

**REPORT OF THE INDEMNITIES AND
ALLOWANCES COMMISSION
DECEMBER, 1998**

November 20, 1998

Hon. Wilbur MacDonald, M.L.A.
Speaker of the Legislative Assembly
P.O. Box 2000
Charlottetown, PE C1A 7N8

Dear Mr. MacDonald:


An Act to Amend the Legislative Assembly Act (1994) established an Indemnities and Allowances Commission which is required to report annually to the Speaker on or before the first day of December.

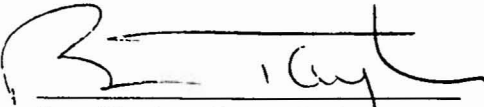
According to the Legislation, the Commission is to 'review and determine' the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, the Speaker, Deputy Speaker, the Leader of the Opposition, Government House Leader, Opposition House Leader, Government Whip, Opposition Whip and the Leader of the Third Party.

The Commission has completed its review of the remuneration and benefits as defined in Section 46 of the Legislative Assembly Act.

I am pleased to transmit to you with this letter the 1998 Report which includes the Commission's decisions and the rationale for these decisions.

Respectfully Submitted,


Colin Younker, Chairman


Ben Taylor, Commissioner


Wilbert MacKenzie, Commissioner

INTRODUCTION

A 1994 amendment to the Legislative Assembly Act established the Indemnities and Allowances Commission. This Commission, according to the legislation, is to "determine the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, the Speaker, Deputy Speaker, the Leader of the Opposition, Government House Leader, Opposition House Leader, Government Whip, Opposition Whip, and the Leader of the Third Party.

Remuneration and benefits are defined by the legislation as "salaries, indemnities, allowances, and pensions."

The Legislation requires "the Commission, annually and at such other times as the Speaker may request, (to) carry out a review of remuneration and allowances ... and on or before the first day of December of each year (to) deliver a report to the Speaker which shall be final and binding."

The Commission presented its fourth report to the Speaker in the fall of 1997. That report contained a 4% increase in Members' indemnities and allowances, as well as establishing a salary level for the Leader of the Third Party.

In preparation for the 1998 report to the Speaker, the Commission placed advertisements in local newspapers in August inviting the general public to present its views on submissions. At the same time, the Commission advised both the Liberal, Progressive Conservative, and the Island New Democrats caucuses, in writing, that it would be advertising in local newspapers and invited submissions from the caucuses. The Commission received submissions from three individuals and written submissions from the Island New Democrats and on behalf of the Members of the Legislative Assembly.

INDEMNITIES, SALARIES AND ALLOWANCES

In its last report, the Commission noted two changes that have occurred on the political scene on P.E.I. These were the change in the electoral map which resulted in five fewer MLA's on P.E.I. and the second change was the addition of the second sitting of the Legislature.

At the time of the issue of its last report the Commission felt there was not enough history to make any specific adjustments at that time.

The Commission has considered these two factors again this year and the feedback received indicates that there is additional workload on the MLA's and for the Speaker and Deputy Speaker with the extra sitting. The Commission has also reviewed the constituency office and caucus budgets in other provinces and in particular the Maritimes.

Based on feedback received and current practices in other provinces, the Commission has made some specific adjustments to the remuneration of the Speaker, Deputy Speaker and Leader of the Third Party.

The Commission has also spent time on the pension issue. Based on information received from the actuarial company, the current plan has benefits which are less than 40% of the benefits of the New Brunswick and Nova Scotia plans. This is in contrast to the old plan which had benefits which would be rated as 130% better than the New Brunswick and Nova Scotia plans.

The Commission is recommending that the current plan be amended to position it whereby the benefits would be in the 75% range of the benefits under the New Brunswick and Nova Scotia plans.

The Commission has also received feedback on and reviewed the current expense allowances.

The Commission is recommending that the 20 kilometre rule for mileage allowance be eliminated and that the claim basis for mileage when the House is not in session be increased from 3 trips per month to 5 trips per month. This is to recognize the increased travel with the one member per riding. This allowance is to be paid on a claim basis. As a clarification, if a Member stays overnight in Charlottetown, the mileage claim can be applied against the lodging.

