



How We Value Democracy

Members' Compensation Review Committee | Heather M. Jacobs, KC

- Approach
- Salaries
- Salary Adjustment Formula
- Severance
- Pension
- Allowances
- Closing Remarks



Interviews with
and submissions
from public and
MHAs



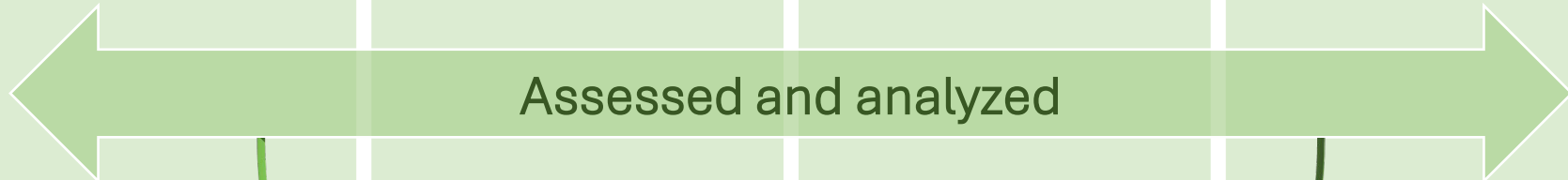
Substantial
document
review



Significant
jurisdictional
research



Extensive
examination of
allowance usage



32 Recommendations



Assessment:

- Current base salary of \$95,357 is neither fair nor reasonable.
- The roles and responsibilities of an MHA are **critical**.
- Since 2007, the salary has fallen from **5th** to **10th provincially and territorially**.
- Salaries have **dramatically fallen behind** the public sector since 2007.
- The **salary gap** between DMs/ADMs and MHAs is significant, having **widened** considerably since 2007.
- The public is **supportive** of an increase.
- MHAs believe a salary increase would ensure **diversity**, attract **qualified candidates** and reflect the **time commitment** and **expectations**.
- The economy can **withstand** the increase.

Recommendation

1. The base salary should be \$120,000.

Impacts

Financial:

- An increase of \$985,720 needed to the annual budget.

Legislative:

- An amendment to the HOAAIAA required to set the new salary.





Additional Compensation

Assessment:

- Compensation provided to MHAs who take on roles **above** and **beyond** MHA duties should be **fair and reasonable**.
- Currently only 8 of a potential 18 additional duty positions are compensated.
- Compensation should be comparable with that provided for these positions **in other jurisdictions**.
- Compensation should align total salary with senior positions (e.g. DMs, ADMs) in the executive branch.
- The policy of compensating only the highest paid position if an MHA holds more than one should continue.

Recommendations

2. Compensate the following positions, as noted:
 - a. speaker: \$55,000.
 - b. deputy speaker & chair of committees: \$25,000.
 - c. leader of the official opposition: \$55,000.
 - d. official opposition house leader: \$25,000.
 - e. leader of a third party: \$30,000.
 - f. third party house leader: \$15,000.
 - g. chairperson of PAC: \$15,000.
 - h. vice chairperson of PAC: \$10,000.

Additional Compensation

Recommendations (continued)

3. Add the following salaried positions to section 12 of the HOAAIA:
 - a. deputy chair of committees: \$15,000.
 - b. deputy opposition house leader: \$9,000.
 - c. government whip: \$5,000.
 - d. official opposition whip: \$5,000.
 - e. third party whip (caucus of 5 or more): \$5,000.
 - f. government caucus chair: \$5,000.
 - g. official opposition caucus chair: \$5,000.
 - h. third party caucus chair (caucus of five or more):: \$5,000.
 - i. government house leader: \$25,000.
 - j. deputy government house leader: \$9,000.

Additional Compensation

Recommendations (continued)

Compensate MHAs serving on entities, as follows:

4. Committee chair (other than PAC chair): \$200/meeting.
5. Committee member (other than PAC vice chair) or Management Commission member: \$150/meeting.
6. Total annual compensation from the above combined not to exceed \$5,000.
7. Codify the policy of receiving compensation from the highest paid position if performing more than one role.

