability associated with DB costs is only introduced for members who surpass that threshold.

   Government's costs under Option 1 would be much more stable from year to year, as compared to Option 2. By corollary, the main disadvantage of Option 2 is continued uncertainty and variability of associated costs, for which the risk resides wholly with Government.

2. The main disadvantage of a DC plan is the uncertainty introduced for plan members, both as to when they will be able to retire and what level of income they can expect to receive. This is the trade-off for the cost certainty provided to plan sponsors under DC arrangements, where the risk is effectively transferred to plan members. Ultimately, if investment returns are low, members will need to make a choice between retiring with a lower retirement income, or working longer until their savings allow them to retire with their desired benefit.

   Conversely, if returns were high, members could decide to retire earlier or at the same retirement age with a higher income.

   Under the DB provisions of Option 2, members retain a predictable retirement benefit, that is payable for life. From the member's perspective, the key benefit of a DB plan is the security and predictability of the lifetime retirement income.

3. Greater cost certainty under Option 1 makes measurement of the value of the retirement program simpler from a compensation perspective. For the DC years of accrual, it is clear that the additional value of the program to members is 9% of pay.

   Under Option 2, the definition of the 'value' of the DB benefit provided to individuals is less transparent and more subjective.

4. For plan members, DC benefits may be thought to offer greater flexibility and options in the payout phase. Under a DB arrangement, members are only entitled to receive a lifetime pension. Under a DC plan, members can elect to purchase an annuity (essentially the same payout option as under a DB plan), or to tailor their retirement income under a locked-in retirement vehicle. In the case of the later, members continue to control the investment of their account, and both

minimum and maximum payouts are prescribed under provincial pension legislation.

While this flexibility may be considered a benefit by some individuals, it should be pointed out that the decision to continue to actively invest retirement monies would come with the continued risk associated with year-to-year investment returns.

5. The inclusion of DB for longer serving MHAs under Option 1 would act to mitigate some of the variability associated with a pure DC plan (from the member's perspective). However, we note that both the number of MHAs who would be expected to earn DB service and the amount of service earned is relatively low. As an example, over the 3-year period from 2013 to 2015, of the 33 members who left the plan, either as retirements or terminations, they had accrued on average 9 years of service. The DB component is therefore likely to have a minimal overall impact on member benefits.

6. The variability of DC plans means that there will be individual retirement winners and losers; both for individuals serving together in a given general assembly, and for different generations of MHAs.

   Differences in individual investment decisions will mean two otherwise similar MHAs will ultimately receive different retirement benefits. General market returns over different periods will mean that while the DC plan may provide relatively high benefits in some cases, in others, retirement benefits will be relatively low. This would be especially true for MHAs, where members will generally enter the Plan at an older age, and will spend a relatively short time in the Plan.

   Comparatively, DB plans spread individual risks across the entire population.

Section 8 – Summary and Conclusion

The Committee's stated goals relating to MHA pensions deal with financial matters; namely, the development of a sustainable plan, and the curtailment of the Plan's current unfunded liability. Based on our analysis, the persistent unfunded liability associated with the SERP will gradually decrease over time, as a result of Plan changes that have already been made. Both alternative designs considered by the Committee will accelerate the decline of the unfunded liability, though in all cases an unfunded liability will remain for many years because of benefits that have already accrued under the SERP which must ultimately be paid.

Option 1 is the only case in which the unfunded liability can be expected to be totally eliminated over the long-term; if any form of SERP benefit is provided (as in Option 2), an unfunded liability will continue to exist. The question then becomes is a modest unfunded liability acceptable over the long-term.

The historic benefit structure under the MHAPP has included a significant level of benefits that necessarily fall under the SERP. We would infer from the design that this was intended to both compensate individuals for any interruption of their retirement savings program that might result from running for public office, and as an enticement to run, as a part of the overall benefits package offered.

In constructing its two new benefit alternatives, the Committee has focused on designing a plan which recognizes a full working career in the current environment, and targets an overall retirement income that is reasonable. This is first manifested in the suggested retirement age of 60. Across the country, there is a general movement towards later targeted retirement ages for many entities and groups. In Newfoundland and Labrador, this was evident in the outcome of the recent reform of the Public Service Pension Plan where retirement ages were increased. In that case, the earliest age a member can retire with an unreduced pension will ultimately be 58 if they have 30 years of service, otherwise members cannot retire on an unreduced basis until age 60 at the earliest.

Both options continue to make allowance for the fact that an individual may be interrupting their overall retirement plan. Effectively, the options are designed with the intent of ensuring individuals are not discouraged from running for office, due to concerns over impacting their retirement plans. Under Option 1, this is reflected by providing the maximum total DC contribution allowable to an RPP and by contemplating an accrual for the DB component of the Plan that is not integrated with CPP. Under Option 2, it is seen in the modestly higher 2.5% accrual rate (as compared to the maximum of 2.0% for an RPP).

When considering the adequacy of the total targeted retirement income provided under each option, the 20 year Member is a good benchmark. This would represent what might be considered a 'complete' career as an MHA. In that case, Option 1 could reasonably be expected to provide a lifetime retirement income of between 35% and 43% of final average earnings (the moderate DC return scenario across all three service scenarios). This is below what is often targeted as a reasonable replacement ratio for a total career, where a 60% or 70% target is often cited. This means that an individual would be expected to generate retirement income from other periods of their working career.

Similarly, in Option 2 the replacement ratio is 42.5% of final average earnings for the 20 year Member. Again, an individual would be expected to generate additional retirement income outside of their career as an MHA.

Appendix A

Summary of Plan Terms

Introduction

The following is a summary of the Plan's main provisions in effect on December 31, 2015. It is not intended as a complete description of the Plan. The Plan contains two components relating to a registered pension plan ("RPP"), as defined under the *Income Tax Act* ("ITA"), and a supplementary plan ("SERP"), which provides benefits in excess of the ITA limits.

Eligibility for Membership

All members must join the Plan when elected for a second or subsequent term of service in the House of Assembly.

Contributions

Members are required to contribute 9.0% of salary, up to the maximum allowed under the ITA, to the registered pension plan. Members elected prior to the 44th General Assembly are not required to contribute to the Plan after they have accrued 17 years of Member and Minister service. Members elected after the 43rd General Assembly are not required to contribute to the Plan after they have accrued 20 years of Member and Minister service.

The Government (as Plan sponsor) contributes an amount based on the advice of an actuary.

Retirement Dates

Registered Pension Plan

A member is eligible to retire under the RPP at the earlier of age 60 or the completion of 30 years of credited service. The member must serve in two General Assemblies, and for at least five years

Supplementary Pension Plan

A member first elected before January 1, 2010 is eligible to retire under the supplementary plan when the total of the years of Member service and the member's age are greater than or equal to 60 (55 for the Premier). The member must serve in two General Assemblies, and for at least five years.

A member first elected after December 31, 2009 is eligible to retire under the supplementary plan at age 55 with an unreduced pension, or as early as age 50 with a reduced pension. The member must serve in two General Assemblies, and for at least five years.

Disability Retirement

A member who is unable to perform his or her duties may be retired on account of disability. The disability must be medically certified as likely to be permanent, and approved by the Minister of Finance.

Retirement Benefits – Registered Plan

Retirement Benefits if Elected Prior to the 44th General Assembly

Upon retirement, a member who was first elected prior to the 44th General Assembly will be entitled to the sum of the following three benefits:

1. Member Service:
   > 2.0% of the average of the member's best three years of MHA salary times Member service up to 17 years.
2. Minister Service:
   > 2.0% of the average of the member's best three years of Minister salary times Minister service up to 17 years.
3. Other Service:
   > 2.0% of the average of the member's best three years of MHA salary and Minister salary times years of other service.

Retirement Benefits if Elected After the 43rd General Assembly

Upon retirement, a member who was first elected after to the 43rd General Assembly will be entitled to the sum of the following three benefits:

1. Member Service:
   > 2.0% of the average of the member's best three years of MHA salary times Member service up to 20 years.
2. Minister Service:
   > 2.0% of the average of the member's best three years of Minister salary times Minister service up to 20 years.
3. Other Service:
   > For a member first elected before the 46th General Assembly, 2.0% of the average of the member's best three years of MHA salary and Minister salary times years of other service.

