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Report of the

# **REMUNERATION AUTHORITY**

## **TE MANA UTU MATUA**

for the year ended 30 June 2021

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



G.17



5 October 2021

Hon Michael Wood  
Minister for Workplace Relations and Safety  
Parliament Buildings  
**WELLINGTON**

Tēnā koe Minister

I have the honour to submit the Annual Report of the Remuneration Authority | Te Mana Utu Matua for the year ended 30 June 2021, in accordance with section 27 of the Remuneration Authority Act 1977.

Nāku iti noa, nā

A handwritten signature in blue ink, appearing to be 'Fran Wilde', written over a horizontal line.

Hon Dame Fran Wilde DNZM QSO  
**Chairperson**



# REPORT OF THE REMUNERATION AUTHORITY TE MANA UTU MATUA FOR THE YEAR ENDED 30 JUNE 2021

## Introduction

This report covers the 12 months to 30 June 2021.

The Remuneration Authority | Te Mana Utu Matua (**the Authority**) sets the remuneration for a wide range of senior public office holders and statutory officers who are required to exercise a high degree of independence. Authority decisions are called determinations. During the year ended 30 June 2021, the Authority issued 133 determinations covering more than 2000 individuals.

## Jurisdiction

The Authority is established under the Remuneration Authority Act 1977 (**the Act**). It is an independent statutory body which determines the remuneration (sometimes including superannuation/retirement savings, expenses and allowances) for a variety of senior public office holders and, in some cases, their spouses, partners and family members. These office holders, also known as the Authority's clients, include the Governor-General, members of Parliament (MPs), judicial officers, elected members of local authorities and a wide range of statutory officers.

In carrying out its duties the Authority is required to balance a number of statutory criteria (section 18 and 18A of the Act), which are the need to:

- achieve and maintain fair relativity with the levels of remuneration received elsewhere;
- be fair both to the person, persons or group of persons whose remuneration is being determined and to the taxpayer or ratepayer;
- recruit and retain competent persons;
- take into account the requirements of the position concerned;
- consider the conditions of service enjoyed by the person or persons whose remuneration is being determined;
- take into account any prevailing adverse economic conditions.

In all cases, persons or client groups covered by a determination were consulted before a determination was issued. They are also entitled under the Act to make written or oral submissions to the Authority in relation to their determinations.

Any persons or any organisations are entitled to make written submissions to the Authority in relation to its functions.

## **COVID-19**

Early on in the pandemic there was an observable and abrupt drop in global economic activity and a sudden shock to local household and business incomes, especially during the first lockdown. As a consequence, economic forecasters and commentators painted a somewhat bleak picture of New Zealand's economic and fiscal situation for the years ahead.

Accordingly, many public office holders and statutory officers made requests to the Authority for cuts to their pay or advised that they had chosen to make donations to charity. However, the Act does not allow for the remuneration of existing role holders to be reduced. They must be paid the salary as shown in their current determinations. Therefore, a change to the legislation was required to enable pay cuts to happen.

On the 15 May 2020, the Remuneration Authority (COVID-19 Measures) Amendment Act 2020 (the Amendment Act) came into force. The Amendment Act overrode the current legislative regime by giving the Authority the ability to make temporary reduction determinations (capped at 20%) to the remuneration of the holders of specified roles for a period of up to 6 months. Some roles, including those of the Governor-General, the judiciary and some semi-judicial roles, were not included.

The Amendment Act required the Authority to make its temporary reduction determinations on or before 30 June 2020. When making the temporary reduction determinations, the Authority was required to apply its normal criteria to determine whether a reduction was appropriate and, if so, how much it would be (capped at 20%) and for how long (capped at 6 months).

After a period of consultation with all affected role holders, the temporary reduction determinations (amending the principal determinations) were issued by mid-June 2020 and came into force on 9 July 2020 for a period of six months. The temporary reduction determinations covering MPs and elected members of local authorities are available on the New Zealand Legislation and the Authority's websites.

