



Report of the

REMUNERATION AUTHORITY

for the year ended
30 June 2013

Presented to the House of Representatives Pursuant to
Section 27 of the Remuneration Authority Act 1977

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September 2013

Hon Simon Bridges
Minister of Labour
Parliament Buildings
WELLINGTON

Dear Minister

I have the honour to submit the Annual Report of the Remuneration Authority for the year ended 30 June 2013 in accordance with section 27 of the Remuneration Authority Act 1977.

Yours sincerely

John Errington
Chairman

REPORT OF THE REMUNERATION AUTHORITY FOR THE YEAR ENDED 30 JUNE 2013

Introduction

This report covers the 12 months to 30 June 2013.

The continuing effects of the global financial crisis have had some effect on the Authority's remuneration determinations.

Jurisdiction

The Authority's jurisdiction covers:

- The salaries, basic expense allowance and office-holder allowance of Members of the House of Representatives;
- The remuneration of a wide range of statutory officers;
- The salaries and principal allowances of members of the Judiciary;
- The remuneration, allowances and expenses payable to the elected members of local authorities.

In addition, the Authority determines the superannuation rights and obligations of members of both the House of Representatives and of the Judiciary who are not members of the Government Superannuation Fund. It has discretionary ability to determine superannuation subsidies, where appropriate, in respect of other statutory officers within its jurisdiction.

Under the Civil List Act 1979, the Authority is charged with determining annuities for former Prime Ministers and their surviving spouses or partners.

Under the Governor General Act 2010 the Authority is charged with determining the salary of the Governor-General, and annuities for former Governors-General and their surviving spouses and partners.

In carrying out its duties the Authority is required to balance five statutory criteria which can be paraphrased as:

- Fairness to the individuals whose pay is being set.
- Fair relativity with comparable positions.
- The ability to recruit and retain suitable people.
- Fairness to the taxpayers or ratepayers who ultimately foot the bill.
- The prevailing economic and fiscal situation.

Members of the House of Representatives

The assessed personal value of members', members' spouses and partners, and members' dependents domestic travel entitlements continue to be taken into account when determining remuneration for Members of Parliament. This is done by, effectively, reducing the remuneration of each member by the average assessed value of the personal benefit. Thus, the personal benefit cost of the travel entitlements is being met by the members themselves.

Since fiscal year 2009 general salaries and wages have increased by 5.6% and the Consumers Price Index had increased by 8.0%. Parliamentary salaries (excluding increases in 2010 and 2011 to compensate for the reduction in value of the travel discount entitlements) had increased by only 2.9%.

Taking into account the prevailing adverse economic conditions, the Authority applied a general increase from 1 July 2012 of 1.9%, which took into account prevailing adverse economic conditions and the change in assessed value of the travel entitlement.

The expenses allowances were increased by 1.0% which reflected the increase in Consumer Price Index since the allowances were last adjusted.

No changes were made to the superannuation subsidies available to members.

Statutory Officers

Remuneration for statutory officers is determined on their appointment and reviewed annually. The review date for the most of these positions is 1 July each year.

As usual the Authority wrote to all statutory officers inviting them to make submissions to the Authority on any matters which they thought the Authority should take into account in its review.

Remuneration for these positions is set by reference to the job size of each position (determined independently), and the pay scale the Authority determines each year for this purpose. The job sizes of the positions are reviewed whenever the scale, scope, or complexity of the position has changed to a degree necessary to warrant a review.

During the year the Authority continued to liaise closely with the State Services Commission in setting its pay scale. This recognises that both the Authority and the Commission set remuneration in the public sector, and it makes sense to align, as far as possible, our respective approaches to remuneration setting. It also helps the Authority avoid the time lag that has existed in the past between the State Services Commission setting the lead on remuneration setting and the Authority recognising that lead and applying it to its "clients".

The Authority also looks at remuneration levels in the private sector, but at the more senior levels there still remain large gaps between private sector and public sector remuneration for the same sized jobs.

Judiciary

The remuneration setting process for the judiciary provides for more focussed information gathering on remuneration in the “recruitment pools” or “peer groups” of the relevant benches.