DEFINITIONS

In the sections that follow, "indemnities" refers to payments made to all Members of the Legislative Assembly to carry out their basic responsibilities as M.L.A. s. These payments are taxable.

"Salaries" refers to payments that are made to Members of Executive council, the Speaker, Deputy Speaker, Leader of the Opposition, Leader of the Third Party, and those other Members who hold special positions in the Legislative Assembly, or on Executive Council Committees. These payments are in addition to payments received by Members in the form of indemnities and are also taxable

"Allowance" refers to additional monies paid to Members, such as M.L.A. expense allowances and the mileage allowances. These payments are non-taxable.

MEMBERS INDEMNITIES AND ALLOWANCES

Table 1 indicates the indemnities and tax free allowances for M.L.A.s in each of the provinces as of October, 1998.

TABLE 1

MEMBERS' ANNUAL INDEMNITIES AND EXPENSE ALLOWANCE

<u>Jurisdiction</u>	<u>Indemnity - Taxable</u>	<u>Expense Allowance non-taxable</u>
Newfoundland	\$38,028	\$19,014
Nova Scotia	30,130	15,065
New Brunswick	37,400	14,960
Quebec	60,860	11,956
Ontario	78,007	-
Manitoba	59,255	-
Saskatchewan	56,684	4,638
Alberta	36,420	18,210
British Columbia	69,900	-
Prince Edward Island	31,870	9,658

In 1994 the Legislative and Executive Compensation Act reduced the indemnities and allowances of M.L.A.s by 7.5%. The Commission's decision last year to increase the indemnities and allowances by 4% resulted in an indemnity of \$31,870 and an allowance of \$9,659. These amounts were just under the amounts of \$32,000 and \$9,700 that were in effect before the 1994 rollback which was effective April 1, 1994. The Commission's decision this year is to increase the indemnity and allowance by 2% to \$32,505 for the indemnity and \$9,850 for the allowance.

math says \$9,851.00

? math says \$32,507.00

Effective April 1, 1997, Civil Servants' wages, as a minimum, had returned for all employees to pre-rollback rates of pay. Dependent on the original salary of the employee the 1994 rollback rate was either 7.5% for salaries greater than \$28,000 and 3.7% for salaries less than \$28,000. The teachers have recently settled their contract which calls for a 6 1/2% increase over three years at an increase of 2%, 2%, 2 1/2% in the third year. This increase is consistent with MLA increases in other provinces; Nova Scotia - 3%, New Brunswick - 2%, Quebec - 2%, Manitoba - 1.5%, and Saskatchewan - 1.5%.

TABLE 2

SALARIES AND ALLOWANCES FOR SPEAKER AND DEPUTY SPEAKERS

Jurisdiction	Speaker Salary		Deputy Speaker Salary	
Newfoundland	\$39,834		\$19,917	
Nova Scotia	37,055		18,533	
New Brunswick	24,508	+ \$1,000 allowance	7,765	+\$250 allowance
Quebec	45,645		21,301	
Ontario	24,338		11,545	
Manitoba	22,025		7,342	
Saskatchewan	30,720		10,240	
Alberta	44,700		22,350	
British Columbia	39,000		19,500	
Prince Edward Island	18,251		8,065	

The salaries are taxable while the allowance is non-taxable.

During the past year Saskatchewan and Manitoba increased the salaries by 1.5%, Quebec 2%, and Nova Scotia 3%. New Brunswick did not increase the Speaker's salary but increased the Deputy Speaker's by 2%.

At the present time, the Speaker's salary is the same as the Opposition Leader's salary in five of the other provinces and ranges from 56 to 86% in the other four provinces. In P.E.I. the Speaker's salary is set at 50% of the Opposition Leader's salary. With the second session of the House and the increased workload, the Commission is increasing the salary lead of the Speaker to an amount two thirds of the salary paid the Opposition Leader.