Although the New Zealand's economy has proven to be more resilient than previously predicted and economic activity rebounded towards the end of 2020, COVID-19 is continuing to have a significant impact on the wider economy and society in general. Therefore, the sustainability of the recent improvements in the economy remain highly uncertain, particularly as New Zealand continues to cycle in and out of alert levels. Recovery appears to be contingent on the future variants and path of the virus and the speed and efficacy of global immunisation programmes. Given the uncertainty, the Authority took an extremely conservative approach to setting the pay of its clients

during the 2020/21 year and most roles holders (including MPs and elected members of local authorities) received a nil increase to their remuneration.

While the consequences of COVID-19 have been the dominant influence on the Authority's determinations during the past year, the Authority will continue to monitor the indicators and benchmarks, including measures of income relativities and economic conditions, to inform all its determinations. The Authority considers it cannot set pay for the coming year in the usual manner because of the uncertainties that COVID-19 brings and expects that the nature of its determinations will continue to be shaped by those uncertainties.

## **Governor-General and Former Governors-General**

The Authority is responsible for determining the salary of the Governor-General and the annuities for former Governors-General and their surviving spouses or partners.

In determining the Governor-General's salary for the 2020/21 year and the annuities for former Governors-General for the year beginning 1 April 2021, the Authority took into account the mandatory criteria and decided to maintain the Governor-General's salary at the level set in the 2019 determination. Similarly, the determination covering the annuities for former Governors-General and their surviving spouses or partners for the year beginning 1 April 2021 maintained their annuities at the 2020 level.

## **Members of Parliament**

### ***Salaries and Allowances***

For the period commencing 9 July 2020 and ending on 6 January 2021, all MPs salaries were temporarily reduced following the passing of the Remuneration Authority (COVID-19 Measures) Amendment Act 2020.

Before making the **Parliamentary Salaries and Allowances (Temporary Reduction—COVID-19) Determination 2020**, the Authority consulted all MPs and applied the standard criteria. Depending on the offices that MPs held at the time, their salaries were reduced by up to 20%.

On 7 January 2021, MPs' salaries reverted to the amounts payable under the **Parliamentary Salaries and Allowances Determination 2020**. This determination was issued on 8 June 2020 and covered the sixteen months from 1 July 2019 to 17 October 2020 (the polling day for the 2020 General Election). Based on the economic forecasts and information that was available at the time (March to June 2020), the Authority did not increase the salaries and allowances of MPs.

The current **Parliamentary Salaries and Allowances Determination (No 2) 2020** came into force on 18 October 2020 (the day after polling day for the 2020 General Election). This determination implemented a number of changes made by the Remuneration Authority (Members of Parliament Remuneration) Amendment Act 2019. These changes were specifically to the processes that the Authority had

historically used to set MPs' salaries and allowances.

Under that legislation, the Authority must now begin a review of MPs' salaries and allowances within 3 months from the return of the writ after a general election (which in this case was returned on 20 November 2020). The review must be based on the information that is available to the Authority at the time of the review.

The Authority must now also link its review to the electoral cycle, so that its determination sets out MPs' salaries for the entire term of Parliament in four tranches. For the current Parliament, the periods for which MPs' salaries must be set are as follows:

- the period beginning on the day after polling day (18 October 2020) and ending on 30 June 2021;
- the period beginning on 1 July 2021 and ending 30 June 2022;
- the period beginning on 1 July 2022 and ending 30 June 2023; and
- the period beginning on 1 July 2023 and ending on polling day for the next general election.

As required under the Act, the Authority consulted the Speaker of the House and the Minister Responsible for Ministerial Services and also consulted all MPs, who were invited to provide the Authority with any comments that they wished to make on their salaries and allowances.

The review was completed by mid-December 2020 and resulted in no change to the MPs remuneration for each of the above four tranches.

This effectively means that MPs salaries have remained at their 2017 levels because:

- MPs pay was frozen in 2018, after the Government saw that the legislated prescribed formula decided by Parliament in 2015 and in place at the time, resulted in salary increases that were unjustifiably high. It passed legislation to suspend the Authority's ability to set MPs' salaries, allowances and superannuation entitlements for the period 1 July 2018 to 30 June 2019 - effectively a pay freeze.
- In December 2019, an Amendment Act was passed. It restored the Authority's criteria-based discretion for determining the salaries and allowances of MPs. The Amendment Act required that as soon as practicable after its commencement, the Authority should issue a determination covering salaries and allowances of MPs for the period commencing 1 July 2019 and ending on polling day for the 2020 General Election. During the period that the Authority was considering its determination, the threats posed by COVID-19 became apparent and, as the full extent and impact on the economy and society was largely unknown in early 2020, the Authority decided to make no change to the



salaries and allowances of MPs, which meant retaining the levels for the above period.