   > For a member first elected after the 45th General Assembly, 2.0% of the average of the member's best three years of MHA salary times years of other service.

CPP Offset

The above pensions shall be reduced at age 65 by 0.6% of the average of the Years Maximum Pensionable Earnings ("YMPE") over the three years preceding retirement times the months of service as a Member of the House of Assembly between January 1, 1998 and December 31, 2004.

Retirement Benefits – Supplementary Plan

Retirement Benefits if Elected prior to the 44th General Assembly

Upon retirement, a member who was first elected prior to the 44th General Assembly will be entitled to the total of the sum of the following three benefits less any amounts payable from the RPP:

1. Member Service:
   - 5.0% of the average of the member's best three years of MHA salary times Member service up to 10 years, plus
   - 4.0% of the average of the member's best three years of MHA salary times Member service for the next 5 years, plus
   - 2.5% of the average of the member's best three years of MHA salary times Member service for the next 2 years.
2. Minister Service:
   - 5.0% of the average of the member's best three years of Minister salary times Minister service up to 10 years, plus
   - 4.0% of the average of the member's best three years of Minister salary times Minister service for the next 5 years, plus
   - 2.5% of the average of the member's best three years of Minister salary times Minister service for the next 2 years.
3. Other Service:
   - 2.0% of the average of the member's best three years of MHA salary and Minister salary times years of other service.

Retirement Benefits if Elected after to the 43rd General Assembly

Upon retirement, a member who was first elected after the 43rd General Assembly and before January 1, 2010, will be entitled to the total of the sum of the following three benefits less any amounts payable from the RPP:

1. Member Service:
   - 5.0% of the average of the member's best three years of MHA salary times Member service up to 10 years, plus
   - 2.5% of the average of the member's best three years of MHA salary times Member service for the next 10 years.
2. Minister Service:
   - 5.0% of the average of the member's best three years of Minister salary times Minister service up to 10 years, plus

- 2.5% of the average of the member's best three years of Minister salary times Minister service for the next 10 years.

3. Other Service:
   - For a member first elected before the 46th General Assembly, 2.0% of the average of the member's best three years of MHA salary and Minister salary times years of other service.
   - For a member first elected after the 45th General Assembly, 2.0% of the average of the member's best three years of MHA salary times years of other service.

Retirement Benefits if Elected after December 31, 2009

Upon retirement, a member who was first elected after December 31, 2009, will be entitled to the total of the sum of the following three benefits less any amounts payable from the RPP:

1. Member Service:
   - 3.5% of the average of the member's best three years of MHA salary times Member service.
2. Minister Service:
   - 3.5% of the average of the member's best three years of Minister salary times Minister service.
3. Other Service:
   - 2.0% of the average of the member's best three years of MHA salary times years of other service.

If the member is 55 or older, these benefits are payable on an unreduced basis. If the member is between 50 and 55, the benefit is subject to an early retirement reduction of 6% for each year that retirement precedes age 55.

CPP Offset

The above pensions shall be reduced at age 65 by 0.6% of the average of the Years Maximum Pensionable Earnings ("YMPE") over the three years preceding retirement times the months of service as a Member of the House of Assembly after March 31, 1967.

Disability Pension

In the case of disability retirement, the pension payable is the pension accrued to the date of disability retirement.

Maximum Pension Under the Income Tax Act

The total pension payable to a member under the registered pension plan shall not exceed the maximum pension as determined under the *Income Tax Act*.

Survivor Benefits

Death Before Retirement

If a member dies before their normal retirement date and before any pension payments have begun, the member's spouse is entitled to one of the following two benefits:

Pre-Retirement Death Benefits

1. a monthly survivor pension equal to 60% of the member's entitlement,

   or

2. a lump sum payment equal to the greater of the following:
   a. the commuted value of the member's entitlement assuming termination,

      or

   b. the commuted value of the survivor pension noted above.

If there is no eligible spouse but there are dependent children, or the surviving spouse dies leaving dependent children, the survivor benefit will be paid equally to such children until the age of 18, or 24 if still in school.

In the case of a member who dies without a spouse or dependent children, the member's beneficiary will receive a lump-sum payment equal to the commuted value of the pension.

Death After Retirement

The normal form of payment is a lifetime pension for members without a principal beneficiary and a joint and survivor 60% pension for members with a principal beneficiary. When monthly pension payments cease, the amount, if any, by which the member's contributions with interest at the date the pension commenced exceeds the total of all benefit payments made shall be paid to the member's beneficiary.

If there is no surviving spouse but there are dependent children under the age of 18, or 24 if still in school, 60% of the pension received by the member will be paid equally to each eligible child.

Termination Benefits

If a member's service terminates for reasons other than death or retirement, the benefits payable from the Plan will depend on the member's length of service, as follows:

Benefits in the Event of Termination

If member has:	The Plan will pay:
Less than five years of membership or two General Assemblies	A refund of the member's contributions with interest
At least five years of membership and two General Assemblies	A commuted value transfer, or a deferred lifetime pension at normal retirement

Appendix B

Assumptions and Methods

Actuarial Cost Method

The actuarial liability and current service cost were calculated using the “Projected Benefit Method Prorated on Services Actuarial Cost Method”, adjusted in accordance with paragraph PS 3250.030 to reflect the pattern of the accrual of benefits. Because Plan benefits accrue at a higher rate during a member’s earlier years of service, the actuarial liability is equal to the present value of benefits earned by members for service prior to the valuation date, taking relevant factors into account as indicated in the assumptions below.

The total current service cost is equal to the present value of benefits expected to be earned by members in the year following the valuation date. The current service cost rate is the current service cost divided by projected payroll for the same period. This rate will tend to be stable over time if the Plan terms, demographic characteristics of the active Plan membership remain stable and the members’ contribution rate does not change. All other things being equal, a decrease in the expected period to retirement will result in an increasing current service cost rate.

The age for valuation purposes has been calculated by rounding to the nearest birthday.

Actuarial Assumptions – Accounting Basis

The main actuarial assumptions employed for the accounting actuarial valuation are summarized in the following table. All rates and percentages are annualized unless otherwise noted.

Table A.1 –Actuarial Assumptions – Accounting Basis

	December 31, 2015
Discount rate for RPP (expected return on assets)	6.50%
Discount rate for Supplementary Plan (cost of borrowing at 31.03.16)	3.70%
CPI increases	2.25%
Salary increases	0% for 4 years, 3.00% thereafter
YMPE, MP Limit, and DB Limit increases	3.00%
Mortality	Male: 75.0% of the CPM2014 Public Sector Table with generational projection using improvement scale CPM-B Female: 92.6% of the CPM2014 Public Sector Table with generational projection using improvement scale CPM-B
Termination of employment	8% per year upon vesting (5 years of service), ceasing upon reaching eligibility for an unreduced pension
Disability	Nil
Retirement	Upon reaching eligibility for an unreduced pension, 8% per year for members under 60, 60% per year for members between 60 and 64, 100% upon reaching age 65
Married %	At retirement or death: 90%
Spousal age difference	Male is 3 years older than female
Administrative expenses	Implicitly recognized in the interest rate

We note that the salary assumption of 0% for four years was chosen by the Committee.

Committee Appointment Assumption

For this valuation, it was assumed that Members currently not appointed to a Secretarial/Committee position will have such appointment at death or retirement and an additional $17,300 has been added to their 2016 salaries for the calculation of benefits. This amount is based on the average currently paid in respect of these positions, as provided by Government.

Actuarial Assumptions – Financial Analysis of Comparative Plan Benefits

When comparing the pensions provided under the current design and the options being considered, all assumptions used are the same as detailed above on an accounting basis, with adjustments and additions as follows.