There were no immediate pressing recruitment or retention issues with any of the benches in 2012/13, but the Authority recognises the need to minimise the risk that they will develop over time. Taking into account available information on remuneration for “peer groups” as well as general wage inflation and increase in Consumer Price Index, the Authority made an increase of about 2.5% for judicial officers with effect from 1 October 2012.

Coroners’ remuneration was adjusted with effect from 1 January 2012 by an amount similar to that for a District Court judge.

No change was made to the levels of general expense allowances, nor to the superannuation subsidy provisions (which have been in force since 2006).

Local Authorities

The Authority completed its review of the way it sets elected members’ remuneration. The review started in September 2011 and involved publication of 3 discussion documents and extensive consultation with representatives of local government. The new remuneration setting process comes into effect immediately following the October 2013 local body elections.

Consultation also continued with the Auckland Council and Local Boards. The way in which remuneration is determined for elected members of the Auckland Council and Local Boards from the 2013 elections broadly follows the process now used for the rest of the country.

The determinations which took effect from 1 July 2012 are being allowed to run on until the 2013 elections.

Some changes to the wordings and amounts of the mileage and travel time allowances are being made. Changes to communication allowances are also being made to recognise advances in technology and changing uses.

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Civil List Act 1979

Under the Civil List Act the Authority determines rates of annuities for former Prime Ministers and their surviving spouses or partners.

These annuities were increased by 2.0% from 1 January 2012.

Governor-General Act 2010

Under the Governor General Act the Authority determines the remuneration of the Governor General and determines rates of annuities for former Governors General and their surviving spouses or partners

We have made two determinations under the Act.

The first increased the salary for the Governor-General by 2.5% from 1 November 2012. This salary is fully taxable as earned income.

The second increased the annuities payable to former Governors-General (or surviving spouses or partners) by 2.1% from 1 April 2013.

Members of Parliament (Remuneration and Services) Bill

In November 2010 the Law Commission presented its report “Review of the Civil List Act 1979 – Members of Parliament and Ministers”. This recommended that travel, accommodation, attendance, and communication services for Members of Parliament and members of the Executive should be determined by an enhanced Remuneration Authority. It also recommended that entitlements to funding and services to support parties’ and members’ operations should be determined by an enhanced Remuneration Authority. The Authority was consulted during the preparation of this report.

The report’s recommendations were generally accepted by the Prime Minister but with some modifications to the areas to be covered by the enhanced Remuneration Authority, the Speaker, and Ministerial Services.

The Authority was involved in the consultation process surrounding the finalisation of the government’s proposals and the drafting of the Members of Parliament (Remuneration and Services) Bill.

The Members of Parliament (Remuneration and Services) Bill was introduced on 5 October 2011 and had its first reading on 28 March 2012. It was referred to the Government Administration Committee. The Authority had some input into the select committee’s discussions.

The bill was reported back to Parliament on 20 June 2013 with a number of changes, the most significant of which, from the Authority's viewpoint, are:

- The responsibility for members' domestic travel determinations will stay with the Speaker, and
- A fourth member of the Authority will no longer be required.

At the time of writing, it is expected that the bill will be passed by the end of October 2013 and will come into effect on 1 November.

We are continuing to plan for the additional work we will need to do to meet our obligations when the Bill is passed, as well as considering possible changes to the way that the Authority will go about its business.

Responsibilities of the kind envisaged by the Bill may require a higher public profile for the Authority and some changes in the way we operate. In anticipation of this, the Authority has established and launched its own web site.

Appreciation

The Authority records its appreciation of the work of its Executive Officer, Mrs Patricia Gordon, and contractors, and of the assistance it has received from numerous organisations and individuals. Departmental officers with whom the Authority has dealings have again been helpful and responsive to the Authority's requests, and in particular, Parliamentary Counsel, Crown Law, and the State Services Commission have provided much appreciated services and assistance to the Authority. Thanks also to representatives of Local Government NZ for their input into our review of Local Authority remuneration setting.

John Errington
Angela Foulkes
Diane Morcom

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Annex

Membership

Chairman: Mr John Errington

Members: Ms Angela Foulkes
Ms Diane Morcom

Staff

The Authority's Executive Officer is Mrs Patricia Gordon. No other staff are employed but specialist contractors and advisers are engaged as the need arises.

Determinations

The Authority completed and issued 130 determinations during the year. In each case the parties affected by the determination were consulted prior to issuing the determination.