Additional Compensation

Impacts

Financial:

- Budget increase of \$143,700:
 - \$38,212: provide increases to currently compensated positions
 - \$88,000: provide compensation for additional positions
 - \$17,500: estimate of funding for committee and HOAMC compensation

Legislative:

- Amendments to HOAAIAA to
 - Increase salaries for currently compensated positions
 - Add additional positions to be compensated
 - Authorize compensation to committee chairs, committee members and HOAMC members
 - Direct that if an MHA holds an additional-salary position, a ministerial position or committee membership at the same time, they are entitled to only the additional salary or per diem of the highest compensated position

Additional Compensation





Salary-Adjustment Formula

Assessment

- A salary-adjustment formula is needed to ensure compensation keeps pace, but the formula must take into account public service increases.
- Scenarios of 2013 and 2021 when previously recommended formulas were not implemented due to fiscal constraints should be prevented.
- **Linking** the adjustment formula to the **executive pay plan** would ensure the recommended formula would not increase MHA salaries above **negotiated public sector salaries**.
- Use of the Consumer Price Index (**CPI**) would keep MHA salaries in line with changes in the cost of locally acquired goods and services.
- Use of the CPI in the salary-adjustment formula would prevent **politicization** of MHA salary increases.
- Automatic adjustment **would not** require ongoing legislative approval.

Salary-Adjustment Formula

Recommendations

8. Commencing on July 1, 2025, adjust the MHA annual salary, additional-salary positions and committee maximums by the percentage change in the consumer price index in Newfoundland and Labrador (all items) on December 31 of the previous calendar year to a maximum of the percentage increase provided in the executive pay plan for the current calendar year.

Impacts

Financial:

- The % of the 2024 CPI change to a maximum of the % executive pay plan increase for 2025 (2%)

Legislative:

- An amendment to HOAAIAA to stipulate the adjustment formula

Salary-Adjustment Formula





Assessment

- A political career is generally short:
 - The average tenure in NL is 8.42 years.
- An MHA:
 - has no job security.
 - is not entitled to employment insurance.
 - may have difficulty obtaining employment or returning to a profession after leaving political life.
- Severance is an essential element to support transitioning to private life.
- Other supports (e.g. counselling, resume preparation) should be provided to assist with transition.

Assessment

- Issues with both severance provisions need to be addressed
 - Application of 81.2% of salary in the pre-November 30,2015 provisions
 - Challenges with linkages to general assemblies in the post November 30, 2015 provision
- Members should be treated consistently
- A severance plan helps attract diverse, qualified people
- The cost of severance is minimal compared to payouts in corporate professions

Recommendations

9. Continue MHA severance entitlement, renaming it “transition allowance,” with the same provisions afforded to all MHAs regardless of when elected.
10. Calculate transition allowance using 100 % of MHA annual salary with a formula of 1 month for every year of service, prorated by # of days served for part-years of service, with a minimum of 3 months and a max. of 12 months regardless of the reason for departure and with no 3-year minimum, except if the seat has been declared vacated.
11. Pay transition allowance in no more than 2 installments in FY in which it is incurred.

Recommendations (continued)

12. Continue to recognize an MHA returning after a break in service as commencing their 1st General Assembly, regardless of how many Assemblies they have served previously.
13. Remove the linkage of the transition allowance to pension or post-employment status.
14. Provide up to \$2,500, with receipts, for career counselling, training and education for up to one year after the resignation or defeat of an MHA who has served at least one General Assembly and whose seat has not been declared vacated.

Impact

Financial:

- Increase in liabilities for transitional allowance: \$612,400
 - Severance entitlement is calculated as of March 31, 2024. The increase reflected is based on the proposed policy at the proposed increased salary. This would be an increase in the province's liabilities.
- \$2,500 for career counselling, training and education: \$25,000
 - Cost would be as incurred based on the number of MHAs departing with at least one general assembly served. This would only need to be budgeted in a general election year. Incidental usage would be absorbed into existing appropriations. The estimate provided assumes a 25% attrition rate in an election year.

Policy:

- A Management Commission directive required to give effect to the new policy.





Assessment

- A defined-benefit pension plan is an essential element of remuneration and an incentive to attract diverse and qualified candidates to run for political office.
- The current MHA plan is consistent with other provincial plans.
- Changes have improved the plan's performance. Where the MHA pension plan was once the most underfunded of the plans, the reduction in the benefit formula and the improvement in asset growth has placed it fourth place among plans.
- Historically, as changes to the pension plan were implemented, modifications only applied to MHAs elected for the first time after the changes were made. This retroactive application of the 2017 amendments was a significant departure from past practice.

Assessment (continued)

- Most jurisdictions have defined benefit plans.
- The status quo should be maintained in all other respects, i.e., the defined-benefit plan should be retained, like most other jurisdictions.
- The retroactive pension application affecting the MHAs elected on November 30, 2015 should be remedied.