To illustrate the potential variability due to investment return and investment choices under the DC portion of Option 1, we first examined the expected return that would be derived for a typical 'balanced' investment approach of 60% equities and 40% fixed income, and that the mix is unchanged over the career of all members. Based on our internal modeling, we expect a net annual return of 5.50% for this asset mix.

We next examined the potential variability around these returns that might be realized over a 20 year period, and determined a range of returns that would be expected to capture 50% of outcomes. This range was determined as 4.00% to 7.00%. More specifically, this means that:

(a) there is a 25% likelihood that returns would be 7.00% per year or higher,

(b) there is a 50% likelihood that returns would be between 4.00% and 7.00% per year, and

(c) there is a 25% likelihood that returns would be less than 4.00% per year.

We have then showed returns for the sample members at each of these three thresholds, and have labeled them as the 'low', 'moderate', and 'high' expected returns.

Upon reaching retirement, to illustrate the comparative lifetime retirement income that might be derived from an individual's DC account balance, we assumed that the Member elected to purchase a life annuity from an insurance company. The pricing of annuities is based on the relevant CIA guidance at December 31, 2015, and is modeled using a discount rate of 3.13%, and the combined CPM RPP 2014 mortality table with generational projection using CPM Scale B on a 50/50 unisex basis. For comparability, the same form of pension used for the accounting valuation of the Plan is used, such that 90% of members are assumed to be married and elect a 60% survivor benefit at retirement and 10% are assumed to be single.

Appendix C

Data

Description of Membership Data

Our valuation is based on data provided to us by the Government's Pensions Administration Division. The data was compiled as at December 31, 2015.

There are a several outstanding data questions with Government which are yet to be resolved. However, we do not believe these items to be material in relation to the current exercise and deem the data sufficient for this analysis.

We have taken the following steps to review the data to ensure its completeness, accuracy and consistency with the data used in the December 31, 2012 funding valuation:

> Basic data checks were performed to ensure that age, salary and service data were reasonable for the purposes of the analysis.

> The membership was reconciled with the December 31, 2012 funding valuation and queries were submitted to the Government.

Summary of Membership Data

The following tables were prepared using data provided by the Pensions Administration Division regarding the active members, retirees and former members of the Plan.

These tables show the following:

C.1 A summary of the Plan membership data as at Dec. 31, 2015

C.2 Distribution of active members based on age and service as at Dec. 31, 2015

C.3 Distribution of deferred vested members as at Dec. 31, 2015

C.4 Distribution of pensioners as at Dec. 31, 2015

Table C.1 – Plan Membership Summary

	December 31, 2015
Active members	
Number	39
Average age	48.8
Total pensionable earnings	$4,576,475
Average pensionable earnings	$117,346
Average years of pensionable service:	
• Member service	2.8
• Minister service	0.5
• Other service	0.5
Deferred members in RPP and SERP	
Number	6
Average age	45.9
Total annual pension:	
• Total	$363,677
• From RPP	$192,988
• From SERP	$170,689
Average annual pension:	
• Total	$60,613
• From RPP	$32,165
• From SERP	$28,448
Total annual offset at age 65:	
• Total	$27,406
• From RPP	$1,774
• From SERP	$25,632
Average annual offset at age 65[1]:	
• Total	$4,568
• From RPP	$591
• From SERP	$4,272

1. *Only those with offsets at age 65 are included in the average.*

Table C.1 – Plan Membership Summary

	December 31, 2015
Deferred members in RPP but retired in SERP	
Number	21
Average age	55.2
Total annual pension:	
• Total	$996,375
• From RPP	$496,862
• From SERP	$499,513
Average annual pension:	
• Total	$47,446
• From RPP	$23,660
• From SERP	$23,786
Total annual offset at age 65:	
• Total	$52,939
• From RPP	$9,761
• From SERP	$43,177
Average annual offset at age 65[1]:	
• Total	$3,529
• From RPP	$976
• From SERP	$2,878

1. *Only those with offsets at age 65 are included in the average.*

Table C.1 – Plan Membership Summary

	December 31, 2015
Pensioners and survivors	
Number	140
Average age	72.1
Total annual pension:	
• Total	$6,484,034
• From RPP	$1,330,567
• From SERP	$5,153,467
Average annual pension[1]:	
• Total	$46,315
• From RPP	$30,943
• From SERP	$36,810
Total annual offset at age 65:	
• Total	$91,103
• From RPP	$17,502
• From SERP	$73,601
Average annual offset at age 65[2]:	
• Total	$4,555
• From RPP	$1,250
• From SERP	$3,680
Non-vested terminated members	
Number	14
Average age	55.1
Accumulated contributions with interest	$490,536

1. *Members with no RPP are excluded in the average.*
2. *Only those with offsets at age 65 are included in the average.*

Table C.2 – Age/Service Distribution for Active Members as at December 31, 2015

	Years of pensionable service					
Age	0 - 4	5 - 9	10 - 14	15 - 19	20 +	Total
Under 35	4	-	-	-	-	4
35 - 39	3	1	-	-	-	4
40 - 44	3	-	-	-	-	3
45 - 49	7	1	-	-	1	9
50 - 54	6	3	1	-	-	10
55 - 59	3	1	-	-	-	4
60 +	4	-	-	1	-	5
Total	30	6	1	1	1	39

Notes : The age is rounded down to the nearest integer.
Years of service means the number of years credited for pension plan purposes, rounded down to the nearest integer.

Table C.3 – Distribution of Deferred Vested Members as at December 31, 2015

Deferred in RPP and SERP				
	Total Pension		**Age 65 Offset**	
Age	Number	Average annual pension	Number	Average annual pension
Under 45	2	<>	2	<>
45 - 49	3	55,566	3	4,076
50 - 54	1	<>	1	<>
55 - 59	-	-	-	-
60 +	-	-	-	-
Total	6	60,613	6	4,568
Deferred in RPP but retired in SERP				
	Total Pension		**Age 65 Offset**	
Age	Number	Average annual pension	Number	Average annual pension
Under 45	-	-	-	-
45 - 49	3	67,226	2	<>
50 - 54	8	53,277	4	4,040
55 - 59	8	37,810	4	2,411
60 +	2	<>	-	-
Total	21	47,446	15	3,529

Notes : <> Certain figures not shown to protect confidentiality.

Table C.4 – Distribution of Pensioners as at December 31, 2015

Pensioners and Survivors				
	Total Pension		**Age 65 Offset**	
Age	Number	Average annual pension	Number	Average annual pension
Under 55	-	-	-	-
55 - 59	3	52,846	1	5,378
60 - 64	21	62,102	19	4,512
65 - 69	37	49,421	-	-
70 - 74	36	44,181	-	-
75 - 79	19	48,750	-	-
80 - 84	12	27,603	-	-
85 - 89	8	29,723	-	-
90 +	4	26,753	-	-
Total	140	46,315	20	4,555

Notes : <> Certain figures not shown to protect confidentiality.

Appendix D

Actuarial Opinion

The purpose of this report is to provide technical analysis to the Newfoundland and Labrador Members' Compensation Review Committee on potential design changes being considered for newly elected Members of the House of Assembly ("MHAs"). This analysis focused mainly on the comparative difference in benefits provided under the various options, and considered the relative costs of the options. In that regard, Morneau Shepell has assisted the Committee by providing the following analysis:

1. Both the short-term and long-term impact on the cost to Government of benefits earned by MHAs has been reviewed. For these purposes, costs have been measured on the basis used by Government for accounting disclosure purposes.
2. A comparative analysis of the expected evolution of the Plan's unfunded liability.
3. Comparative benefits have been provided for various sample MHAs.

In our opinion, for the purposes of this report:

- The membership data on which the valuation is based are sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of the valuation.
- The methods employed in the valuation are appropriate for the purposes of the valuation.

This report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

Actuarial valuation results are only estimates. Actuarial valuations are performed based on assumptions and methods that are in accordance with sound actuarial principles. Emerging experience differing from these assumptions may result in gains or losses, which may affect future contribution levels. These gains or losses will be revealed in future actuarial valuations.

The undersigned are available to provide supplementary information and explanation, as appropriate, concerning this report.

