

Manitoba Federation of Labour

Brief to the

Commissioner for the Legislative Assembly

on MLA Wages, Allowances and Benefits

**October 10, 2007
Winnipeg, Manitoba**

Introduction

The Manitoba Federation of Labour (MFL) is pleased to present its views to you on the matters under your consideration.

The Manitoba Federation of Labour represents unions affiliated to the Canadian Labour Congress that act on behalf of approximately 96,000 working women and men in Manitoba. As their principal representative in dealings with government, many business organizations and community based groups; the MFL is well placed to speak on their behalf.

MLA Pay

Setting equitable levels of pay for Members of the Legislature has been debated in political jurisdictions in Canada since Confederation. The MFL supports the process enacted in Manitoba in June, 2005 to bring resolution to the MLA pension fiasco by establishing an independent commissioner to make a final and binding decision. The same arms-length process should be adopted to address other MLA compensation issues to remove the debate from the political forum where it is vulnerable to the winds of politics.

But such a step puts the emphasis on the need for an equitable process set down in legislation that reflects the needs and realities of Manitobans. A sensible wage and income policy for Manitoba MLAs needs to:

- reflect Manitoba economic realities.
- take into account the average weekly wage level of Manitoba workers.
- take into account Manitoba inflation trends and our cost of living increases.
- maintain a fair relationship with the remuneration policies of other governments.

We should not have a wage scale so low that serving the public good requires significant financial sacrifice, nor should we pretend that we need to compete with senior executive salaries in either the public or private sectors.

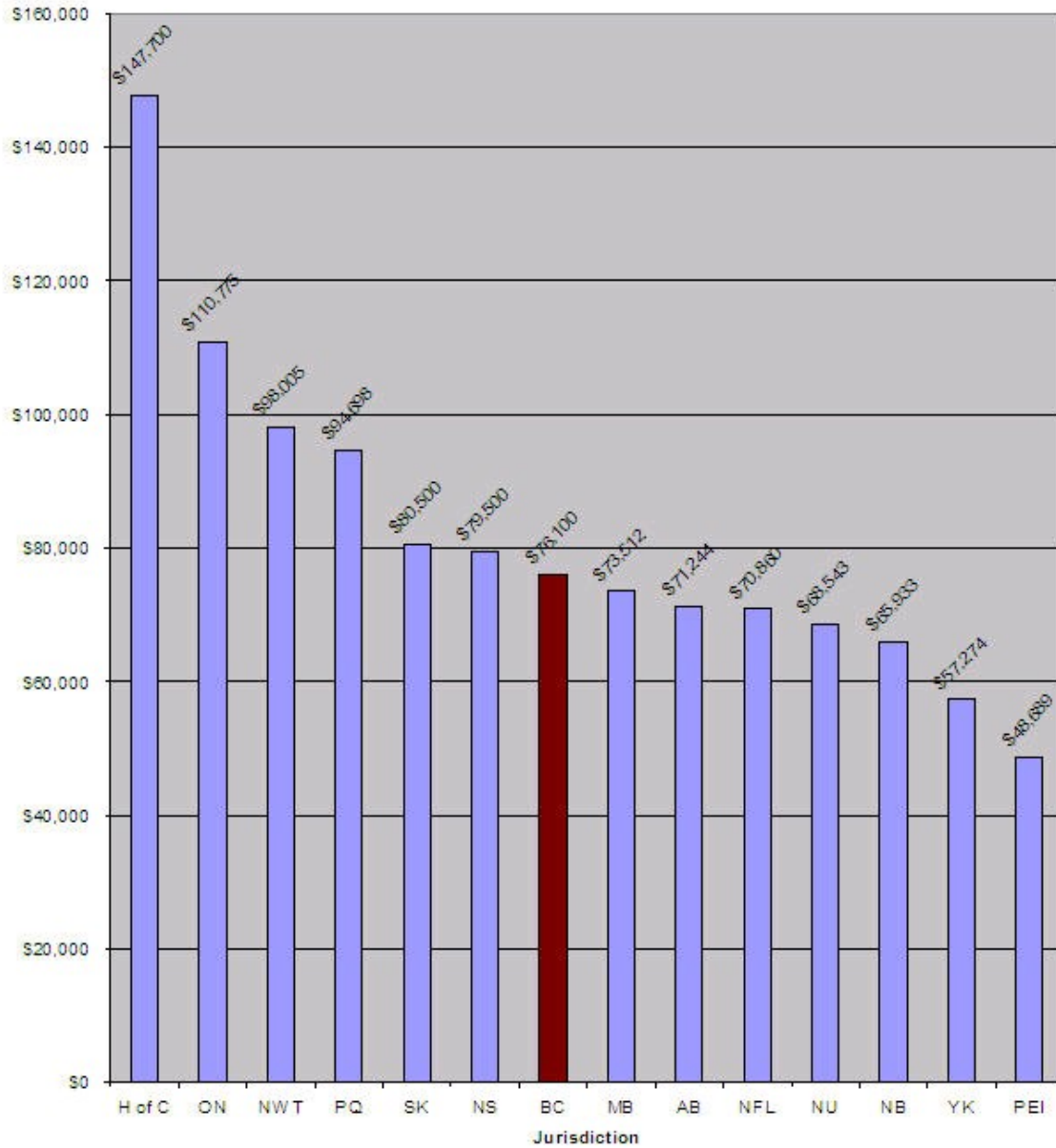
Serving as legislative representatives of our communities requires a commitment to public service without an expectation of enrichment from the public treasury.