Unless the Authority becomes aware of new information as specified in the Act, MPs salaries will stay at their 2017 levels until the next General Election. However, if a new matter emerges during the term of the current determination (for example, a marked change in economic or labour market conditions) the Authority may consider at that time whether the new matter meets the statutory criteria to enable it to amend the determination. If so, the Authority can make a change.

### ***Accommodation and Travel Services***

The Authority is also 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 Act requires that once in each term of Parliament the Authority should make a determination on these services. As 2017 was a general election year, the Authority completed a substantial review and in September 2017 issued the **Members of Parliament (Accommodation Services for Members and Travel Services for Family Members) Determination 2017**. This determination applied from the day after the 2017 General Election and expired on polling day of the 2020 General Election.

The triennial review of the accommodation and travel services determination commenced in late 2019. The starting points for the Authority for this review did not change from the two previous reviews. They are that:

- members and Ministers should not personally have to meet the expenses that they require to do their job (e.g. accommodation);
- any personal benefit to members and Ministers should be kept to a minimum;
- public resources are used efficiently and effectively.

Due to the realities of their work, MPs have much less of a family life over a long period of years than what other New Zealanders take for granted or expect. Therefore, a fourth principle was added to the above, which supports the Speaker's initiative of fostering a family-friendly Parliament.

The Authority followed the procedure required under section 18 of the Members of Parliament (Remuneration and Services) Act. It engaged with all MPs, who had the opportunity to comment on the draft determination before it was finalised. Advice was sought from the Speaker and the Minister Responsible for Ministerial Services, and the views of a cross-party committee established by the Parliamentary Service Commission were received. The Authority also sought the views of the Parliamentary Service and the Department of Internal Affairs - Ministerial Services and Secretariat Support, given their responsibilities for the administration of the services covered by the determination. Nationwide and regional market data informed the setting of the accommodation rates.

As a consequence, the **Members of Parliament (Accommodation Services for Members and Travel Services for Family Members) Determination 2020** which came into effect on 18 October 2020 saw no change to the accommodation rates listed in the 2017 determination. The Authority will continue to monitor accommodation (rentals and hotels) rates during the term of the 2020 determination and, if required, may issue an amending determination to address any future movements to market rates.

To support a family-friendly Parliament, in the 2020 determination, the Authority removed the limit placed on child travel. There was no huge demand for this change but, for those MPs impacted, it was a serious issue. Changes were also made to enable family members to travel with MPs on non-scheduled services, and a spouse and a partner can now claim mileage if the travel is associated with an activity undertaken by an MP for a parliamentary purpose.

## **Former Prime Ministers**

The Authority is required to determine the annuities of former Prime Ministers and their surviving spouses or partners.

In making its determination (**Parliamentary Annuities Determination (No 2) 2020**) for the year commencing 1 January 2021, the Authority consulted with all those affected by the determination and took into account the mandatory criteria. Given the impact (actual and forecasted) of COVID-19 on the economy and society, the Authority maintained the annuities for former Prime Ministers and their surviving spouses or partner at their 2020 levels.

In addition to determining the annuities, the Authority also has the responsibility to determine the entitlements to travel services within New Zealand for former Prime Ministers and their spouses or partners. The determination applies to former Prime Ministers who ceased to hold office on or after 21 September 2014.

The entitlements of the former Prime Ministers and spouses and partners were reviewed against the mandatory criteria and guided by the following principles:

- Former Prime Ministers and spouses or partners should not personally have to meet the expenses related to performing their role and functions.
- Any personal benefits to former Prime Ministers and spouses or partners should be kept to a minimum.

As an outcome of the review, no changes were made to their travel services entitlements and the **Members of Parliament (Former Prime Ministers Travel Services) Determination 2017** remains current.

## Judicial Officers

The Authority determines the salaries, allowances and superannuation entitlements for the judges of the Supreme Court, the Court of Appeal, the High Court, the District Court, the Court Martial, the Employment Court and the Māori Land Court, as well as for coroners.

