



# Municipality of Port Hope

## Staff Report

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### Report Title: Council Compensation Review - Options

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**Report to:** Finance Committee

**Date of meeting:** April 19, 2022

**Report Author:**

Gina Jackson, Manager, Human Resources

**Department responsible:**

Finance

**Report Number:** FS-10-22

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### Recommendation:

That a resolution be presented to Council to direct staff to:

- 1) Rescind in its entirety the Council Member Remuneration Policy - 2018\_2022 and incorporate the Council specific remuneration terms, procedures, compensation, and benefits currently stated in that Policy and as amended in the recommendations below, into the Compensation Administration Policy in the section for Council.
- 2) Revise the Compensation Administration Policy to include the same compensation administration for both Council and Non-union employees, as follows: a market compensation review to be conducted every four (4) years; the use of the same municipal comparators for Council and Non-union employee's compensation reviews, with the municipal comparator group being updated as required; the use of a 60<sup>th</sup> percentile target for market compensation comparisons.
- 3) Discontinue the current traditional Elected Officials health and dental benefit plan, effective November 30, 2022 and implement a Health Spending Account credit of \$2,500 for each Council member, at no cost to the Council member, effective December 1, 2022 - pro-rated to the months of service in the year eligibility starts and ends.
- 4) Incorporate these recommendations into the revised Compensation Administration Policy for Council's review, with the revised remuneration terms for Council to be effective December 1, 2022

### Highlights:

- Following the presentation by ML Consulting regarding the compensation and benefits provided by municipal comparators to Council, and the subsequent recommendations made by the Consultant, the matter was referred back to staff

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to provide additional information. Alternate compensation and benefit options and the associated costs have been presented in this Report for Council's consideration.

**Background:**

The current Council Member Remuneration Policy is to be administered for the period of December 1, 2018 to November 30, 2022. The Policy states "that a Council Member Remuneration Committee be established in 2022 to review this Policy and provide an updated Policy for approval by June 1 of the Municipal Election year 2022."

In the fall of 2021 and prior to establishing a community-based Committee to review the current Council Member Remuneration Policy, Council approved a staff recommendation to utilize the consulting services of ML Consulting to complete a Council members compensation review, gather data from eleven municipal comparators and apply a market assessment procedure similar to that which was used for the Non-union municipal employees' compensation review.

ML Consulting presented the findings and recommendations from the Council compensation review, at the Committee of the Whole meeting on January 18, 2022. Committee subsequently requested that the matter be referred back to staff for further review and to report back to the Committee of the Whole at a later date.

This Report provides the additional information requested by Council for their consideration.

Of note, in accordance with the Canada Revenue Agency, compensation paid to an Elected Official does require deductions for Canada Pension Plan and Income Tax; however, it does NOT require deductions for Employment Insurance. With reference to the Employment Standards Act (ESA), the terms of employment in the ESA do not apply to individuals who perform work and receive compensation as a holder of a political or elected office. As such, the terms of employment such as vacation pay, statutory holiday pay etc., are not applicable.

**Discussion:**

***Compensation***

The results of the market compensation review for the Municipality of Port Hope ("Municipality") Council members compared the Mayor, Deputy Mayor and Councillor salaries to the salary at the 50<sup>th</sup> percentile for the eleven comparator municipalities. The Deputy Mayor and Councillor's salaries were closely aligned with the 50<sup>th</sup> percentile value in the market (2.1% above market and 0.1% below market respectively). The Mayor's salary was higher than the 50<sup>th</sup> percentile (22.7% above the 50<sup>th</sup> percentile), and this compensation is supported by the Municipality having a full-time Mayor and the majority of the comparator municipalities having part-time Mayors. On review of the compensation information, ML Consulting previously recommended that no change be made to the base salaries for the Council members.

At the January 18, 2021 Council meeting, Council inquired about why the 50<sup>th</sup> percentile

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was used for the comparison and would a higher target percentile for compensation be more appropriate.

The 50<sup>th</sup> percentile salary, is the salary value that has fifty percent (50%) of the salaries lower than it and fifty percent (50%) of the salaries higher than that salary value i.e. “middle” of the salary values for that job. Council established the 50<sup>th</sup> percentile as the target market compensation for the Non-union employees and this same target market percentile was used in the Council members compensation review.

A Municipality’s choice of the target market percentile is determined based on a combination of the Municipality’s interest to attract / retain employees and their ability to afford the compensation. e.g., Does the Municipality want to offer highly competitive salaries and lead the market in compensation for example, offering salaries at 75<sup>th</sup> percentile and above? OR Does the Municipality want to lag the market and pay less than other Employers at the 50<sup>th</sup> percentile or lower?