Recommendations

15. Continue pension provisions for current MHAs elected after the November 30, 2015 general election; and
16. Amend the **Members of the House of Assembly Retiring Allowances Act** with retroactive effect to provide the pension benefit accrual rate and retirement eligibility under the MHA pension plan as it existed on November 30, 2015 for all MHAs elected for the first time on November 30, 2015 to the pension benefit accrual rate and retirement eligibility that existed on November 30, 2015.

Impact

Financial:

- To reinstate benefits for MHAs first elected November 30, 2015:
 - Increase in the pension benefit obligation to reinstate the benefits for MHAs first elected on November 30, 2015: \$1,472,000
 - Increase in the pension service cost associated with the reinstatement of benefits for those first-elected on November 30, 2015: \$163,000
- Associated with salary increases:
 - Increase in the pension benefit obligation as a result of the increase in salaries to \$120,000: \$875,000 (\$175,000 per year for 5 years)
 - Offset of the Increase in the pension service cost as a result of the increased portion of the salaries: \$55,000

Legislative:

- An amendment is required to the **Members of the House of Assembly Retiring Members Act** to reinstate benefits for those members first-elected on November 30, 2015





Assessment

- Generally, the allowances are meeting the needs of MHAs in terms of the type of allowances and the overall allocations provided.
- Some adjustments are necessary to address issues and ensure the allowance regime remains relevant.
- Issues with the reimbursements for the use of private vehicle usage are valid and need to be addressed, specifically:
 - the reimbursement rate for mileage
 - reimbursement of the cost of all mileage when commuting to the capital from outside the 60 km community zone
 - the eligibility to claim parking fees under intra-and extra constituency travel.
- All districts in Category 1 (of the intra- and extra- allowance categories) should be provided the same option regarding the monthly vehicle allowance.

Assessment (continued)

- Issues with the meal diems should be addressed:
 - Meal per diems should be at least the same as the Treasury Board Policy
 - MHAs staying in temporary accommodations without access to cooking facilities should be reimbursed (within reason) so that they can avail of healthy food choices
 - MHAs on travel status should have options available to address the higher costs of meals.
- A mechanism should be available to address travel and living requirements in extraordinary circumstances.
- There is overlap with eligible expenses under Office Operations, Constituency Allowance and the Start-up Allowance. Combining these allowances would create greater flexibility for Members.

Recommendations

17. Reimburse all MHA mileage claims at the Treasury Board Secretariat designated rate;
18. Remove the restriction on claiming mileage within the 60-kilometre commuting zone by MHAs from outside this zone;
19. Remove the prohibition on claiming parking expenses on MHAs' private vehicles when availing of rental vehicles under the intra- and extra-constituency allowance;
20. Provide the districts of Harbour Grace - Port de Grave and Labrador West the option to avail of the \$200/month vehicle allowance;

Recommendations (continued)

21. Authorize the Management Commission to designate that, in extraordinary circumstances, travel and living expenses may be considered an extra-constituency expense and charged against the intra- and extra-constituency allowance;
22. Adopt the Treasury Board Secretariat meal rates as the per diem meal rates for MHAs;
23. Continue to prorate the eligibility to claim meal expenses in accordance with the Treasury Board Secretariat policy;
24. Continue the prohibition on claiming meal expenses, while on travel status, where meals expenses are included as part of another reimbursable item;

Recommendation (continued)

25. Reimburse MHAs staying in commercial accommodations in the capital region while travelling on House-in-session or House-not-in-session status the reasonable expense of meals based on a combination of receipts and per diem charges. The maximum would be \$75 (HST included) daily;
26. Allow MHAs on approved international travel to claim meal per diems as stipulated in the federal Treasury Board's Travel Directive without seeking further approval;
27. Provide for MHAs on travel status outside the province to claim a combination of receipted meal purchases and per diems, as appropriate, to a maximum of \$100 (Canadian HST included) per day;

Recommendation (continued)

28. Eliminate existing office operations allowance, constituency allowance and office-start-up allowance;
29. Establish an office and constituency operations allowance in accordance with the following:
 - a. Provide a funding allocation of \$15,000 (HST included), consisting of the \$12,000 (HST included) from the office operations allowance and the \$3,000 (HST included) from the constituency allowance;
 - b. State eligible expenses in broad categories, allowing purchasing of the normal goods and services in reasonable quantities generally required to operate the office and the constituency;

Recommendation (continued)

