



Report of the

REMUNERATION AUTHORITY

TE MANA UTU MATUA

for the year ended 30 June 2022

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

G.17



6 September 2022

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

Tēnā koe Minister

I am pleased to submit the Annual Report on the operations of the Remuneration Authority | Te Mana Utu Matua for the year ended 30 June 2022, in accordance with section 27 of the Remuneration Authority Act 1977.

Nāku iti noa, nā

A handwritten signature in blue ink, appearing to read 'Geoff Summers', with a large, stylized flourish at the end.

Geoff Summers
Chair

REPORT OF THE REMUNERATION AUTHORITY TE MANA UTU MATUA FOR THE YEAR ENDED 30 JUNE 2022

Introduction

This report covers the 12 months to 30 June 2022.

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 2022, the Authority issued 190 determinations covering more than 2300 role-holders.

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 and clause 7 of schedule 7 of the Local Government Act 2002), which include 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, the person, 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 person or any organisation can make written submissions to the Authority in relation to its functions under the Act.

COVID-19 and Economic Conditions

As required under section 18A of the Act, when making its determinations the Authority must take account of any prevailing adverse economic conditions, based on evidence from authoritative sources.

Reports on New Zealand's economy from authoritative sources at the beginning of the reporting year confirmed that the impact of the COVID-19 pandemic on the economy was less severe than previously expected. Indicators signalled a strong rebound in economic activity as a result of increasing household spending and the rise in unemployment was less than forecast. However, uncertainty about the impact of the pandemic on the economy continued to remain high. This was driven by the sporadic outbreaks of COVID-19 around the country, the impending easing of borders restriction, the effectiveness and timing of the distribution of the vaccines, the reduction of business investment and activity in certain sectors, the slower pace of economic growth and the uncertain long-term impact of COVID-19 which presented a significant fiscal risk.

While improved economic conditions were expected there was a view that consumer and business confidence may weaken during the year, as COVID-19 became more widespread across the country due to the Government's move away from its elimination strategy, thereby dampening household spending and investment in the second half of the year. There were also questions and concerns about the uneven pace of the global economic recovery and how it would impact on New Zealand's economy.

With all of this in mind, the Authority decided to make either no or only modest adjustments to its determinations during the 2021/22 year.

Governor-General and Former Governors-General

Under the Governor-General Act 2010, the Authority determines the remuneration of the Governor-General and determines the rates of annuities for former Governors-General and their surviving spouses or partners.

The Authority made two determinations under the Act:

- The first increased the salary for the Governor-General by 1.4% from 1 November 2021.

- The second increased the annuities payable to former Governors-General (or surviving spouses or partners) by 2.0% from 1 April 2022.

Members of Parliament

MPs' salaries and allowances are set pursuant to section 8 of the Members of Parliament (Remuneration and Services) Act 2013 (the MOP Act) and to the Remuneration Authority Act 1977.

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. The key change was the restoration of the Authority's criteria-based discretion for determining the salaries of MPs.

Another change was the Authority must now determine MPs' salaries and allowances for the entire term of Parliament as follows:

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

As required under the Amendment Act, the Authority must begin a review of the salaries and allowances of MPs within 3 months from the return of the writ after the General Election, based on the information that is available to the Authority at the time of its review.

The information made available to the Authority at the time of the 2020 review, from a range of authoritative sources (including the Reserve Bank of New Zealand and the Treasury), suggested that New Zealand's economic outlook for the Parliamentary term remained highly uncertain due to COVID-19 and its impact on global and local economic conditions. Modelling and projecting salary movements for the three out years (as required by the Act) was a significant challenge. It appeared, both domestically and internationally, that economic recovery from COVID-19 and its related disruption would be slow and uneven, with the pace of the recovery during the current term of Parliament being largely determined by the containment and management of the virus.

The Authority completed its review in mid-December 2020. It resulted in no change to the MPs' remuneration for each of the above periods.

This means that MPs' salaries have remained, for the 2021/22 year, at their 2017 levels because MPs' pay was frozen in 2018. This was after the Government saw that the legislated prescribed formula to calculate MPs' pay that was in place at the time would have resulted in salary increases that were perceived to be unjustifiably high. As a consequence, the Government 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.

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 so the Authority is currently reassessing that situation. Legal advice has been sought relating to the amended legislation and decisions will be made on the next steps when the situation is clarified.

Accommodation and Travel Services

The Authority is also responsible for determining, under the MOP Act, 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 their seat or, in the case of a Minister, ceases to be a member of the Executive Council.

The MOP Act specifies that once in each term of Parliament the Authority must make a determination on the above services. As 2020 was a general election year, the Authority completed a substantial review of those services and in August 2020 issued the ***Members of Parliament (Accommodation Services for Members and Travel Services for Family Members) Determination 2020***. This determination applied from the day after the 2020 General Election and will be reviewed again in 2023.