The benefits of leading the market with a higher target percentile, could translate into an increase in the ability to attract employees, and meet the compensation expectations of more experienced or talented employees and Council members. Also, where an Employer offers compensation that is paying higher than their competitors, there is an increased likelihood of retention of employees e.g., employees do not leave their employer to seek out higher paying jobs elsewhere when their current employer is providing a competitive salary.

The disadvantage to establishing a high target market compensation percentile is the overall cost of providing wages at this higher salary value. The typical target market percentile is usually between the 50<sup>th</sup> to 60<sup>th</sup> percentile.

A disadvantage of maintaining the 50<sup>th</sup> percentile target for compensation is that the salary values would decrease to below 50<sup>th</sup> percentile after each successive year that follows the compensation update and by the time the next compensation survey is done four years later, the compensation is much lower than the 50<sup>th</sup> percentile. Establishing a 60<sup>th</sup> percentile target would mean that over the four-year period to the next compensation review, the salary values will exhibit the same decrease relative to the market compensation but ideally the salaries would not have fallen to below the 50<sup>th</sup> percentile.

ML Consulting has advised that the competitiveness for talent in the market is evident in the number of, and recency of municipalities conducting market compensation reviews, the increasing frequency of the compensation reviews, the increasing number of municipalities who are updating their municipal comparators, and the increasing number of municipalities that are raising their target market percentile to 60<sup>th</sup> or 65<sup>th</sup> percentile. Of the eleven municipal comparators, 4 municipalities have a 50<sup>th</sup> percentile target market percentile; 2 municipalities have the 60<sup>th</sup> percentile, 1 municipality has a 65<sup>th</sup> percentile and 4 municipalities have not identified a target market compensation percentile.

Locally, Northumberland County revised their target market percentile to the 60<sup>th</sup> percentile following their compensation review in 2012. For the above reasons, staff

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recommend the target market compensation percentile be revised to the 60<sup>th</sup> percentile for Council and Non-union employees.

### ***Health and Dental Benefits***

The Council Member Remuneration Policy in effect, indicates that the Mayor is eligible for health and dental benefit coverage at no cost and all other Council members would have a cost of one third (1/3) of the benefit premium.

The current health and dental plan is a traditional plan and has the same age limit as the plan for employees e.g., benefits discontinue at the earlier of age 70 or retirement. Council members are able to hold office beyond the age typical for employees to work. Therefore, aligning the Council members health and dental plan with the Non-union employee plan potentially does not allow all Council members to participate if their age exceeds the maximum allowable age of 70. A change from this traditional health and dental plan to a Health Spending Account (HSA) would provide a consistent and fair benefit which could be provided to all Council.

The disadvantage of changing from the traditional health and dental plan is that the traditional plan has some coverage with an unlimited dollar maximum, such as prescription medication. With the traditional plan, when an individual has expensive medications or significant use of prescription medication, the individual does not pay additional costs, but the overall premiums(costs) paid by the employer increase to compensate for the higher usage.

Alternately, a HSA credit differs in that the reimbursement of health and dental costs is limited by the maximum dollar value of the account credit. The benefit of a HSA for the employer, is that the cost to provide the benefit is known and only changes when the HSA credit limit has changed.

ML Consulting found that 45% of the municipal comparators provided health and dental benefits to Council members and the Consultant's report, recommended that health and dental benefits be provided at no cost to all Council members, with no eligibility age restrictions.

Information gathered from the Municipality's benefit Consultant's indicates that HSA have been provided in other municipalities to Council members and the coverage provided ranged from \$1,500 to \$2,000 per year. The HSA coverage can be used for a wide variety of health and dental costs for family members of the eligible person.

The Health Spending Account available through our current benefit provider Industrial Alliance, includes reimbursement of costs for eligible medical expenses such as drugs and pharmaceutical products for diagnostic, treatment or prevention of disease or medical condition; health care professional services, such as massage, naturopath, physiotherapy, chiropractor etc.; preventative, diagnostic, restorative, orthodontic and therapeutic care dental service; prescription eyeglasses, to name just a few of the covered costs.

Eligibility would be available to all of Council, and should Council choose to transition to the Health Spending Account, the recommended HSA credit would be \$2,500. This

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recommended HSA amount is higher than the HSA amounts reported above by other municipal comparators for their Council because the amount would provide valuable benefit coverage to all of Council at a cost that was reasonable relative to the current traditional benefit plan costs of \$2,000 to \$4,600 for single or family coverage respectively.

### ***Pension***

Currently Port Hope does not have a pension plan for members of Council. Some municipalities do provide pension contributions for Council members and should this be of consideration for Council to implement, it would require a nine percent (9%) contribution (deduction from pay) from the Council member and an equal contribution from the Employer.