Stephen Kelloway, FCIA
Principal

This report has been peer reviewed by ________________________

Mark Whidden, FCIA

MORNEAU SHEPELL LTD.
7071 Bayers Road
Suite 3007
Halifax NS B3L 2C2

MORNEAU SHEPELL

MENTAL HEALTH PARTNER

Morneau Shepell is the only human resources consulting and technology company that takes an integrative approach to employee assistance, health, benefits, and retirement needs. The Company is the leading provider of employee and family assistance programs, the largest administrator of retirement and benefits plans and the largest provider of integrated absence management solutions in Canada. Through health and productivity, administrative, and retirement solutions, Morneau Shepell helps clients reduce costs, increase employee productivity and improve their competitive position. Established in 1966, Morneau Shepell serves approximately 20,000 clients, ranging from small businesses to some of the largest corporations and associations in North America. With almost 4,000 employees, Morneau Shepell provides services to organizations across Canada, in the United States, and around the globe. Morneau Shepell is a publicly-traded company on the Toronto Stock Exchange (TSX: MSI). For more information, visit morneaushepell.com.

APPENDIX I

MCRC 2012 – Status of Recommendations & Implementation

MCRC 2012
Status of Recommendations and Implementation

<u>Red = Implemented/no further action required</u>

#	Recommendation	HoaMC Meeting Date	Current Status	Follow-up Action
1	MHA salaries shall be frozen until December 2013	February 27, 2013	**CM 2013-012** In response to recommendations 1-4 of Members' Compensation Review Committee (MCRC) 2012 with respect to salaries, the Commission directed that MHA salaries be frozen at current levels. Any increases in MHA salaries should only come about as a result of any future recommendations by a Members' Compensation Review Committee appointed after the next provincial general election.	No change pending future MCRC recommendations
2	Starting in December, 2013, MHAs shall receive a pay raise linked to the Consumer Price Index for this Province to a maximum of 1.5% for that year as of December 2013. A further increase, based on the same formula, shall be implemented in December 2014 and December 2015.	February 27, 2013	See above	See above
3	This raise will also apply to the positions outlined in Section 12 of the Act.	February 27, 2013	See above	See above

#	Recommendation	HoaMC Meeting Date	Current Status	Follow-up Action
4	Beyond the 2015 raise, no further adjustments shall be made to the MHA salaries until such time as salaries have been reviewed by the next Members' Compensation Review Committee.	February 27, 2013	See above	See above

#	Recommendations	HoaMC Meeting Date	Current Status	Follow-up Action
5	The current MHA pension scheme remains unchanged.	February 27, 2013	**CM 2013-013** The Commission adopted recommendation 5 of MCRC 2012 which recommended that the current MHA pension plan remain unchanged.	No change pending future MCRC recommendations
6	Immediately upon receipt of this report, the Management Commission should adopt recommendation 78 of the *Green Report* and develop a proposal that either converts the MHA pension plan to a defined contribution plan or significantly modifies the existing defined benefit plan. This proposal should be submitted to the next Members' Compensation Review Committee and that Committee should be given	February 27, 2013	**CM 2013-014** The Commission endorsed the proposal outlined in recommendation 6 of MCRC 2012 that either the MHA pension plan be converted to a defined contribution plan or that the existing defined benefit plan be significantly modified. The Commission directed the Speaker to develop a strategy for undertaking a thorough review of the proposal. This proposed strategy is to be submitted to the Commission for review and approval at a future meeting of the Commission. Draft strategy for the review of the MHA Pensions plan was brought forward to the HoaMC at its February 24, 2015 meeting, and approved by the	

	the necessary time and resources to conduct a thorough review of the proposal and of the existing MHA pension plan.		following Decision: **CM 2015-012** Pursuant to subparagraph 20(6)(b)(ii) of the *House of Assembly Accountability, Integrity and Administration Act*, the Commission approved the strategy for the review of the MHA Pension Plan.	
7	The next Members' Compensation Review Committee is provided with actuarial and other resources to conduct a thorough review of the MHA pension plan.	February 27, 2013	**CM 2013-015** The Commission did not adopt recommendation 7 of MCRC 2012 and deferred the decision respecting the resources to be provided to the next Members' Compensation Review Committee to the Commission in place at the time of the appointment of the next MCRC.	Agenda item for Commission meeting when next MCRC appointed.
8	The House of Assembly includes an actuary as one of the members of the next Members' Compensation Review Committee.	February 27, 2013	**CM 2013-016** The Commission did not adopt recommendation 8 of MCRC 2012 and deferred the decision respecting the composition of the next Members' Compensation Review Committee to the Commission in place at the time of the appointment of the next MCRC.	Agenda item for Commission meeting when next MCRC appointed.

1 5	The MHA for Burgeo-La Poile be granted reasonable access to helicopter travel.	February 27, 2013	**CM 2013-017** The Commission adopted recommendation 15 of MCRC 2012 that the MHA for Burgeo-La Poile be granted reasonable access to helicopter travel. Necessary Rule Amendments received first approval at the March 20 Commission meeting, were posted on the House of Assembly website, tabled in the House of Assembly on March 27 and received final approval at the April 23 Commission meeting.	Rule Amendment made and Directive issued; no further action required.

16	Helicopter travel should only be availed of if less expensive travel is not available.	February 27, 2013	**CM 2013-018** The Commission adopted recommendation 16 that helicopter travel should only be availed of if less expensive travel is not available. Necessary Rule Amendments received first approval at the March 20 Commission meeting, were posted on the House of Assembly website, tabled in the House of Assembly on March 27 and received final approval at the April 23 Commission meeting.	No further action required.
17	Helicopter travel should not be included in intra-constituency cost estimates and should only be availed of with the specific permission of the Speaker upon representation by the MHA to justify such travel. It should be budgeted for separately.	February 27, 2013	**CM 2013-019** The Commission adopted recommendation 17 that helicopter travel not be included in intra-constituency allowance and will only be availed of with the specific permission of the Speaker upon representation by the MHA to justify such travel. It further directed that helicopter travel will be budgeted for separately. The Member for Cartwright-L'Anse au Clair abstained from voting. **CM 2013-020** The Commission directed the Speaker to consult with the Members for Burgeo-LaPoile, Cartwright-L'Anse au Clair, Fortune Bay-Cape La Hune and Torngat Mountains to help determine specific helicopter allocations for those districts. The recommended allocations will be brought to a future meeting of the Commission for approval.	No further action required.

			The Speaker met with the Members of the 4 Districts and recommendations were brought forward & approved at the March 20, 2013 meeting. **CM 2013-033** The Commission approved the following allocations for helicopter travel and directed that the Members' Resources and Allowances Rules be amended to reflect the new allocations for helicopter travel: Burgeo-LaPoile = $21,000 Cartwright-L'Anse au Clair = $21,000 Fortune Bay-Cape La Hune = $24,600 Torngat Mountains = $10,500 Necessary Rule Amendments received first approval at the March 20 Commission meeting, were posted on the House of Assembly website, tabled in the House of Assembly on March 27 and received final approval at the April 23 Commission meeting.	
21	If the intra-constituency cost estimate for the district of Fortune Bay-Cape La Hune is reduced by $48,000, as set out in recommendation 17, the mileage estimate included in the intra-constituency cost estimate for this district should be increased from 4,500 to 20,000 kilometers and the dollar amount of the total be adjusted accordingly.	February 27, 2013	**CM 2013-021** The Commission adopted recommendation 21 of MCRC 2012 to increase the kilometers from 4,500 to 20,000 for the District of Fortune Bay-Cape La Hune. The dollar amount of the total allocation will be adjusted accordingly. Necessary Rule Amendments received first approval at the March 20 Commission meeting, were posted on the House of Assembly website, tabled in the House of Assembly on March 27 and received final approval at the April 23 Commission meeting.	No further action required.