An amendment was made to the principal MPs accommodation and travel services determination in April 2022. The ***Members of Parliament (Accommodation Services for Members and Travel Services for Family Members) Amendment Determination 2022*** enables additional accommodation support to be paid to an MP who, because of a circumstance that is unavoidable and beyond the MP's control, is temporarily unable to use their usual Wellington accommodation (for which they

receive a continuous payment) and must pay for alternative accommodation. An example of a circumstance in which additional support may be payable under this provision would be where security risks had temporarily prevented a member from accessing their usual Wellington accommodation. This change was deemed to have come into force on 1 February 2022.

This amendment is currently being extended to cover all MPs usual accommodation (home base or continuous accommodation) whether within or outside the Wellington commuting area.

The Authority continued to monitor accommodation (rentals and hotels) rates throughout the 2021/22 year and saw no need to adjust the accommodation rates during that period.

Former Prime Ministers

Under section 43 of the MOP Act, 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 2021*** for the year commencing 1 January 2022, the Authority noted that at that time the New Zealand economy was proving to be more resilient to the impact of COVID-19 than previously forecasted but the pandemic continued to present a highly volatile and uncertain environment. Given this uncertainty the Authority adopted a prudent approach to determining the annuities for former Prime Ministers and increased their annuities by 1.9% for the 2022 year.

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.

During the 2021/22 year, the travel service entitlements of the former Prime Ministers and spouses and partners were reviewed 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; and
- 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 the travel services entitlements and their rates, 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 Court Martial Appeal Court, the District Court (including the Family Court, Youth Court and Environment Court), the Court Martial, the Employment Court and the Māori Land Court, as well as for coroners.

In keeping with previous practice, the Authority invited submissions from all the benches. The Authority carefully considered the submissions it received and met with bench representatives to discuss the issues raised in their individual submissions.

Judicial Officers Salaries and Allowances (2021/22) Determination 2022

In determining the judicial officers' remuneration for the 2021/22 year, the Authority applied the mandatory criteria, that it must take into account, listed in sections 18 and 18A of the Act.

As a result, most judicial officers received a modest increase to their remuneration of up to 1.4%, which is broadly in line with the adjustments made by the Authority in respect of other groups and individuals for which it sets remuneration. A small number of benches received larger increases to reflect either their increasing jurisdiction or the specialist nature of their bench, or both.

The Authority introduced in its determination for the year beginning 1 October 2021 an allowance for the judges of the Māori Land Court who serve as judges of the Māori Appellate Court. This allowance recognises the special jurisdiction of the Māori Appellate Court and the additional powers that the Māori Land Court judges are required to exercise in the Appellate Court.

Provision was also made in the determination to recognise the additional workload and duties placed on a judge of the Māori Land Court who is appointed to the role of Deputy Chairperson of the Waitangi Tribunal.

Judicial Officers Superannuation Determination 2019

The Judicial Officers Superannuation Determination 2019 (the principal determination) was amended by the Judicial Officers Superannuation Amendment Determination 2022 in March 2022.

The amendment determination removed the restriction on permanent part-time judges of the Court Martial Appeal Court and judges of the Court Martial receiving a superannuation subsidy. The effect of the amendment is that judges who are permanently appointed to those courts, irrespective of whether the appointment is on a full-time or a part-time basis, are now entitled to receive the judicial officer's superannuation prescribed in the principal determination.

Judges who are appointed to the Court Martial Appeal Court and the Court Martial in an acting, fixed-term or temporary capacity, however, are not entitled to the superannuation subsidy. This is the same practice that is applied to all other benches where their judicial officers are appointed in an acting, fixed-term or temporary capacity.

Local Government Elected Members

The Authority determines, under clauses 6 and 7A of schedule 7 of the Local Government Act 2002, the remuneration, allowances and expenses payable to local authority elected members.

Local Government Members (2021/22) Determination 2021

The determination came into force on 1 July 2021 and expired on 30 June 2022.

Given the impact that COVID-19 pandemic was having on society and the economy at the time of making the determination, the Authority took a conservative approach in setting the elected members remuneration. Some elected members received no increases, while the majority of elected members received a 1.0% to 1.5% increase to their remuneration. A small number of elected members were given larger increases as part of the phased implementation of the changes that the Authority made in 2019 to its approach to determining local government elected members' remuneration. The phased implementation was delayed in the 2020/21 year due to the pandemic, so it was resumed for the 2021/22 year.

The allowances contained in the determination were also reviewed. The Authority increased the communications allowance as, in the face of COVID-19, most local authorities have had to operate far more extensively in a virtual world. Elected members were increasingly required to work from home or away from their councils' offices and both elected members and the public can now attend meetings that are streamed online or via an audio link. This means that elected members are requiring more reliable, stronger, faster, and fit-for-purpose information and communication services and equipment to support their work.

The childcare allowance was amended to remove any perceived discrimination based on family status. However, the upper limit of the reimbursement allowance was not changed and remains at \$6,000 per annum. The vehicle kilometre reimbursement allowance was adjusted to reflect the rates prescribed by the Inland Revenue Department at the time of the review of the allowances.

In August 2021, the Authority amended the Local Government Members (2021/22) Determination 2021 to allow the recently introduced Clean Car Discount (rebate) to be applied to eligible motor vehicles that councils may provide to their mayors and regional council chairpersons. The amendment supports the goal to help New

Zealand to be carbon neutral by making zero and low emission vehicles more affordable. The amendment enables the rebate that a local authority has received to be deducted from the purchase price of the eligible vehicle before calculating the deduction from the remuneration of a mayor or chairperson for the full or partial private use of the eligible vehicle.