- c. Continue the established prohibitions on donations, sponsorships, use of funding for political purposes, purchases of gifts, personal items, alcohol and cannabis, except for the prohibition on meals in eating establishments, which should be removed;
- d. Add the expensing of meals in eating establishments for the purpose of conducting constituency-related meetings as an eligible expense;
- e. Clarify that for events for which the MHA provides hospitality, the MHA may attend either in-person or virtually, providing that the virtual attendance is interactive;
- f. Require the Management Commission to issue a document providing guidance regarding normal office and constituency expenses and what constitutes reasonable quantities;

Recommendation (continued)

- g. Continue the Management Commission's authority to issue directives regarding the use of the allowance;
 - h. Require the audit committee of the Management Commission to review the nature of purchases of this allowance on an annual basis and make recommendations to the Management Commission regarding MHAs' use of the allowance; and
30. Amend the Members' Resources and Allowances Rules regarding constituency offices to be operated in government-owned/leased space if available to exclude Confederation Building Complex from government owned/leased space.

Impacts

Financial:

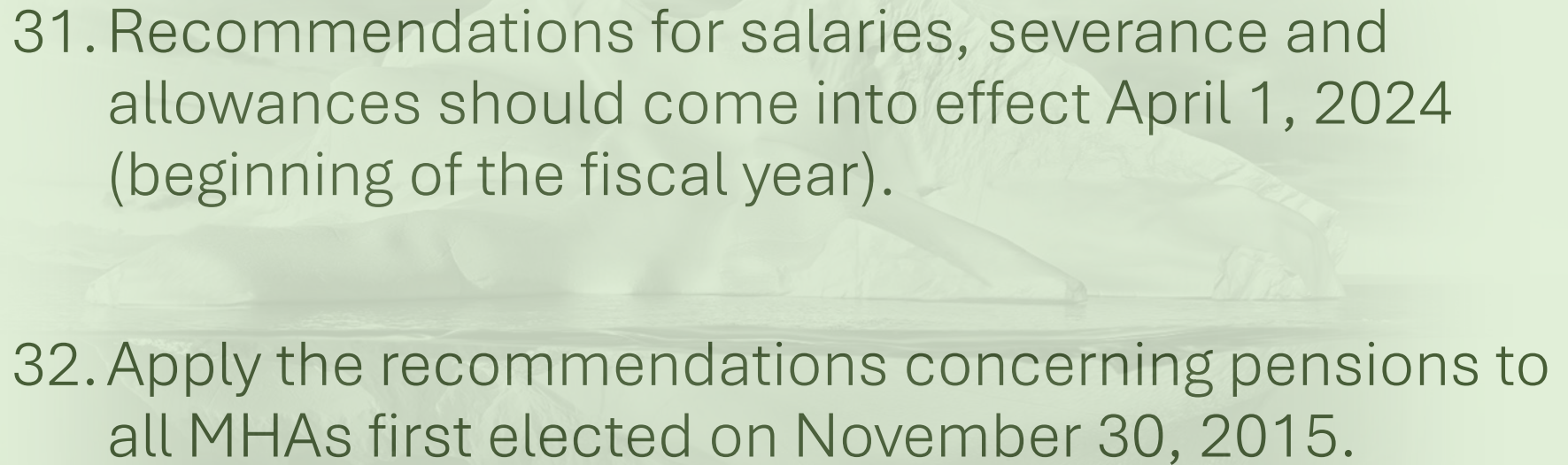
- Increased expenditures of approximately \$95,000 anticipated (\$67,000 associated with mileage and \$28,000 with meals)
- Increased expenditures should be able to be absorbed within existing appropriations

Regulatory:

- Amendments required to the **Members Resources and Allowances Rules** to give effect to the allowance changes





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31. Recommendations for salaries, severance and allowances should come into effect April 1, 2024 (beginning of the fiscal year).
 32. Apply the recommendations concerning pensions to all MHAs first elected on November 30, 2015.

How do we value democracy?

We must recognize the **importance** of the work of MHAs. We need a legislature that reflects **diversity, equality** and **inclusion** of all Newfoundlanders and Labradorians.

I recognize that the recommendations will not be received favourably by all. However, the people of the province deserve representation from the **best qualified candidates**. The diverse population of Newfoundland and Labrador also deserves **representation** in our legislature, and compensation should not be a barrier for people from a wide variety of **backgrounds** who wish to serve the public good.

Our democracy depends on it.

Closing Remarks



CHAMBER



Thank you