22	The mileage estimate included in the intra-constituency cost estimate for the district of St. Barbe should be increased from 15,000 to 20, 000 kilometers and the dollar amount of the total is adjusted accordingly.	February 27, 2013	**CM 2013-023** The Commission adopted recommendation 22 of MCRC 2012 and directed that the mileage estimate included in the intra-constituency cost estimate for the district of St. Barbe is to be increased from 15,000 to 20,000 kilometres. The dollar amount of the total allocation will be adjusted accordingly. Necessary Rule Amendments received first approval at the March 20 Commission meeting, were posted on the House of Assembly website, tabled in the House of Assembly on March 27 and received final approval at the April 23 Commission meeting.	No further action required
23	If recommendation 17 is followed, the amount of $1,500 should be added to the intra-constituency allowance estimate for the district of Fortune Bay-Cape La Hune for increased ferry travel.	February 27, 2013	**CM 2013-022** The Commission adopted recommendation 23 of MCRC 2012 to add the amount of $1,500 to the intra-constituency allowance estimate for the district of Fortune Bay-Cape La Hune for increased ferry travel. Necessary Rule Amendments received first approval at the March 20 Commission meeting, were posted on the House of Assembly website, tabled in the House of Assembly on March 27 and received final approval at the April 23 Commission meeting.	No further action required
25	House of Assembly staff attempt to procure cost-effective short-term apartment type rental facilities for MHAs who are travelling to St. John's to attend at the House or to attend to constituency	February 27, 2013	**CM 2013-024** The Commission did not adopt recommendation 25 of MCRC 2012 with respect to the procurement of short-term apartment type rental facilities for MHAs who are traveling to St. John's to attend at the House or to attend to constituency business. Current accommodation provisions for travel to the Capital Region under	No further action required.

	business. An MHA can still avail of the existing accommodation allowance arrangement if this is his or her preference.		paragraphs 31(b) and 35(b) of the Members' Resources and Allowances Rules remain unchanged.	
26	The provisions of Part VI be amended as follows: When the House of Assembly is in session, MHAs should have the option of either availing of the provisions of Section 31 or 33 of *the Rules*, with respect to travel and living allowances, or claiming daily mileage costs for travel to and from their permanent accommodations in the capital region, if the facts of that particular MHA's circumstances warrant such an amendment. This expense should be claimed from the House-in-session allocation and should apply only to MHAs who are within reasonable driving distance of the capital region.	February 27, 2013	**CM 2013-025** The Commission adopted recommendation 26 of MCRC 2012 to amend Part VI of the Members' Resources and Allowances Rules to allow for Members within reasonable driving distance of the Capital Region to be reimbursed for commuting to their district when the House is in Session instead of staying in temporary accommodations. The Commission further directed that the amendments would include a restriction that the provision would not apply to Members whose permanent residence is located within commuting distance of the Capital Region. Necessary Rule Amendments received first approval at the March 20 Commission meeting, were posted on the House of Assembly website, tabled in the House of Assembly on March 27 and received final approval at the April 23 Commission meeting.	No further action required.

Blue = Requires Decision and action by the Commission

#	Recommendations	HoaMC Meeting Date	Current Status	Follow-up Action
9	The current provisions of the MHA severance policy remain unchanged, with the following exceptions: a: Severance shall not be payable to MHAs who are retiring.		Recommendation not presented to Commission	Place on future agenda for Decision and action by the Commission.
9	b: Severance shall be payable in monthly installments until exhausted and if during this period the MHA becomes reemployed should immediately cease.		Recommendation not presented to Commission	Place on future agenda for Decision and action by the Commission.
9	c: If these recommendations are implemented, they shall apply only to MHAs who are elected after the implementation date.		Recommendation not presented to Commission	Place on future agenda for Decision and action by the Commission.
20	With respect to claiming for kilometers for private vehicle operating under the Intra-Constituency Cost Estimates, MHAs be provided the option of claiming up to 75 kilometers per week on the basis of a reasonable estimate of kilometers used	N/A	Recommendation not presented to Commission	Place on future agenda for Decision and action by the Commission.

	for constituency business per week (Saturday to Sunday). An MHA should also have the option of submitting a claim for kilometers used under the existing *Rule* but in any given week, shall not do both.			

Orange = Requires endorsement by the Commission

#	Recommendations	HoaMC Meeting Date	Current Status	Follow-up Action
10	Maintain existing House of Assembly staff that ensures compliance with the *Members' Resources and Allowances Rules.*	N/A	Recommendation not presented to Commission	Place on future agenda for endorsement by the Commission.
11	In compliance with the Rules, no issue should be put before the Members' Compensation Review Committee if the Management Commission has the legislative authority to rule on the issue.	N/A	Recommendation not presented to Commission	Place on future agenda for endorsement by the Commission.
12	The Management Commission should establish clear procedures to enable MHAs to raise allowance issues before it.	N/A	Recommendation not presented to Commission	Place on future agenda for Decision and action by the Commission.
13	Section 44 of the *Rules* should be utilized as one way for MHAs to place issues with travel and living allowances before the Management Commission.	N/A	Recommendation not presented to Commission	Place on future agenda for endorsement by the Commission.
14	Requests made by MHAs to change allowance allotments should be principled and well supported by facts.	N/A	Recommendation not presented to Commission	Place on future agenda for endorsement by the Commission.

18	If possible, an MHA should visit several isolated communities per trip in an effort to reduce costs.	N/A	Recommendation not presented to Commission	Place on future agenda for endorsement by the Commission.
19	If possible, helicopter travel should be shared with other professionals visiting these remote areas.	N/A	Recommendation not presented to Commission	Place on future agenda for endorsement by the Commission.
24	The provision of s.7 of *the Rules* with respect to submitting claims for payment or reimbursement within 60 days after the expenditure is made, remain unchanged.	N/A	Recommendation not presented to Commission	Place on future agenda for endorsement by the Commission.

APPENDIX J

Formal Submissions to MCRC 2016

CFIB
CANADIAN FEDERATION
OF INDEPENDENT BUSINESS.
45 years
1971-2016
Terrace on the Square, 8-10 Rowan Street
St. John's, Newfoundland A1B 2X1

Sent by email

September 9, 2016

Ms. Sandra Burke, Q.C.
Chair of Members' Compensation Review Committee
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Ms. Burke:

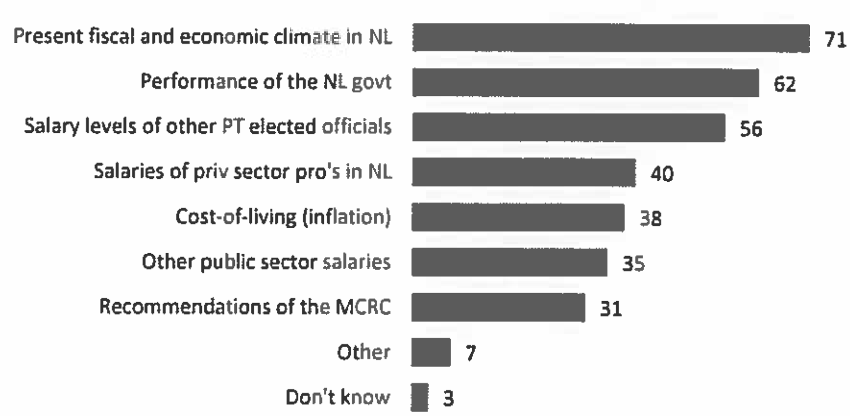
The Canadian Federation of Independent Business (CFIB) is a non-partisan, not-for-profit organization representing independently-owned small and medium-sized businesses. We have over 109,000 members in Canada, with over 2,000 members in Newfoundland and Labrador.

I am pleased to submit for the consideration of the Members' Compensation Review Committee (Committee) the views of CFIB members as they relate to Member of the House of Assembly (MHA) compensation. The recommendations are developed at the direction of the membership through surveys, as well as information from secondary sources, like the Public Accounts.

Many CFIB members are concerned about the provincial economy and what the future holds for them. They also recognize the urgent state of Newfoundland and Labrador's fiscal situation and the very difficult decisions that have to be made. However, since the 2016 provincial Budget was introduced, operating a business in Newfoundland and Labrador has become much more costly.