Before making its determination for the year beginning 1 October 2020 (**Judicial Officers Salaries and Allowances (2020/21) Determination 2020**), the Authority invited and considered submissions received from the benches. The Authority also met with two of the bench heads to follow up on issues raised that were specific to their benches.

In the three years prior to the period covered by this report, the Authority undertook a major review of judicial remuneration. As a result of its findings, the Authority made a number of adjustments in setting the remuneration and superannuation entitlements of judicial officers. The majority of these adjustments were captured in previous determinations.

Hence for the 2020 determination, after applying the mandatory criteria, the Authority decided the salaries and allowances of the judicial officers should remain at the 2019 levels, with the exception of the remuneration of coroners, which was adjusted. These adjustments included recognition of the evolving nature of the work done by coroners since 2008, their conditions of service and their relativities to other judicial officers. As a consequence, the salary for a coroner was increased by 13.8%.

Having completed its major review of judicial remuneration relatively recently, the Authority does not plan to carry out a comprehensive review of this area in the near future. It will, however, continue to identify solutions to issues within its statutory authority where this is required for particular cases.

## Local Government Elected Members

The Remuneration Authority determines the remuneration of local authority elected members.

The **Local Government Members (Temporary Reduction - COVID-19) Determination 2020** was issued on 16 June 2020 and applied from 9 July 2020 to 6 January 2021. It was made under the Remuneration Authority (COVID-19 Measures) Amendment Act 2020, which permitted the Authority to reduce the remuneration of local government elected members.

In making its decisions on reducing elected members' pay, the Authority took account of the fact that many elected members are on relatively low rates of pay and decided that the reductions would apply only to remuneration above \$100,000 per annum. In addition, the Authority was aware that elected members are easily identified in their communities, highly exposed to public opinion and expected to show pro-active leadership. At the beginning of the COVID-19 crisis, many elected members publicly pledged to donate a proportion of their remuneration to local charities - some for several months. The Authority therefore invited those potentially impacted by its decision to provide it with confidential information of any such donations they wished to have taken into account. Some took advantage of this and their reductions were adjusted accordingly. For a variety of reasons, others indicated that they did not wish to provide information. The Authority's decisions were made on the basis of the information supplied.

In addition, the Authority applied the existing criteria that it must take into account when it determined the reduction to the elected members' remuneration.

The **Local Government Members (2020/21) Determination 2020** came into force on 1 July 2020 and expired on 30 June 2021.

As mentioned in the section on COVID-19, the forecasted impact of the evolving pandemic was a dominant influence on the Authority's determinations during the 2020/21 year. Therefore, it decided to hold the remuneration, allowances and hearing fees of local government elected members at their 2019/20 levels. The only exceptions were for a small number of councils who had made changes to their governance structures and whose governance remuneration pools remained unchanged, but were distributed slightly differently.

It should be noted that, for the six months period that ended on 6 January 2021 the remuneration of many elected members was covered by the temporary reduction determination.

## Statutory Officers

Statutory officers who fall under the Authority's responsibility include certain chief executives and other officers of public service and non-public service departments, officers of Parliament, members of all independent Crown entities, members of those Crown agents or autonomous Crown entities that are corporations sole, and the heads and members of certain tribunals. These statutory officers are listed in schedule 4 of the Act, in the Crown Entities Act 2004 or within their own legislation.

The remuneration of statutory officers 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.

The Authority has no statutory ability to consider performance in the role when determining a statutory officers' remuneration.

Section 15(6) of the Act does not allow the Authority to publish the determinations of statutory officers.

With the passing of the Remuneration Authority (COVID-19 Measures) Amendment Act 2020, many of the statutory office holders sought a temporary reduction to their remuneration of up to 20 percent. After consultation with those office holders in respect of whom temporary reduction determinations could be made, the Authority issued (during June 2020) a temporary reduction determination for each individual which came into effect on 9 July 2020 and expired on 6 January 2021.

Subsequent determinations issued for statutory officers from 1 July 2020 were based on the prevailing and forecasted economic and fiscal environment. Accordingly, existing role holders generally received no increase to their remuneration during the 2020/21 year.