In addition, the Deputy Speaker's salary is to be increased from the current level of 22% of the Opposition's Leader's salary to a one-third level. This is again related to the increased level and to be more consistent with the other provinces where the level ranges from 24-50% of the Opposition Leader's salary.

TABLE 3

**SALARIES FOR MEMBERS OF THE EXECUTIVE COUNCIL AND
THE LEADER OF THE OPPOSITION**

Jurisdiction	Premier (Taxable)	Cabinet Minister (Taxable)	Opposition Leader (Taxable)
Newfoundland	\$54,943	\$39,834	\$39,834
Nova Scotia	52,012	37,055	37,055
New Brunswick	50,091	33,395	32,676
Quebec	63,903	45,645	45,645
Ontario	61,860	32,997	43,060
Manitoba	41,951	26,220	26,220
Saskatchewan	51,201	35,841	35,841
Alberta	56,865	44,700	44,700
British Columbia	45,000	39,000	39,000
Prince Edward Island	52,164	36,850	36,850

The salaries of the Premier, Cabinet Ministers, and Opposition Leader have remained the same as last year in the four of the Provinces. Nova Scotia has had a 3% increase. There has been a 2% increase in New Brunswick and Manitoba and Quebec and a 1% increase in Saskatchewan.

TABLE 4

SALARIES PAID TO GOVERNMENT AND OPPOSITION HOUSE LEADERS

<u>Jurisdiction</u>	Government House Leader (Taxable)	Opposition House Leader (Taxable)
Newfoundland	\$ none paid	\$19,917
Nova Scotia	5,000	2,000
New Brunswick	none paid	none paid
Quebec	45,645	21,301
Ontario	none paid	14,275
Manitoba	7,342	5,245
Saskatchewan	none paid	8,192
Alberta	none paid	9,500
British Columbia	none paid	9,000
Prince Edward Island	4,980	3,487

There were increases last year in Quebec and Manitoba where the increases were 2% and 1.7% respectively.

TABLE 5

LEADER OF THE THIRD PARTY

<u>Jurisdiction</u>	<u>Third Party Leader Salary (Taxable)</u>	<u>As a Per Cent of Opposition Leader's Salary</u>	<u>As a Per Cent of Deputy Speaker's Salary</u>
Newfoundland	None paid	N/A	N/A
Nova Scotia	\$18,533	50%	100%
New Brunswick	12,000	37%	148%
Quebec	21,301	47%	100%
Ontario	27,848	65%	241%
Manitoba	4,125	16%	57%
Saskatchewan	17,921	50%	175%
Alberta	19,869	44%	88%
British Columbia	19,500	50%	100%
Prince Edward Island	8,065	22%	100%

Four Provinces provide a salary for the Leader of the Third party which is equal to the Deputy Speaker's salary while three Provinces provide a salary which is equal to fifty per cent of the Opposition Leader's salary. The balance of the Provinces provide a varying range of remuneration.

The Commission has spent considerable time discussing the salary for the Leader of the Third Party recognizing the additional time and responsibility for the member. The Commission is recommending that the salary of the Third Party Leader be \$12,515 which is the same as the salary for the Deputy Speaker.

PENSIONS

A new Pension Plan for Members of the Legislative Assembly was established in 1994. At that time the Legislative and Executive Pension Act replaced the previously existing Legislative Assembly Retiring Allowance Act in respect of benefits accruing to June 30, 1994. The Legislative and Executive Pension Act effectively repealed itself after adjustments made to the old plan. Benefits accruing for MLAs after that date are covered by the Pension Plan for Members of the Legislative Assembly of Prince Edward Island.

With the repealing of the Legislative Assembly Retiring Allowance Act, the "old" pension plan, although still with both funds and membership, is operating without guidance of the Act.

The Commission believes that the pension plan should continue to be dealt with according to the rules set out in the now repealed Act and the Commission proposes to do so and accordingly adapts these rules.