Figure 1:

What factors should be taken into account when setting MHA salaries? (in %)



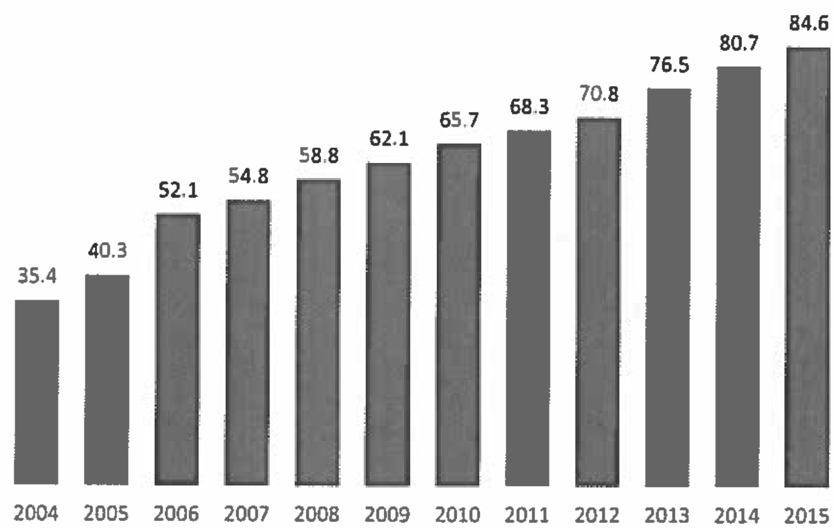
Source: CFIB, Provincial Taxation and Spending Survey, August 2016, 114 responses.

As the Committee puts thought into the recommendations to be brought forward to the House of Assembly Management Commission, CFIB members think the primary factors that should be taken into account when setting MHA salaries is the present fiscal and economic climate in Newfoundland and Labrador (71 per cent), followed by the performance of the Government of Newfoundland and Labrador (62 per cent), as Figure 1 shows above. Therefore, given the state of the provincial economy and the parlous fiscal situation in which the province finds itself, the prudent action on MHA salaries is to freeze them at their current levels for the duration of the 48th General Assembly. Any changes to MHA salaries could be considered by the next review committee.

CFIB analysis of the provinicial public accounts show the MHA unfunded pension liability has grown, in absolute terms, by 139 per cent from $35.4 million in 2004 to $84.6 million in 2015. This unfunded liability represents a small portion of the total unfunded pension liability ($7 billion in 2014-15), but such growth indicates the plan has become unsustainable.

Figure 2:

Growth in Unfunded MHA Pension Liability (in millions of dollars)

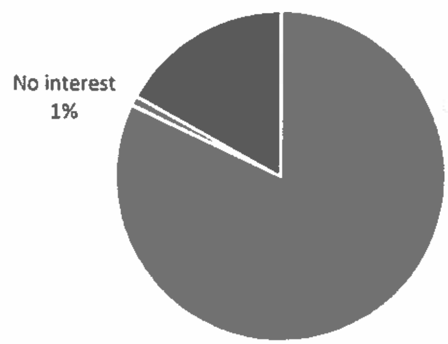


Source: CFIB calculations based on Government of Newfoundland and Labrador Public Accounts (Volume I) 2004-2015; Consumer Price Index, All Items, NL Statistics Agency.

Though it is a very small fraction of the unfunded pension liability the provincial government has incurred, the MHA pension plan is very generous. In a member survey, 82 per cent of respondents in Newfoundland and Labrador agreed that all politicians should move from defined benefit to defined contribution plans. No respondents disagreed and one per cent showed no interest, while 17 per cent were undecided (see Figure 2). In 2013, the former council of the City of St. John's implemented defined contribution plans for new City Councillors and provided an option for re-elected councillors to opt out of the defined benefit plan if they choose. This was a change welcomed by CFIB members and one MHAs should emulate. Reforming their pension plans to make them more sustainable is a sensible thing to do and MHAs would also be showing leadership in this difficult fiscal and economic environment.

Figure 3:

Should all politicians move from defined benefit to defined contribution pension plans? (in %)



Source: CFIB, Mandate 246, March-April 2012, 89 responses.

On the issue of severance, CFIB asks the Committee to recommend a change to the circumstances under which an MHA can receive severance. Currently, if MHAs resign, retire, or are defeated in an election, they will receive a severance equal to one month of salary for each year of MHA service up to 12 months and a minimum of three months. This is more generous than anything available in the private sector. Typically, employers provide severance for dismissal, but not for retirement or resignation from a private sector job. This priniciple should apply to MHAs as well. If MHAs are to receive a severance package, it should only be due to defeat in an election, which is, for all intents and purposes, a dismissal. In addition, the severance entitlement should be changed to the equivalent of one week for each year of MHA service, which is the same entitlement afforded public sector employees.

In summary, the recommendations of the Committee should include the following:

- **Freeze MHA salaries for the duration of the current General Assembly, with any changes considered by the next Committee;**
- **Enroll all new MHAs in defined contribution pension plans and allow current MHAs to opt out of the current pension plan; and**
- **MHA severance entitlement should apply only in the case of defeat in an election and equal one week for each year of MHA service.**

We trust that you will see merit in the recommendations presented above. If you have any questions or require additional information, please contact me by phone at 753-7745 or by email at vaughn.hammond@cfib.ca.

Sincerely,

Vaughn Hammond

Vaughn Hammond
Director of Provincial Affairs, NL

To Ms. Sandra Burke, QC.,
Chair Person
Investigating Committee,
M.H.A's Remuneration and Benefits

I am a Retired Town Manager and have observed and worked with, the various Departments of our Provincial Government, durring the Eight and a Half years that I was employed in that capacity.
The operation of a large Town or City equates to the operation of a Government Department, with Councilors equating to MHA's, and the Mayor, to a Government Department Minister, granted, on a smaller scale.
Employees, within various departments are required to have certain levels of skill and ability, most frequently acquired by a University Degree or a Certification from a College of Trades and Technology. These Employees, seldom move from one department to another, unless they have gained sufficient knowledge and ability, to work within that department.
Such employees, conducting the Day to Day business, of the Municipality, under the Town or City Manager, who in some cases, may have a Department Manager on whom reliance may be made for that particular Department's management but it is ultimately the Town or City Manager, who is responsible to The Counil, both to be able to decribe in detail, all the workings of each department and to inform and advise the Council, of any iregularity or need, in order to maintain a smooth operation, as well as to advise Council of their responsibilities and limitations, fiscally and Legally.
Thus the Manager must be both conversant, with every aspect of the Municipaity and be prepared to take the flack, should one or all of the Councillors, not like to be reminded of their limitations and responsibilities, hence, the average length of employment of the Manager, with that Community, is only 3.6 years.
An MHA, Appointed to a Department or Departments may be equated to the Mayor of a Council. He or She may be very highly educated and skilled in one or sometimes more, fields but often an MHA, will be Elected for their 'Popularity' or varacity, having little or no knowledge of the workings of the various Departments of the Government to which they have been elected. If Appointed to a Department, the sensitive ones will rely heavily on their Deputy Minister to 'bring them up to speed'. Offering advice and some times even writing their speaches.
That MHA will very seldom, have a detailed knowledge of the 'inner workings' of His or Her assigned Department, their skill and assiduity being acquired, from their Deputy Minister. The induvidual who knows what can and must be done, to enable the MHA to interpret the directions of Cabinet.
Thus in my humble opinion, The Deputy Minister of a Department, is clearly more knowledgable and skilled, regarding the whole Department, than the Appointed Department Minister and as such, should be entitled to a higher income than the Minister. An MHA, with no assigned Department ought to be paid less again, than an Appointed Minister.

With respect to Pension. The MHA is presumable, 'in it for the long run' and ought to be automatically included in a Pension Plan, from Day one, that requires a regular and continuous deduction from their income, for as long as they remain an MHA, being capped off, at the point when they are no longer holding that Office and not recoverable as a Pension, until the age of 65 years or such age as the Government of Canada applies to All it's population.
Travel allowances, should also be in line with those of the Government of Canada as well as Housing, for MHA's whose District is outside of the reasonable possibility, of a Daily commute, to the Government Headquarters, e they on the East or West Coast.
The 'slush funds' that we all know exist, should be 'capped' by regulation or Law and the amount of such Fund, should be public knowledge, up front.

