
Members Pensions and Salaries: A Round Table

In November 1994 the 18th CPA Regional Parliamentary Seminar was held in Ottawa. One of the topics on the agenda dealt with the Salaries and Pensions of Legislators. The following is a selection of comments from a number of participants from various jurisdictions including Greg O'Donnell, Doug Martindale, Cécile Vermette, Fred Gingell, Elizabeth Hubley, Rose Marie MacDonald, Maynard Sonntag, Fabian Manning, Alan Mitchell and Richard Magnus.

Greg O'Donnell (MLA, New Brunswick): The first question to ask is whether being a member of a legislative body is a full-time or part-time position. For me it is full-time. Let me give an example. My family used to alternate hosting Christmas dinner with my sister-in-law's family. It was our turn in 1989 when a constituent stopped in on Christmas day because his ditch had been frozen up and he wanted me to get the Department of Transport and have his ditch cleaned.

In 1991 it was our turn again. This time a constituent showed up looking to qualify for UIC. In 1993, my brother-in-law decided we could no longer host the family Christmas meal and henceforth we should go to his place each and every year.

An MLA's job is full-time. No one who seeks election stops and really looks at the package and says "I am going to run federally or I am going to run provincially because at the end of six years I can get a pension."

One problem that we have is that we are not entirely truthful with the public. We have frozen our salaries for the last several years in the New Brunswick Legislature at \$35,807.00. But we have a tax-free allowance and an additional 9% going into to a pension plan. After ten sessions we are eligible for the pension regardless of age. We have travel allowances which permits an MLA to make a maximum of 30 trips per year to Fredericton. These are all little things but I believe they are an irritation to the public because they are not sure of what we are receiving.

Recently in New Brunswick we introduced a \$5,000 allowance which lets us rent an office, a couple of

telephones and a fax machine. This allows me a place outside the home to do my business. But being a rural MLA the people say "its Greg, let's drop over." Therefore the family ends up sharing the family room with a variety of people. It is pretty near impossible to say to these people: "Look I now have an office, please do not come to my home."

I represent 12,000 people, with a staff of four who I would like to thank. They are dedicated hard workers. They do not take any time off and I relate to them all on a first name basis- Denise, Kevin, Keith and Cindy. They are my wife and 3 children.

Greg O'Donnell

As far as pensions are concerned I have to agree with some people who say it is pretty ridiculous when you could have a 29-year old getting a pension. But how many 19-year olds do you know who have been elected to a Legislative Assembly. We changed our rules so that you must sit at least 8 years, and be sixty years old to qualify for a pension. I supported this, but what we are

really doing is discouraging young people from running for office.

When you are elected, regardless of your political stripe, you are marked in the business community and when I decide to leave politics and return to private life I am going to be known as a Grit. It can have an effect on business. ♦



Doug Martindale (MLA, Manitoba): In 1990 there were 14 new members in my caucus. Some, like me experienced a large increase in salary, about 25%. Others experienced big decreases particularly people who went from being university professors to MLAs. Since I have been in the Legislature, the first year we received a pay increase, the second year a freeze and for the last two years a roll-back of 4 percent which is the same as the civil servant's roll-back.

The media have played a significant role in causing us to review our indemnities and allowances. The Manitoba's Taxpayer's Association which is part of a national organization published all our names, indemnities and allowances which they took from Public Accounts.

But both the Association and the *Winnipeg Free Press* did an untruthful thing. They added everything and came up with some startling totals saying some of us made as high as \$154,000, and "nobody draws less than \$73,000." The way they arrived at these fraudulent figures was by adding our constituency allowance with our salary. In fact, it is illegal to spend your constituency allowance on yourself and impossible because your claim would be rejected.

We did have a number of hidden benefits in terms of living allowances and expense allowances, and all of those were drastically changed or eliminated.

Doug Martindale

Did they issue a retraction? Well, they certainly tried to correct the record and there was a view that the figures were so ridiculously high that nobody believed it.

The Legislative Assembly appointed an Indemnities and Allowances Commission to handle this. It was an independent commission and the names of the commissioners were agreed upon by all three parties. The results were to be binding on the Legislative Assembly. The report and the recommendations will take effect on the first day after the next provincial general election. The Commission began with some important principles and they followed their principles quite well in their recommendations.

They said any system of remuneration for MLAs should be simple, straightforward, easily understandable, fair and accountable. They said the principles of transparency, accountability and fairness form the essence of the Commission's approach to evaluating the current compensation system and to developing recommendations for a future compensation scheme.