OMERS Pension legislation states, “that a Council can choose to enrol all Council members in the Plan (including the head of Council) or the head of Council only. Council members, without the head of Council, cannot enrol in the Plan. The terms and conditions of membership for Council members are similar to those for regular municipal employees. At the effective date of Council enrolment, existing Council members can individually choose to enrol in the Plan. A Council member who does not enrol on the effective date can choose to enrol at a future date. After the effective date of Council enrolment, any new or future Council members must enrol in the Plan. However, Council members (like regular municipal employees) cannot enrol later than November 30 of the year of their 71st birthday”. (Reference: OMERS Administrative Guidelines). (NOTE: Council enrolment refers to the date when Council has passed a by-law to provide an OMERS pension plan for Council).

Another factor to consider is that the term of Council would be four (4) years (or more if re-elected) and should there only be four (4) years participation in the pension plan with a part-time salary, there would be limited pension contributions accrued for eventual retirement.

The information gathered by the Consultant indicated that 21% of the municipalities with a similar population size provide a pension to Council members and although a pension could be included in the total compensation provided, it is not one of the previous recommendations from ML Consulting and it is not a recommendation that is being proposed by staff.

### ***Other Remuneration***

Based on the research of municipal comparators, ML Consulting recommended no change to the ancillary compensation such as per diem rates, technology, meal and travel expenses. The Municipality’s current Policy indicates that Council members would be reimbursed \$100 for a half day and \$200 for full day attendance at specified meetings that are not included in the list of responsibilities for which the salary is paid. For greater clarity, it is recommended that this per diem amount be paid to Council members regardless of whether they are or are not employed elsewhere.

### ***Council Member Remuneration Policy***

The current Policy indicates that Council remuneration terms are in effect to November 30, 2022 and an updated Policy with the compensation information for the new term of Council is to be approved by June 1 so that it is available for potential candidates for the election.

ML Consulting recommended that the annual salary adjustments for Council continue to be administered using the same economic adjustment percent increase as approved for the Non-union Employee group and the market compensation reviews to be completed every four years, using the same target market percentile.

For consistency and efficiency, it was recommended that the same municipal comparators used for the Non-union employee compensation review, also be used for Council.

Further, ML Consulting recommended that Council compensation be reviewed prior to the end of the Council term, with any recommended changes being effective for the first year of the new Council term.

The recommendation to discontinue the Council Member Remuneration Policy and, incorporate the Council compensation administration procedures noted above, into a section within the Compensation Administration Policy, would provide a standardized procedure and competitive market practices for Council.

#### **Financial Considerations:**

A change in the target market percentile for 2022 Council compensation from the 50<sup>th</sup> to the 60<sup>th</sup> percentile would cost an additional \$9,400 annually, when salary values are rounded to the nearest \$100.

The market compensation for Council for each of the 55<sup>th</sup> and 60<sup>th</sup> target percentile is as follows:

	<b>MPH 2022 50th percentile (rounded to the nearest \$100)</b>	<b>Market 55th percentile - salary rounded</b>	<b>Market 60th percentile - salary rounded</b>
<b>Mayor</b>	\$58,100.00	\$58,100.00	\$58,100.00
<b>Deputy Mayor</b>	\$30,400.00	\$33,000.00	\$33,300.00
<b>Councillor</b>	\$23,500.00	\$24,200.00	\$24,800.00

The cost of changing the health and dental plan from the current traditional plan in which two Council members participate, to a Health Spending Account with a credit of \$2,500 for all seven Council members would be an increase cost of \$10,900 annually.

Comparatively however, if all seven Council members (instead of the current two) were enrolled in the current traditional health and dental benefit plan and they all had family coverage, the cost to provide the traditional plan would be \$17,000 more than the cost

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to provide a \$2500 Health Spending Account for seven Council members e.g., \$34,500 compared to \$17,500 per year.

The cost of increasing the Non-union employee target percentile by 5% is approximately \$100,000. It is recommended that a change to the 60<sup>th</sup> percentile as the market compensation target for Non-union employees would be implemented as part of next compensation review (2023) and potentially phased in.

**Communication and Public Engagement:**

Not applicable

**Conclusion:**

The Council members remuneration review has been completed and presented by ML Consulting in January 2022. Additional information was requested from Council and has been included in this Report. The recommended changes to the compensation administration practices for Council and for the Non-union employees, such as the 60<sup>th</sup> percentile target for market compensation and completing a market compensation survey every four years, will serve to meet the strategic plan objective to attract and retain quality staff and Council members.

**Attachments:**

None