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 a corporation 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, thereafter, 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.

The Authority wrote to each statutory officer inviting them to make a submission on any matters which they thought we should take into account in our review of their remuneration. A number requested that the Authority make no adjustment to their remuneration for 2021/22.

There were two related reasons for these requests:

- Some of the statutory officers had close working relationships with the chief executives of Public Service departments, who as higher earning departmental secretaries and chief executives had their pay restrained since 2020.
- Other statutory officers felt they should not be immune from the pay restraints, with the default position of no increases for those paid over \$100,000, placed on their own staff who were covered by the Public Service Commission's 'Public Service Pay Guidance 2021' .

In response the Authority adopted the policy that, where a statutory officer requested no increase, and where his or her current remuneration was close to where, in the Authority's view, it should be for 2021/22, the Authority would accede to their request. However, if their current remuneration was well short of its fair and proper level, the Authority would make an appropriate adjustment.

For the remaining statutory officers, the Authority balanced the uncertain challenges that COVID-19 was having on society and the economy at that time with the requirement to be fair to the individuals whose remuneration it sets. Accordingly, the statutory officers received remuneration adjustments of between 0% to 1.4%.

Internal Management and Changes

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 ensured that the Authority has available at all times a high level of technical competence as well as public management expertise. Consultants are engaged from time to time to draw on their specific advice and specialist services.

In September 2021, Dallas Welch joined the Authority as a Member. She replaced Len Cook who left the Authority earlier in the year.

Soon after the end of the annual report year, the current Deputy Chair, Geoff Summers was appointed Chair of the Authority for a term of 3 years and Vern Walsh was appointed a Member of the Authority for a term of 3 years.

Appreciation

The Authority takes this opportunity to recognise and farewell Hon Dame Fran Wilde DNZM QSO whose term of appointment as Chair of the Authority finished soon after the end of the reporting year. Dame Fran took up the role of Chair in 2015 for an initial term of 3 years which was extended for a further 3 years until December 2021. She subsequently agreed to stay in the role until her replacement was found. Dame Fran brought to the role extensive leadership and governance experience in both the public and private sectors as well as having been an MP and a Cabinet Minister. Having also previously served as the Mayor of Wellington and the Chair of the Wellington Regional Council, she led the Authority's review and implementation of a new fair, flexible, responsive and more transparent approach to setting the remuneration of local authority elected members. Dame Fran's experience as a former Minister and MP was invaluable in dealing with MPs' pay and their accommodation services. As the Chair, Dame Fran chose to focus on modernising the Authority's internal processes and upgrading its website. The Authority would like to acknowledge the work of Dame Fran during her time at the Authority and thank her for the significant contribution she has made to the success of the organisation during the last 7 years.

We would like to thank the Parliamentary Counsel Office, Crown Law, Parliamentary Service, Ministerial Services and Secretariat Support, Inland Revenue Department, Statistics NZ, Local Government Commission and Local Government NZ for the advice, information and services they provided to us. We also acknowledge the

Ministry of Business, Innovation and Employment which provided the Authority with corporate and support services.

The Authority members record their appreciation and thank the Director of the Office of the Remuneration Authority and the Analyst/Administrator for their input and support during the last year.

Geoff Summers
Chair

Dallas Welch
Member

Vern Walsh
Member

Annex

Membership of Authority

- The Hon Dame Fran Wilde DNZM QSO (Chair)
- Mr Geoff Summers (Deputy Chair)
- Ms Dallas Welch (Member) from 13 September 2021

Staff

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

Determinations

The Authority issued and/or oversaw the following determinations during the 2021/22 year:

- Governor-General (Salary) Determination 2020
- Governor-General (Salary) Determination 2021
- Governor-General (Annuities) Determination 2021
- Governor-General (Annuities) Determination 2022
- Parliamentary Salaries and Allowances Determination (No 2) 2020
- Parliamentary Salaries and Allowances Determination (No 2) 2020 Amendment Determination 2021
- Parliamentary Superannuation Determination 2003
- 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 2022
- Parliamentary Annuities Determination (No 2) 2020
- Parliamentary Annuities Determination 2021
- Members of Parliament (Former Prime Ministers Travel Services) Determination 2017

- Judicial Officers Salaries and Allowances (2020/21) Determination 2020
- Judicial Officers Salaries and Allowances (2021/22) Determination 2021
- Judicial Superannuation Determination 2019
- Judicial Officers Superannuation Amendment Determination 2022
- Local Government Members (2021/22) Determination 2021
- Local Government Members (2021/22) Amendment Determination 2021
- Local Government Members (2021/22) Amendment Determination (No 2) 2021
- Local Government Members (2021/22) Amendment Determination 2022
- Local Government Members (2021/22) Amendment Determination (No 2) 2022
- Individual independent statutory officers and members of boards: 179 separate principal determinations

Website

www.remauthority.govt.nz