I would like to summarize some of the recommendations. A tax-free allowance amounting to a third of our salary has been abolished. The car allowance has been abolished and the salary to replace our indemnity, tax-free allowance and car allowance has been rolled into one. The Commission did something we probably would not do. They gave us a raise as well.

They calculated that our indemnity of \$29,000, our tax-free allowance of \$13,000, and our travel allowance plus the tax benefit was equivalent to about \$56,000 and then they gave us a raise of 1.5 percent. The salary is subject to an annual adjustment calculated as a percentage change in the average yearly wage as determined by the Manitoba Bureau of Statistics.

The additional per diem for attending committee meetings when the House is not in session has been abolished. This is something the media and the Taxpayer's Association said was a boondoggle. When you get paid an annual salary, why do you have to get paid for committee meetings when the House is not in session? In fact, the only committee that ever sits when the House is not in session is the Legislative Assembly Management Commission and they only sit three or four times a year between sessions. There are only eight people sitting on that committee. So it was a very small benefit to a small number of people.

The pension plan was particularly controversial because we were eligible once our years of service and age totalled 55. There was a qualifying period of 8 years or 3 elections. Some people actually qualified rather quickly because we had 3 elections: in 1986; 1988; and 1990 since we had a minority government. But this was one of the things the public was the most sensitive and incensed about.

The Indemnities and Allowances Commission in their wisdom abolished the current pension plan completely and in its place we will have an RRSP with equal contributions from MLAs and government. We are moving from an unfunded pension liability to a totally funded RRSP. The benefit for members is that we are contributing immediately so that if one is defeated one is not out of a pension scheme for up to 8 years. I think that everyone agrees in the House that this is a good thing. The existing pension plan was grandfathered.

Previously those who were rural MLAs, got a rather generous rural living allowance of \$19,000 a year which was not receiptable. They received it regardless of their expenses. There was a suggestion that four MLAs were sharing an apartment together in Winnipeg, and all collecting the same allowance. That is all gone. There is a new system of living allowances for rural members. One is a sessional living allowance the other an inter-sessional living allowance. The Commission also set up a commuter allowance because 60% of the population of Manitoba is in Winnipeg and there are a number of people representing ridings very close to the fringe of Winnipeg who previously got the living allowance but were in fact commuting to work every day. Now there is a new commuting allowance.

There is also an additional mileage allowance for rural members and northern members, and a new accountable travel allowance. The constituency allowance which is of great importance to all of us, was increased. Currently it is about \$26,000 a year although it has been subject to the four percent roll-back as well. We are moving from partial disclosure to full disclosure and that is going to have a really interesting affect. Now we have what is known as representation expenditures. We are allowed to buy pins and flags, and it is also used to buy banquet tickets and to make donations to organizations. Most of the public do not know that we have this. Currently I get a couple of hundred requests a year to advertise in banquet programmes or buy a banquet ticket or donate to an organization or even to help an individual. Once it becomes public that this money is available, I think I will get about 2,000 requests a year instead of 200. Then we are going to have a very interesting caucus discussion about whether we stop doing this entirely as a whole caucus or whether we set up very strict criteria as to who will get these donations.

In conclusion, when reasonable people take a serious look at indemnities and allowances, they will come to reasonable conclusions. ♦



Cécile Vermette (MNA, Quebec): As far as our remuneration is concerned, we made major changes in 1981-82 under the Levesque government. But the public is under the impression that we are eligible for a pension after having completed two mandates and being defeated or retiring from public life. This is far from reality. Why has this idea persisted? The media has perpetuated confusion between different pension plans for various levels of government.

In 1992 the Bourassa government implemented a degree of harmonization between the different plans. Before 1982 members could receive 75% of their salary as a pension. In 1991 the Quebec Government opted for a more modest pension plan in line with those in the private sector. When I became a member in 1985 other reforms were introduced.

That is why in 1992 the government, acting on a report of a special committee decided to bring about some modifications. We came to the conclusion that an MNA's salary should be based on a category 4 level salary, i.e. an average salary for a junior manager. As far as the pension plan was concerned it was optional. We could contribute or not. If we chose to contribute the contribution would be 9% of our monthly salary. I think that is fair enough when you look at how things are done in our society today.

If we ourselves have doubts about being entitled to the salaries we receive, imagine what the general public must think. It is up to us to prove that we deserve our salaries.