Most respectfully and humbly submitted.

John E. E. Warren,
Retired Town Manager.

PRESENTATION BY DAVID VARDY TO MEMBERS' COMPENSATION REVIEW COMMITTEE

Introduction

I was surprised to hear about the appointment of this committee, even though I recognize it is a mandatory requirement. It sends the wrong signal. We are living in extraordinary times, not a time to carry on as if the times were normal. The province is perched on the edge of a steep fiscal precipice and our ability to deal responsibly with the problem requires that our legislators recognize this problem and lead by example. It is all well and good to document the practices and compensation rates in other provinces but this is no time to jack up our spending by emulating pay rates in other jurisdictions with much healthier economies.

Our political leaders are discounting the spectre of bankruptcy and the return of Commission of Government times but they are in denial. The overriding issue is the fiscal and economic capacity of our province to sustain the spending practices we have developed. My message to your committee is that you must in your deliberations take account of the fragile state of our Treasury and the need for all Members to take action to manage this fiscal crisis. Ability to pay has to be a central issue and cannot be disregarded.

Fundamental Issues

What are the issues? Some will argue that the key issues are as follows:

- ✓ Comparability with other jurisdictions;
- ✓ The ability of the challenges of the profession of legislator to attract our best people out of their professions in mid-career, without sacrificing incomes and pension entitlements;
- ✓ The necessity of attracting working people into government so as to ensure the existence of a representative cross section of the population;
- ✓ Adjusting the pay of Members to reflect changes in the marketplace.
- ✓ Seeking the appropriate balance in the compensation package in terms of the pension, the pay itself and the working conditions.

There are more fundamental questions I want to raise:

- ✓ What is the ability of our province to pay compensation comparable to other jurisdictions?
- ✓ What is the quality of the decisions made by our elected representatives? What is the quality of the services we enjoy? Are we being well served by our representatives when they are making public policy decisions relating to economic development, fiscal policy, health policy, education, justice, electrical energy, investments in offshore oil and gas development? As citizens, are we receiving value for money from our Members?
- ✓ How do our public services compare with those in other jurisdictions? How does the quality of public policy decisions compare? How does the litany of failed public projects speak to the quality of government in our province: rubber plants, battery plants, cucumber farms, the Newfoundland Railway and its Branch Lines, Labrador Linerboard, the "boondoggle" that is Muskrat Falls?
- ✓ What do we expect of our politicians and how well do they perform?
- ✓ Should each MHA have a mandate statement from his or her constituents, along with a responsibility to report back on progress achieved?
- ✓ How transparent is the compensation paid?

Adequacy and Transparency of Remuneration

In my opinion the remuneration package is very generous. It has been sufficiently attractive over the years to attract a number of people from highly paid professions, such as teachers, lawyers and doctors.

The compensation package is not very transparent. It is complex with supplementary pay for duties which would appear to be part and parcel of the normal work of an MHA. In my opinion the cascading and stacking of perquisites for various duties is inimical to public transparency. Simplicity should be the order of the day, without stacking of pay for chairing committees, serving as parliamentary secretaries and so forth.

All payments to MHAs should be disclosed on the government website, showing the full amount paid to each Member as compensation for services, separating out the amounts claimed for expenses incurred for travel, entertainment, office expenses and so forth.

Are we attracting the most capable people to become Members? I do not know the answer to this but I do not believe the problem is the adequacy of remuneration. I suspect the tarnished image of the profession of legislator has a major bearing upon the willingness of citizens to offer themselves as candidates. I recommend that research be undertaken to get a better understanding of the factors that bear upon the decision to become candidates for elective office.

Another research question is whether the minimum qualifications for office should be increased in order to raise the bar. This will be considered elitist but we have to concede that the role of Members is an important one in our society and demands that the candidates be qualified to discharge these duties. Such minimum qualifications might include the completion of a basic training program which could be developed by Memorial University and might be offered to candidates whose education does not already include such training.

In addition, or as a supplement, a training program could be offered to those who have been elected to office. In order to discharge their responsibilities effectively a program of training should be developed in concert with Memorial University, dealing with public policy issues, financial management, governance and political science.

Financial State of the province

Our budget deficit this year is $1.8 billion but this is only current account. To this must be added net capital spending of $1.6 billion which produces a $3.4 billion combined account deficit, or $6,500 per man, woman and child.

- ✓ Our combined deficit exceeds 10% of GDP and our current account deficit alone is 6%. This is 12 times as high as the average of the other provinces. (Information supplied by Auditor General).
- ✓ Our $3.4 billion deficit represents 40% of our $8.4 billion in net spending (data taken from Estimates 2016-17)
- ✓ We have the highest spending per capita of any Canadian province (Royal Bank of Canada, see http://www.rbc.com/economics/economic-reports/pdf/provincial-forecasts/prov_fiscal.pdf).
- ✓ Our net debt to GDP ratio is the highest at almost 50% (Royal Bank of Canada).
- ✓ According to RBC our per capita net debt is $27,817, compared with $22,588 in Quebec. We are by far the highest in Canada.

- ✓ Our debt per capita is higher than that of Puerto Rico which has been placed under a federal board of supervision.
- ✓ Our expenditures rose by 12% this year, in what is supposed to be an austerity budget.
- ✓ Our credit rating has just been reduced by Moody's. See https://www.moodys.com/research/Moodys-Downgrades-Newfoundland-and-Labradors-Debt-Ratings-to-Aa3-Outlook--PR_352203 .

To finance the anticipated deficits, Moody's forecasts that the province's net direct and indirect debt, relative to revenues, will approach 240% by 2020/21, the highest forecasted level of Canadian provinces. Moody's notes that this includes CAD$4.5 billion of promissory notes the province has issued to fund its pension liabilities. Moody's expects the province's interest expense to reach 12% of revenues by 2020, a high level compared to international peers and a level not seen by the province since 2004.

Although the province has aggressively moved to introduce revenue measures, including a two percentage point increase to the provincial portion of the harmonized sales tax, increases to income taxes and the introduction of a temporary Deficit Reduction Levy, the increase in revenues is insufficient to offset the CAD$1.6 billion decrease in the level of annual oil royalties between 2013/14 and 2015/16. Despite oil prices strengthening since their January 2016 lows of roughly USD30/bbl, oil prices are expected to remain well below the high prices recorded in 2013-2014 across the medium-term, thereby continuing to dampen the level of offshore royalties the province is expected to record.

- ✓ We are borrowing more and more from short term financial markets rather than long term bonds. See http://unclegnarley.blogspot.ca/2016/08/bullshit-still-sells-in-new-york.html. The markets for our long term issues are highly volatile.
- ✓ The cost of servicing our debt is rising and is now exceeding our expenditures on education. Debt servicing cannot fail to become larger and larger in the future.

Quality of Public Services

How do we compare when it comes to the well-being of our people, using data compiled by the Conference Board of Canada?

- ✓ Our life expectancy is one of the lowest in Canada see http://www.conferenceboard.ca/hcp/provincial/health/life.aspx.
- ✓ Mortality due to cancer is one of the highest in Canada see http://www.conferenceboard.ca/hcp/provincial/health/cancer.aspx.
- ✓ Infant mortality is one of the highest in Canada see http://www.conferenceboard.ca/hcp/provincial/health/infant.aspx.
- ✓ Mortality due to heart disease and stroke is the highest in Canada at 200 per 100,000 people see http://www.conferenceboard.ca/hcp/provincial/health/heart.aspx.
- ✓ Mortality due to diabetes is one of the highest in Canada see http://www.conferenceboard.ca/hcp/provincial/health/diabetes.aspx.
- ✓ Mortality due to suicides is in the middle of the pack see http://www.conferenceboard.ca/hcp/provincial/health/suicide.aspx.
- ✓ Mortality due to nervous system is among the highest in Canada at http://www.conferenceboard.ca/hcp/provincial/health/nervous.aspx.

