



Report of the

REMUNERATION AUTHORITY

for the year ended 30 June 2018

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



11 September 2018

Hon Iain Lees-Galloway
Minister for Workplace Relations and Safety
Parliament Buildings
WELLINGTON

Dear Minister

I have the honour to submit the Annual Report of the Remuneration Authority for the year ended 30 June 2018, in accordance with section 27 of the Remuneration Authority Act 1977.

Yours sincerely

A handwritten signature in blue ink, reading 'Fran Wilde'.

Hon Dame Fran Wilde DNZM QSO
Chairperson

REPORT OF THE REMUNERATION AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

Introduction

This report covers the 12 months to 30 June 2018.

During the past year, the Remuneration Authority has continued major reviews of its approaches to determining the remuneration of judicial officers and local government elected members. The refreshing and updating of the Authority's internal policies and procedures has also continued.

For the year ended 30 June 2018, the Authority issued 136 determinations covering over 2000 individuals.

Jurisdiction

The Remuneration Authority is established under the Remuneration Act 1977. It is an independent statutory body which determines the remuneration (sometimes including superannuation rights, expenses and allowances) for a variety of senior public office holders (and in some cases their partners or families). These include the Governor-General, Members of Parliament, the Judiciary, elected members of local authorities and a range of statutory officers.

In carrying out its duties the Authority is required to balance a number of statutory criteria which can be summarised as:

- fairness to the person(s) whose pay is being set;
- fair relativity with comparable positions;
- the ability to recruit and retain suitable people;
- fairness to the taxpayers or ratepayers;
- the requirements of the position(s) concerned;
- the conditions of service enjoyed by the person(s) whose remuneration is being determined;
- taking account of the countervailing economic conditions.

These criteria do not apply to Members of Parliament, whose remuneration has been fixed since 2015/16 according to a specific legislated formula over which the

Authority has no influence.

Governor-General and Former Governors-General

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

During the year the Authority increased the salary of the Governor-General by 1.9% from 1 November 2017. This salary is fully taxable as earned income. Annuities payable to former Governors-General (or surviving spouses or partners) were also increased by 1.5% from 1 April 2018.

Members of Parliament

Salaries and Allowances

Section 8 of the Members of Parliament (Remuneration and Services) Act 2013, requires the Remuneration Authority to determine the salaries and allowances paid to Members of Parliament (MPs).

The salaries are set according to a legally prescribed formula and the Authority has no discretion to make any other decisions. The formula is set out in section 18B of the Remuneration Authority Act, which is based on the change in ordinary time weekly earnings for full-time equivalent (FTE) employees in the public sector, as determined by Statistics New Zealand's Labour Market Statistics - Quarterly Employment Survey (QES). The change in the ordinary time weekly earnings for FTE employees in the public sector between 2016 and 2017 was 2.46% (as at 30 June 2017).

The formula also requires taking into account any changes in MPs' personal benefits or potential personal benefits that have arisen because of a change in entitlements. The Authority determined that there were no changes in personal benefits during the 2016/17 year. Therefore, this resulted in salary increases for MPs of 2.46% for the 2017/18 year.

MPs' tax-free allowance which covers out-of-pocket expenses incurred while undertaking parliamentary business was increased by the annual movement in the consumer price index of 1.7% as at 30 June 2017.

Accommodation and Travel Services

Under the Members of Parliament (Remuneration and Services) Act 2013 the Authority is responsible for determining the:

- a) accommodation services within New Zealand for MPs and qualifying electoral candidates;
- b) accommodation services within New Zealand for Ministers, additional to those for MPs;
- c) travel services within New Zealand for family members of MPs, Ministers,

and qualifying electoral candidates; and the

- d) extent to which the above services may continue to be provided after an MP vacates her or his seat or, in the case of a Minister, ceases to be a Member of the Executive Council.

The Authority issued its first accommodation and travel services determination under the above Act in 2014. As 2017 was a general election year, the Authority completed a substantial review of this determination and in September 2017 issued a new determination covering MPs' accommodation services and travel services for family members

In responses to submissions received from Members of Parliament, the Authority included the following changes in its 2017 determination:

- updating the accommodation rates to ensure that they reflect the realities of both the current rental housing market in Wellington and hotel rates nationwide
- reinstating some travel services that were previously available to the spouse or partner of a member before 2014.

The Authority also ensured that the definition of *parliamentary business* contained in the determination was substantially the same as the definition contained in the Directions by the Speaker of House Representatives 2017.

Former Prime Ministers

The Members of Parliament (Remuneration and Services) Act 2013 requires the Authority to determine the annuity of former Prime Ministers and their surviving spouses or partners. This annuity was increased by approximately 1.5%, effective from 1 January 2018.

The Authority also has the responsibility under the above Act to determine the entitlements to travel services within New Zealand for former Prime Ministers and their spouses or partners. The determination applies only to former Prime Ministers who ceased to hold office on or after 21 September 2014. No changes were made to their travel services entitlements during the last year.

Judiciary

The Authority's major review of its approach to determining judicial remuneration and allowances (including judges of the Court Martial and coroners) continued during the 2017/18 year, when we built up a statistical base of trends in bench appointments, as well as identifying what we see as significant anomalies. We also focused on the retirement provisions.

The review has considered a wide range of information, including—

- submissions that were received from the various courts;

- remuneration data on comparable jobs in private sector legal practices with comparable skills and experience and for groups from which it can be expected that Judges could be recruited;
- information on the recruitment and retention of judges;
- remuneration data for senior positions in the public sector;
- terms and conditions of employment enjoyed by members of the judiciary.