Cécile Vermette

Our pension credits equal 1.75% of our annual remuneration, which is perfectly logical and normal. We have to be 60 years old or over to claim a full pension, and if we take it early there is a penalty, as there is in any pension fund nowadays.

As far as supplementary benefits are concerned, they are related to our professional activities. I do not think the general public objects to us benefiting from these allowances they expect us to be attentive to the needs of those whom we represent. In a word, they expect us to behave in a manner worthy of their confidence.

Our allowances may seem huge to some people. We think they are about average, looking at the private sector and at the work we do. As far as our political activities

are concerned the budget of each member depends on various factors. There is an allowance for travel between the riding and Quebec City, based on 52 trips a year — .37 cents a kilometre if you drive. If you fly, an economy class ticket is refunded on submission of receipts. Members from outside the Quebec City region also get an accommodation allowance. The allowance for expenditures in the riding varies from \$20,500 to \$23,800. We get \$111,200 a year to pay staff salaries, which generally allows us to hire three people, two in our riding office and one in Quebec City. What usually happens is that in Quebec City we share the services of a secretary.

To help guide us and save us from going wrong in the course of the term we have a handbook, which is available to the public. When you talk about transparency, I think the Assembly has a very transparent system. The handbook is kept in members' offices and our secretaries and other employees consult it. The public can consult it too, by enquiring at any MNA's office.♦



Fred Gingell (MLA, British Columbia): I am pleased to hear that Manitoba abolished the tax free portion of members indemnities. It is something that your neighbour does not have and my neighbour does not have and it is time we got rid of that. I would like to say a word about the age at which one can start collecting pension.

The average working life in Canada is about 40 years. An average pension is about 75% of one's earnings and that final pension should bear a direct relationship to the number of years one has been a member compared to your total working life. The average fund pays about 1.5% or 2% of your average earnings of your best years after you have qualified. So if we think that 75% is reasonable than clearly what we should earn for each year service as an MLA in 1.75%. But that is not the case federally or in Manitoba. In British Columbia it is 5% per year. No private industry plan is so generous. When I talked to the Commissioner of Superannuation in our province about what it actually costs he said it was very difficult to define because you have to serve 6 years and the value depends on the age at which you become eligible to obtain the pension.

Now what do most other Canadians have. Well most of them have a Registered Retirement Savings Plan. If we want to contribute 9% then I have no problem with us having an RRSP to which the member can pay 9% and

have it matched by the Government. What will it pay you later on will depend entirely on how well the money is managed and invested. It will depend on the number of years it is invested. What you get in the end is related to the amount of money in the fund. We do not get into unfunded liabilities. We pay our cost as we go along. The later you wait to draw the greater the benefits.

I do not think any of us in our own hearts believe it is fair that someone in their thirties (and we have many members elected in their twenties) finds himself eligible for a full pension for the rest of his life.

We need to get this issue away from public scrutiny and I do not mean to hide it but get the matter out in the open so that our arrangement fits in with the private sector plans.♦



Elizabeth Hubley (MLA, Prince Edward Island): My colleague and I would like to give you a bit of information about what has been going on in Prince Edward Island. Prior to 1993, as required by the *Legislative Assembly Act*, the Governor in Council was required to appoint a Commission following every election to enquire into the indemnities of members in their various official roles. In June 1993 a Commission was established and directed to review the level of remuneration and the pension provisions of members of the Legislative Assembly. Its report in December 1993 noted that: "The public of PEI is very cynical when it comes to discussing members pensions. This cynicism is fuelled by the fact that it is the MLAs themselves who establish members pensions. The MLA pension plan is too expensive and generous and not supported by the public." In the face of hostility it was agreed to eliminate a whole host of remuneration paid to members. It was agreed to reform the existing MLA pension plan and a professional pension consultation was retained to provide advice in this regard. In March 1994 the government introduced radical reforms to the existing pension plan which my colleague will explain in more detail.♦



Rose Marie MacDonald (MLA, Prince Edward Island): Bill 67 the *Legislative and Executive Pension Act* was introduced and passed recently. It retroactively reduced the pension benefits to all the present and former

members. The reductions were significant. Among the active members and cabinet members the maximum reduction was \$10,608 on an annual pension of \$45,080. Former members were also hit hard with a net reduction of \$11,662 on an annual pension of \$46,872. The old act was to cease to have effect on June 30, 1994 at which time a new pension plan would be established. However, It was decided to set up a second commission comprised of three independent persons appointed by the Speaker to make a final and binding report on provisions for a replacement Act. The report of this committee has not yet been received and we have no way of knowing what it will recommend. Its provisions will likely be retroactive to June 30, 1994.