How do we compare on education? We compare poorly with other provinces. See http://www.conferenceboard.ca/hcp/provincial/education.aspx

- British Columbia, Ontario, and Alberta are the top performers among all the provinces, earning "B" grades on the Education and Skills report card. Manitoba, Saskatchewan, New Brunswick, and Newfoundland and Labrador all earn "D's" overall, while P.E.I. earns a "D–," scoring worse than the lowest-ranked international peer country. See http://www.conferenceboard.ca/hcp/provincial/education.aspx.
- Ontario and British Columbia are considered to be above average on university attainment while Newfoundland and Labrador and New Brunswick are classified as below average. Only 18.4% of the NL population aged 25-64 held university degrees. The corresponding percentage for New Brunswick was the same while that for Ontario was 31%. See http://www.conferenceboard.ca/hcp/provincial/education/university.aspx.

The point I am making is that our system does not perform well even though we are spending more money than other provinces. The quality of our outcomes in health and education is not aligned with other Canadian jurisdictions, let alone international comparators.

Report Card on Public Services

Should we prepare a report card measuring our performance on a wide range of indicators of well-being? Should there be a report card of progress achieved against measurable outcomes? I believe the time has come to introduce such progress reports so that we can have an evidence base by which to judge whether our democratic institutions are performing well or badly. Too often we focus on inputs without measuring outputs, let alone outcomes. Outcomes are the result of policy choices and resource allocations. Outcomes represent the improvement in the quality of life of our people.

This leads to the question of the quality of government that we have and the need to create financial incentives for better performance. The performance of government under both Liberal and PC governments has been poor. Government has not maintained balanced budgets even when oil royalties were high. The problem is not low revenue; the problem is overspending. Our neighbouring province of Nova Scotia managed to balance its budget without oil revenues. Despite our high oil revenues we were not able to deliver high quality services. We have spent well beyond our means and yet failed to provide services that are of comparable quality to those delivered by our sister provinces.

Double Dipping of Pensions

Retired public servants should not be allowed to use their Membership in the legislature as a stepping stone toward a second pension from the public purse. Such double dipping raises public scepticism about the motives of our legislators and impugns their credibility. Indeed it tarnishes the image of the profession.

The pension scheme for legislators should be no more generous than that for other public servants. The gold-plated pension plan for MHAs tends to attract people for the wrong reason and has led to public rebuke.

Leading by Example: Brief to Minister of Finance

I submitted a brief to the Minister of Finance in March recommending a wide range of measures to bring the budget into balance.

> *The scale of the current fiscal crisis is unprecedented in the post-Confederation era. Having embarked on this consultative process at the beginning of the budgetary process government should ensure continued engagement at all stages of the process including the decision-making process itself, its implementation and reporting to citizens on its success in achieving agreed economic and fiscal goals. Uppermost in our minds must be our stewardship of the province and our legacy to future generations. To allow this budget deficit to persist would be an abdication by our generation of our responsibility to future generations.*
>
> ***Leading by Example***
>
> *Government should lead by example, starting with a pay cut for all MHAs. Stacking of pensions and double dipping by MHAs should be terminated. MHAs should not be allowed to draw two full pensions from the public purse. These measures should be affirmed through legislation. Government should send a strong signal of the seriousness of the problem and the urgency of taking remedial action by immediately cutting the salaries of MHAs and Ministers.*
>
> *Such cuts should be made in advance of a broader set of salary cuts, beginning in the upper echelons and encompassing all public institutions and enterprises. Both wage cuts and layoffs will be necessary. Wage cuts share the burden more broadly and can be implemented quickly, while layoffs, while necessary, must be targeted and will take more time.*
>
> ...
>
> *If you want to change the behaviour of government managers stop rewarding them based on the size of their budget and staff. The classification system rewards managers who preside over large budgets and many staff. Reform the incentive system to create incentives for other desired outcomes, including downsizing the bureaucracy. Turn the existing incentive system on its head!*
>
> ...
>
> *Should we be budgeting on the assumption oil prices will soon rebound? Should we assume that Hebron, Bay du Nord and other offshore finds will rescue us from our current plight? Or should we establish a different fiscal framework assuming a world with low oil royalties, from $500 million to $1 billion rather than the gold rush days of $2.8 billion? On top of this we should treat royalties as the non-renewable revenues they are and use them to repay debt and to build a heritage for future generations. We should not finance our expenditures from non-renewable revenues. We should not rely on recovery of commodity*

prices or the largesse of the federal government, neither of which is imminent or sustainable.

Recommendations

1. The Province's ability to pay should be a major consideration in deciding on the appropriate remuneration for MHAs and should take precedence over considerations of achieving parity with other provinces, which operate under different circumstances and with differing ability to pay.
2. MHAs should show leadership by example, offering to take a major pay cut and thereby to lead by example as part of a plan to restore fiscal sustainability and to avoid placing an unfair burden on future generations. Fiscal sustainability for me means that non-renewable resource revenues must be used not to pay current expenditures but rather to reduce the debt and to build a heritage fund for future rainy days.
3. The House of Assembly should commission an independent evaluation of the performance of government in the form of a report card covering all aspects of government service so that members of the legislature can be rewarded for government performance or lack thereof. An integral part of this report card should be the performance of the government in reducing the combined deficit and achieving fiscal balance.
4. The House of Assembly should redesign the Members' pension plan so that it does not create future unfunded liabilities. Contribution rates should be increased to ensure that it is a self-supporting plan. The current pension plan is much more generous than that enjoyed by most residents of the province and comports with an image of entitlement and indulgence which is inconsistent with the dire financial straits of the province.
5. The remuneration package should be redesigned to make it more transparent and to reduce the number of duties for which supplemental compensation is paid, such as chairing committees of the Legislature. Such duties should be considered to be part of the job. All payments to Members should be disclosed publicly identifying whether the payments are compensation for services rendered or reimbursement for costs incurred for travel, office expenses or other costs.
6. The pension plan should be redesigned to make it no more generous than that available to other public servants.
7. Public servants should not be able to draw more than one full pension from government pension plans when they are elected as Members.
8. The concept of a "mandate statement" should be explored to set out the expectations we have from our MHAs and to provide an opportunity for constituents to become involved.
9. A program of research should be undertaken on the expectations that citizens have of their Members and how they should conduct themselves.
10. The Committee should advise the House of Assembly as to the training which should be made available to Members to enable them to discharge their responsibilities effectively. Such a training package could be developed by the University, with appropriate input from the Harris Centre, the Faculty of Business and the Department of Political Science.
11. Research should be undertaken on the factors that influence the decision to become a candidate.
12. Research should also be undertaken to determine if the minimum qualifications of candidates should be raised.

Attention: Sandra Burke, QC
1-888-729-7922

If you do NOT think NL MHAs should receive a pay raise at this time, please sign below (see attached article):

This will be submitted to the Members' Compensation Review Committee.

Rhonda Fagan [illegible]
[illegible]
[illegible]
[illegible] CLAUDE MOULTON
Wade [illegible]
Paul [illegible]
Vicki Hollett
Jason [illegible]
Joanne Weir
[illegible]
Eugene Whittle
TERRY TILLEY
Pam Best
Tyler King [illegible]
[illegible] (Andrew Hillier)
Jason Sturge ([illegible]) "Fire them"
Dave [illegible]
BETTY Mercer
[illegible]
[illegible] Robin Davis

If you do NOT think NL MHAs should receive a pay raise at this time, please sign below (see attached article):

This will be submitted to the Members' Compensation Review Committee.

Patricia Hayward
Marsha Decker
Carol Roe
Beulah Rickle
Joan Dawson
[illegible] Smith
Barbara Tilley
Catherine Haynes
Joyce Bradbury
Doreen Parrott
Janette [illegible]
Jane Hardigan
Joan Downton
[illegible]
Gwendolen Burley
Hardingham
Anne Henry