The Commission has met with the plan's actuaries, Morneau Sobeco. After considerable discussion with the actuaries and a comparison of the plans in New Brunswick and Nova Scotia, the Commission is recommending a supplementary non contributing plan with 2% of final average indemnity credited service benefit. Vesting would be upon five years total service or being elected twice. The credited service is to be calculated commencing July 1, 1994 but vesting to be determined based on service both pre and post July 1, 1994. The changes to be retroactive to July 1, 1994.

SUMMARY OF COMMISSION DECISIONS

1. That the annual indemnity (taxable) for Members of the Legislative Assembly shall be \$32,505.
2. That the annual non-taxable allowance for members of the Legislative Assembly shall be \$9,850.
3. That the Speaker of the Legislative Assembly, in addition to the Member's indemnity and allowance, shall receive an annual salary (taxable) of \$25,030.
4. That the Deputy Speaker of the Legislative Assembly, in addition to the Member's indemnity and allowance, shall receive an annual salary (taxable) of \$12,515
5. That the Premier of the Province, in addition to the Member's indemnity and allowance, shall receive an annual salary (taxable) of \$53,205.
6. That a Cabinet Minister, in addition to the Member's indemnity and allowance, shall receive an annual salary (taxable) of \$37,585.
7. That the Leader of the Opposition, in addition to the Member's indemnity and allowance, shall receive an annual salary (taxable) of \$37,585.
8. That the Government House Leader, in addition to the Member's indemnity and allowance, shall receive an annual salary (taxable) of \$5,080, providing that the Member holding this position is not receiving a salary for any position identified in amended Section 45(4) of the Legislative Assembly Act (1994).
9. That the Opposition House Leader, in addition to the Member's indemnity and allowance, shall receive an annual salary (taxable) of \$3,557, providing that the Member holding this position is not receiving a salary for any other position identified in amended Section 45(4) of the Legislative Assembly Act (1994).
10. That the Government Whip, in addition to the Member's indemnity and allowance, shall receive an annual salary (taxable) of \$2,994 providing that the Member holding this position is not receiving a salary as a Cabinet Minister or for any other position identified in amended Section 45(4) of the Legislative Assembly Act (1994).
11. That the Opposition Whip, in addition to the Member's indemnity and allowance, shall receive an annual salary (taxable) of \$2,994 providing that the Member holding this position is not receiving a salary for any other position identified in amended Section 45 (4) of the Legislative Assembly Act (1994).

12. That a non-Ministerial Member appointed to an Executive Council Committee, in addition to the Member's indemnity and allowance shall receive an annual salary (taxable) of \$5,080, providing that the member serving on such Committee is not receiving a salary for any position identified in amended Section 45(4) of the Legislative Assembly Act (1994).
13. That the Leader of the Third Party, in addition to the Member's indemnity and allowance, shall receive an annual salary (taxable) of \$12,515.
14. That the Premier and Cabinet Ministers shall be provided with a Government-owned or leased vehicle, in lieu thereof, an allowance for the use of their own vehicle.
15. That the Leader of the Opposition shall be provided with a Government-owned or leased vehicle or, in lieu thereof, an allowance for the use of his or her own vehicle.
16. That the Speaker of the Legislative Assembly shall be provided with a Government-owned or leased vehicle or, in lieu thereof, an allowance for the use of his or her own vehicle.
17. That Members of the Legislative Assembly shall receive a mileage allowance for use of their own vehicles while attending sessions of the Legislative Assembly or Committee meetings of the Assembly on days the House is not sitting or during the intercession.
18. That the Premier, Cabinet Ministers, Speaker of the House and the Leader of the Opposition are not eligible for the mileage allowance referred to in No. 17 above.
19. That Members receiving the mileage allowance referred to in No. 17 above shall receive such allowance at the prevailing civil service mileage rates and only for those days they attend the sitting of the House or a Committee thereof.
20. That Members shall receive payment, on a claim basis, for up to five (5) trips per month to Charlottetown when the House is not in session.
21. Creation of a supplementary non contributing pension plan as outlined on page 10 of this report and with details as per Option 2 in the November 10, 1998 memo from Morneau Sobeco.
22. That the effective date for implementing the Decision of this Report shall be April 1, 1999 other than decision 21.