## Internal Management

The Authority is a small organisation made up of three members who are appointed by the Governor-General and supported by two permanent staff. The combination of the knowledge and skills of members and staff has ensured that the Authority has available at all times a high level of technical competence as well as public management expertise. External contractors are engaged from time to time to draw on their specific advice and specialist services.

The COVID-19 pandemic did not slow down the operations of the Authority. Members and staff have readily adapted to changes in alert levels. The flexibility built into its systems and processes, together with a big push to digitize its files over the last few years, has enabled both members and staff to rapidly move between working in the office or the home environments as the need arises. In spite of the pandemic, the

Authority was able to produce a third more determinations (i.e. the temporary reduction determinations) than it would do in a normal year.

## **Appreciation**

The Authority records its appreciation of the work done by contractors and of the assistance we have received from many organisations and individuals. We would like to thank all of them, in particular Parliamentary Counsel Office, Crown Law, the Parliamentary Service, Ministerial Services and Secretariat Support, the Inland Revenue Department, Statistics NZ, the Reserve Bank of New Zealand and the Treasury. 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 corporate and support services.

Remuneration Authority Member Len Cook left the Authority just before the end of the year under review. We would like to especially acknowledge Len for the incisive intellectual approach he brought to our work, coupled with his application of insights gained from a stellar career at the senior level of the public sector in New Zealand and in the United Kingdom

Lastly, the Authority members wish to acknowledge and thank the Director of the Office of the Remuneration Authority and the Analyst/Administrator for their unfailing support and demonstrated flexibility during a challenging and atypical year.

Hon Dame Fran Wilde

Geoff Summers

## Annex

### Membership of Authority

- The Hon Dame Fran Wilde DNZM QSO (Chair)
- Mr Geoff Summers (Deputy Chair)
- Mr Len Cook CBE (Member) until 30 May 2021

### 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 issued and/or oversaw the following determinations during the 2020/21 year:

- Governor-General (Salary) Determination 2020
- Governor-General (Annuities) Determination 2021
- Parliamentary Salaries and Allowances Determination 2020
- Parliamentary Salaries and Allowances Determination (No 2) 2020  
Amendment Determination 2021
- Parliamentary Salaries and Allowances (Temporary Reduction — COVID-19)  
Determination 2020
- Parliamentary Superannuation Determination 2003
- Members of Parliament (Accommodation Services for Members and Travel  
Services for Family Members) Determination 2017
- Members of Parliament (Accommodation Services for Members and Travel  
Services for Family Members) Determination 2020
- Members of Parliament (Accommodation Services for Members and Travel  
Services for Family Members) Amendment Determination 2020
- Parliamentary Annuities Determination 2020
- Members of Parliament (Former Prime Ministers Travel Services)  
Determination 2017

- Judicial Officers Salaries and Allowances (2019/20) Determination 2019
- Judicial Officers Salaries and Allowances (2019/20) Amendment Determination 2020 (Coroners)
- Judicial Officers Salaries and Allowances (2019/20) Amendment Determination (No 2) 2020 (Court Martial Appeal Court and the Court Martial)
- Judicial Officers Salaries and Allowances (2020/21) Determination 2020
- Judicial Superannuation Determination 2019
- Judicial Officers Superannuation Amendment Determination 2020 (Coroners)
- Judicial Officers Superannuation Amendment Determination (No 2) 2020 (Court Martial Appeal Court and the Court Martial)
- Local Government Members (2020/21) Amendment Determination 2020
- Local Government Members (2020/21) Amendment Determination (No 2) 2020
- Local Government Members (2020/21) Amendment Determination 2021
- Local Government Members (2020/21) Amendment Determination (No 2) 2021
- Local Government Members (Temporary Reduction—COVID-19) Determination 2020
- Local Government Members (Temporary Reduction—COVID-19) Amendment Determination 2020
- Local Government Members (Temporary Reduction—COVID-19) Amendment Determination (No 2) 2020
- Individual independent statutory officers and members of boards: 113 separate principal determinations
- Individual independent statutory officers and members of boards: 72 separate temporary reduction determinations

## Website

[www.remauthority.govt.nz](http://www.remauthority.govt.nz)