Despite the uncertainty at the moment, I do not think we will fare too badly because when any reasonable persons looks at the demands on an MLA he or she comes to the conclusion that we are not overpaid. I make this point in a submission to the Commission. ♦



Fabian Manning, (MLA, Newfoundland): I am the youngest member of the Newfoundland Assembly, having been elected at the tender age of 28. I certainly do not consider this a part time job since it takes up all my time. I suppose it is a full time, part time job because in 4 years I go back to my constituents and they will tell me if I can continue. In my brief experience not a single person has raised a concern about my salary. I have never heard of anyone being defeated because of his salary.

I do not think my constituents are mainly concerned about how much I am getting but rather what I can do for them. That is what they will judge me on.

I have a young family and I have to be concerned about my pension. But I would have to spend 16 years in the legislature to walk out with what we call a full pension that is 75% of our salary since years of serve plus age must add up to 60.

We receive a salary of \$38,000 and a tax free allowance of \$17,000. with a rollback of 4% last year. We also receive \$15,000 constituency allowance for travel and expenses in our constituency.

People think we are only working when the House is in session. We may only sit 80 days but that does not mean we are only working those days. This is a misleading statement that we find quite often.

I gave up a private business to go into politics. I think there should be something there to help us adjust back into private life. It is difficult for politicians to go out and

find a place in the private sector when you are a former politician. ♦



Maynard Sonntag (MLA, Saskatchewan): In Saskatchewan since 1981 we have a defined contribution plan. The member and the government both contribute 9%. It is one of the most "taxpayer friendly" plans in Canada. There is no unfunded liability. Once you are able to explain it to constituents, they usually accept it fairly well. I agree with those who think openness is the way to go but we ought not to be under illusion that being open will remove criticism. We are often criticized for the salary we receive but I think of the young hockey player from Saskatchewan who just signed a contract that will pay him 3.2 million and no-one has any problem with this. I sometime wonder about our priorities. In any event when we revamp things I think we need a slow evolutionary process rather than a revolutionary one. ♦



Alan Mitchell (MLA, Nova Scotia): I was elected in 1993 and when I ran I did not give a lot of thought to the remuneration MLAs receive. In Nova Scotia we have a Commission on Remuneration of Elected Official appointed by the Speaker. It meets each year and the idea was that instead of large raises every few years the Commission would propose small annual increments. But it has not always worked that way. In our last session we passed legislation to roll back all public service salaries, including MLAs by three per cent and to freeze them for three years.

Our system is somewhat archaic in that you have your remuneration, your expense allowance, a per diem for meals. When the house is in session you get a franking allowance and a travel allowance depending on your riding. I think the way Manitoba went makes a lot of sense. Instead of having various allowances which people are always finding out about, it makes sense to have one salary that everyone knows and can compare with everyone else in the community.

As far as our pension plan goes it is based on five years or two terms. We make a contribution of 10% per year

and after fifteen years you can get up to 70% of your salary. You can take the pension at 55 or you can take it earlier at 45 and receive about 60%.

There seems to be a trend across the country that pensions should be re-evaluated. I think this is good. There should be a fair pension but it must be one that is not gouging the public.

I think we suffer from bad public relations and the best way to reverse this is to work hard and show that we give good value for the money we earn. On the matter of allowances there seem to be a variety of approaches across the country. Certainly all expenses should require receipts. There should be adequate support staff for MLAs. In addition to any salary we take home we need proper staff, proper equipment. Gone are the days when we should work out of our homes.◆

Richard Magnus (MLA, Alberta): It has been interesting listening to the comments from various legislatures. As far as legislative pensions are concerned our situation in Alberta is simple. We do not have one. But then neither do butchers, bakers or many working people in Alberta and frankly our pension plan was far too rich. In May 1993 our pension plan was abolished with the cut off date being 1989. In other words all members from 1989 onward effectively (and voluntarily) gave up their pensions. They got a return of contributions but there are no pensions for members elected in 1989 or later.

Personally I do not have a problem with fair pensions but certain plans are perceived as too rich and I would be surprised if other legislatures do not find themselves in a situation very similar to Alberta's at some point in the future.◆