Needless to say, setting the basis for such a policy will require substantial public consultation and a courageous legislature to enact the appropriate enabling legislation.

In its absence, the challenge remains to make an equitable recommendation for current MLA compensation rates.

What follows is a table outlining the relative basic compensation rates in Provincial and Territorial Legislatures across the country.

Basic Compensation Comparisons (including any applicable tax-free expense allowance) - Canada, 2006/07*



The above table does not include any changes following March 31, 2007. The major change that falls outside of that time period, is the increase authorized by the British Columbia Legislative Assembly – the increase boosts MLA paycheques by 29% to \$98,000 a year, while the B.C. Premier will now get \$186,000 (including allowances related to the position) annually. This compares to the current rates paid in Manitoba which stand at \$74,982 and \$124,509 respectively.

Regardless of the largesse extend to British Columbia MLAs (by themselves) the relative position of Manitoba compared to other jurisdictions is slightly less than the middle of the pack, about where it has historically been. It may well be that only minor modifications are needed now to maintain that position.

Allowances

A comparison of the amounts of additional allowances paid to MLA's across the country is not an effective measure since their appropriateness should reflect local economic conditions. For example, the cost of renting a constituency office in Manitoba is wholly determined by the real estate market. Comparing that cost to those incurred in Toronto is neither valid nor particularly useful. These allowances should be set at levels sufficient to meet the needs of our MLA's and monitored at least annually to make sure they do. This is particularly important at a time when Canada and Manitoba's economies are volatile and changing rapidly.

Allowances should be used for the purposes they are intended, up to the maximum amount set. If, for example, actual real estate costs are at a level below the maximum allowance then the difference should remain with the public treasury. Similarly, if allowances set aside to hire constituency staff are not used for that purpose, then they should not be paid out.

The key to enabling a productive MLA to meet the needs of his or her constituents is adequate support staff to carry out the flow of work. Staff levels should be set at a sufficient level, funded and administered outside of the MLA allowance structure to make this a reality.

Pension Issues

The crisis in MLA retirement fund planning that occurred in 1994 created many downstream issues that took until last year to resolve. The decision by the then provincial government to move away from a defined benefit retirement plan for Manitoba MLA's to a cost-shared RRSP model led to an inadequate retirement-income plan for the women and men elected to serve as Members of the Legislative Assembly.

Once the genie was out of the bottle, restoring MLA pension planning to a defined benefit model proved to be difficult and was complicated by a variety of issues, including pension credit buy-back for the period following 1995. It was only after your office was given the responsibility to provide a solution without reference to the legislative assembly that a pension regime that is as fair as possible, under the circumstances, emerged.