Because the review was not complete at the time of their determination, we decided to increase salaries by approximately 1.9% for all judicial positions, including judges of the Court Martial and coroners, for the year under review. The Authority also left the principal allowances applicable to each judicial position at their current levels, pending the outcome of the review. The National Duty Coroner Allowance and additional payment for a relief coroner were increased by approximately 1.9%, which reflected the same increase applied to their salaries.

Local Government Elected Members

The Remuneration Authority determines the remuneration of local authority elected members, pursuant to clauses 6 and 7 of Schedule 7 of the Local Government Act 2002.

During the year we issued one principal and three amending determinations for local authorities. The amending determinations were generally made at the request of the individual councils who had made changes to their positions of additional responsibilities during the 2017/18 year.

As the Authority was in the process of reviewing and consulting local authorities on potential changes to its remuneration framework, we made no changes to the previous approach in this determination. The 2017 principal determination applied a 1.7% increase to all elected members. This reflected changes in the Statistics New Zealand Labour Market Statistics for the public sector in the year to March 2017.

However, some allowances applying to elected members were amended to take account of submissions made to the Authority and to further align the allowances with provisions of the Inland Revenue Department which considers elected members to be self-employed.

The 2017/18 determination also clarified provisions for acting mayors and acting regional council chairs, adjusted the remuneration regime for elected members sitting on plan hearings under the RMA and changed the level of the communications allowance to reflect common practice in telephony and broadband plans and changes in equipment.

Statutory Officers

For statutory officers, remuneration is determined on appointment and reviewed annually. The review date for most of these positions is 1 July each year, while a

small number of positions are reviewed on 1 October each year.

Remuneration for statutory officer positions is set by reference to the job size of each position (determined independently), relativity to similar positions within the broader public sector, as well as information from Statistics New Zealand, the State Services Commission and private sector remuneration survey consultancies. The job sizes of positions are reviewed whenever the scale, scope or complexity of the position has changed to a degree necessary to warrant a review or in most cases at least every 4 to 5 years.

Remuneration increases for statutory positions in the 2017/18 year ranged from 0.45% to 5.69%, depending on whether the current remuneration was in line with the job size. Overall the average increase was around 1.6%.

These figures do not include a small number of positions where the job size had changed or which were deemed, in 2017/18, to be “constitutional roles”, for which a key feature is the requirement for the role holder to interpret New Zealand’s constitution.

With the commencement of the Intelligence and Security Act 2017, the Authority assumed responsibility for setting the salaries and allowances for the positions of Commissioner of Intelligence Warrants and the Inspector-General and Deputy Inspector-General of Intelligence and Security. Responsibility for determining the remuneration for the positions of the Director of the Government Communications Security Bureau or the Director of the New Zealand Security Intelligence Service was moved to the State Services Commission.

Internal Management

The Authority’s new operating model, which was implemented during the second half of the 2016/17 year, has proved to be a success. It has ensured that the Authority has available at all times a high level of technical as well as public management expertise. It has reduced our dependence on external contractors, although we will still need to draw on their services from time to time for highly specialist advice.

Upgrading all our processes and systems continues, in particular developing electronic tools to replace manual processes. This is ensuring that we have data available at our finger tips and that analysis can be completed in real time. These new systems have increased exponentially our evidence base.

We are updating our policies and we have made a commitment to having as much of our policy as possible publicly available on our website, while still maintaining required confidentiality regarding individual clients and our discussions with them or their representatives.

Appreciation

The Authority records its appreciation of the work done by contractors and of the assistance we have received from a number of organisations and individuals. We would like to thank them as well as other departmental officers who have been helpful, in particular Parliamentary Counsel Office, Crown Law, the State Services Commission, the Inland Revenue Department, Statistics NZ, the Parliamentary Service and Ministerial Services. Thanks also to representatives of Local Government NZ and others from the local government sector for their continuing input into our review of Local Authority elected members remuneration setting. We also thank the Ministry of Business, Innovation and Employment which provides the Authority with essential corporate and support services.

Lastly the Authority members want to recognize the significant input of the Director of the Office of the Remuneration Authority and of the analyst who provides support.

Hon Dame Fran Wilde

Geoff Summers

Len Cook

Annex

Membership of Authority

- The Hon. Dame Fran Wilde DNZM QSO (Chair)
- Mr Geoff Summers (Deputy Chair)
- Mr Len Cook CBE

Staff

The Authority is supported by a Director of the Office of the Remuneration Authority and an Analyst/Administrator. Specialist contractors and advisers are engaged as the need arises.

Determinations

The Authority completed and issued the following determinations during the 2017/18 year. In each case the appropriate parties affected by the determination were consulted prior to issuing the determination.

- Governor-General (Salary) Determination 2017
- Governor-General (Annuities) Determination 2018
- Parliamentary Salaries and Allowances Determination 2017
- Members of Parliament (Accommodation Services for Members and Travel Services for Family Members) Determination 2017
- Parliamentary Annuities Determination 2018
- Members of Parliament (Former Prime Ministers Travel Services) Determination 2017
- Judicial Salaries and Allowances (2017/18) Determination 2017
- Judicial Salaries, Allowances, and Superannuation (Court Martial Appeal Court and Court Martial) Determination 2018
- Coroners (Salaries and Superannuation) Determination 2018
- Local Government Members (2017/18) (Local Authorities) Determination 2017
- Local Government Members (2017/18) (Local Authorities) Amendment Determination 2017

- Local Government Members (2017/18) (Local Authorities) Amendment Determination 2018
- Local Government Members (2017/18) (Local Authorities) Amendment Determination (No 2) 2018
- Individual independent statutory officers and members of boards - 123 separate determinations.

Website

www.remauthority.govt.nz