For the edification of those not familiar with that resolution, your decision is reproduced here:

I have considered all of the factors listed earlier in the report and have been guided by the findings of the previous Commissioners. The challenge is to strike an appropriate balance between the need to be fair and reasonable to MLAs (who are entitled to a fair pension for their work and commitment) with the interests of the Manitoba taxpayers. I am also mindful and sensitive of the competing demands made on the Provincial Treasury.

The decisions made in this Report attempt to strike the appropriate balance and deal with the many factors at play in determining fair and appropriate MLA compensation.

I have also taken into account that the retirement plan put into effect in 1995 put MLAs into a disadvantaged and inferior position compared to similar jurisdictions.

Previous Commissioners recommended and the Legislature determined that the existing RRSP plan be replaced and that a new LAPP be instituted. As set out earlier, the buy back of service is to be at full actuarial value. In many instances Members do not have sufficient RRSP value to allow for full buy back of service under The Income Tax Act or any RRSP holdings to mitigate the PSPA.

In light of the above, I have decided that the fair and reasonable way to effect to buy back given the costs involved and the income tax restrictions is to have the Province contribute to this buy back of service. Without it, it is probable buy back would be severely restricted in terms of numbers of Members and past years purchased. This would leave past and present MLAs with small pensions which do not properly acknowledge their years of service.

During the past period April 25, 1995 to October 1, 2004 Members have contributed 7% to their RRSPs or tax paid trusts and the Province matched this contribution. I am advised that the 14% in contributions represents 61.5% of the average current cost of pensionable service under the plan that was established in 2004.

I have decided that the remaining 38.5% should be split equally (19.25% each)

between Members and the Province. Therefore those who decide to purchase past service will be entitled to purchase it for 80.75% of the actuarial cost at October 1, 2004, plus interest at a rate to be determined by the plan administrator from October 1, 2004 to the date of actual purchase.

An MLA who elects to purchase service may pay for it by transferring funds from his or her RRSP and making additional contributions, as necessary. I have decided that the additional contributions may be made in equal installments over a period of up to three years, plus interest at a rate to be determined by the plan administrator.

There are Members who may be eligible to purchase past service, but are unable or choose not to do so, or who choose to purchase less than they are eligible for. It is necessary to treat all Members equally and I have decided that the Province shall compensate these Members for the otherwise forgone part of the share.

I have decided that these Members will be entitled to a benefit equal to 19.25% of the actuarial cost as at October 1, 2004 of the cost of the service they are eligible for but do not purchase. I have decided that the benefit will be paid as a lump sum to a locked-in trust account where it will earn interest at prevailing rates. This will include interest to the date of purchase or payment.

I am advised that these locked-in trust accounts are maintained by the Province for MLAs who are not able to make the 7% RRSP contributions and receive a matching contribution from the Province, and therefore there is an existing vehicle in place to accommodate these accounts. Other vehicles such a registered compensation arrangement (RCA) were considered but deemed inappropriate as they are more viable for the private sector.

I am advised by the actuary that the estimated cost of the Province's contribution will be approximately \$1.56 million as at October 1, 2004. It is essential to note that this amount is well below what the Province's contributions would have been (over and above the 7% contribution) if the defined benefit plan had been maintained after 1995 with a reduced accrual rate and a different early retirement privilege.

This returned the Manitoba MLA pension plan to the defined benefit model that the organized labour movement prefers and promotes at every opportunity. The only recommendation that we would advance at this point is to find a way to phase out the voluntary RRSP option that remains in place by not making it available to new MLAs and ending it completely once the last MLA currently exercising that option retires. We make this recommendation for two reasons. One, the RRSP option was the result of

ideologically based political grandstanding when it was established in 1994 and has no place in a sensible pension plan regime. Two, the health of a defined pension plan relies in part on the continuous infusion of new members and ought to encompass all potential plan members.

Conclusion

There is absolutely no doubt that the debate over what are fair and equitable MLA pay and allowance policies will continue unabated for the foreseeable future. Setting aside political considerations will be extremely difficult for elected MLA's; establishing fair policies will only become possible when the process is removed from the partisan political arena.