

## **TERMS OF REFERENCE**

**2023 review of the salaries and allowances of  
Members of Parliament as required by section 19(6)  
of the Remuneration Authority Act 1977**

**12 February 2024**

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## INTERPRETATION

1. In these terms of reference, unless the context otherwise requires -
  - Act** means the Remuneration Authority Act 1977;
  - Allowance** means the allowances specified in Schedule 2 of the current determination as defined in section 2 of the Act;
  - Authority** means the Remuneration Authority;
  - Baseline figures** means the salary and allowance figures determined within the 2024 determination for the initial period of that determination being from 15 October 2023 to 30 June 2024;
  - Current determination** means the Parliamentary Salaries and Allowances Determination (No 2) 2020;
  - MOP Act** means Members of Parliament (Remuneration and Services) Act 2013;
  - MP** means an ordinary member of Parliament as defined in section 5 of the MOP Act and also includes MPs who are office holders;
  - Outyears** means the three years beginning on 1 July in each of the years 2024, 2025 and 2026 for which MPs' salaries and allowances must be determined within the 2024 determination;
  - Remuneration** has the meaning specified in Section 2 of the Act;
  - Review** means this review of MPs' salaries and allowances;
  - Salary and Salaries** means the salary payments specified in Schedule 1 of the current determination;
  - Terms** means these terms of reference;
  - 2024 determination** means the determination of MPs' salaries and allowances required to be made as a result of the review.

## Legislative requirements

2. The following specific sections of the Act and the MOP Act are particularly relevant to the review.
  - The Act –sections 2; 12(1)(a)(i); 12C; 14; 16; 17A; 18; 18A; 19(5); 21; 24; 25.
  - The MOP Act - sections 8; 9; and 16.

## REVIEW

3. Section 8 of the MOP Act requires that the Authority must determine the salaries and allowances to be paid to MPs.
4. Section 19(6) of the Act says:

The Authority must begin a review of the salaries and allowances of members of Parliament within 3 months from the return of the writ after a general election, based on the information that is available to the Authority at the time of its review.

  - 4.1. Note that the review requirement is limited to salaries and allowances; therefore, Parliamentary superannuation, as determined by the Parliamentary Superannuation Determination 2003, and MPs' accommodation and travel services, as determined in the Members of Parliament (Accommodation Services for Members and Travel Services for Family Members) Determination 2023, are out of scope of the review.
5. The General Election was held on the 14 October 2023 and the writ was returned on Thursday 16 November 2023. Therefore, the Authority was required to begin the review of the salaries and allowances of MPs on or after 16 November 2023 and before 16 February 2024.

## Timeframe

6. The Authority resolved to begin the review on Friday 17 November 2023 and these terms were approved by the Authority on 12 February 2024. Whilst the Act specifies a timeframe within which the review must begin, a completion date is not specified. The Authority intends to complete the review, if possible, in the first half of 2024.

## SCOPE

7. The outcome produced on completion of the review will be the 2024 determination. That determination is required, by subsections 19(8)(a) to (d) of the Act, to specify the salaries and allowances of MPs for four specified periods. For the 2023 review, these periods will be:
  - 7.1. The period beginning on 15 October 2023 (being the day after polling day of the 2023 General Election) and ending on 30 June 2024; and
  - 7.2. The period beginning on 1 July 2024 and ending on 30 June 2025; and
  - 7.3. The period beginning on 1 July 2025 and ending on 30 June 2026; and
  - 7.4. The period beginning on 1 July 2026 and ending on polling day for the next general election in 2026.

## Green fields approach

8. The Authority has resolved that the review must begin by implementing a 'green-fields' approach to the determination of the baseline figures for salaries and allowances in schedules 1 and 2 of the 2024 determination. This will require the Authority to determine what each salary and allowance figure must be in 2023, regardless of the figures specified in schedules 1 and 2 of the current determination.
9. For clarity, the Authority may specify baseline figures that are higher, the same or lower than those specified in the schedules of the current determination. The implementation of those baseline figures must take into account the provisions of section 24 of the Act (see paragraph 11 of these terms).

## No redress of foregone increases

10. In determining salaries and allowances as a result of the review, the Authority will not redress any foregone increases in salaries or allowances caused by the freeze that was invoked by section 5 of the Remuneration Authority (Members of Parliament Remuneration) Amendment Act 2018 for the period 1 July 2018 to 30 June 2019; nor any salary or allowance increases that were foregone as a result of subsequent invoking, by the Authority, of section 18A of the Act when making Parliamentary determinations on and since 2020.

## Legislated prohibition on remuneration decreases

11. Section 24 of the Act provides that, where a determination is made by the Authority that sets a lower remuneration for a position than is currently being received by the holder of that position (which is a possibility within this review - see paragraph 9 of these terms), that person's remuneration shall not be reduced as a result of that determination. Should the Authority, as a result of the review, determine any lower salaries or allowances than specified in the current determination, in compliance with section 24 of the Act, that salary or allowance must not take effect until the rate specified in Schedule 1 of the 2024 determination, or a subsequent determination, specifies a higher salary or allowance than is, then, being received by the MP or MPs concerned.

## PROCESS

12. There will be two phases to the review –

- 12.1. Phase I will be the period during which the green fields approach will apply. This phase will investigate and determine the baseline figures for salaries and allowances.
- 12.2. Phase II will investigate the salaries and allowances figures that the Authority must include in Schedules 1 and 2 of the 2024 determination, for the three outyears.

## **MPs' salaries and allowances**

13. During the review, whenever the Authority is considering MPs' salaries and allowances, it will have regard for the needs specified in section 18(1) of the Act and take into account the matters specified in section 18(2) of the Act as an integrated and interdependent set of five criteria. All investigations and decisions relating to MPs' salaries and allowances within the review must be predicated on these criteria. This requires that the Authority:
  - 13.1. Investigate and analyse remuneration that is being received elsewhere and determine what a fair relativity would be for MPs in relation to that remuneration, both initially for the baseline salaries and subsequently for the outyears' salaries and allowances;
  - 13.2. Consider what levels of baseline and outyears' salaries and allowances meet the test of being simultaneously fair to both the MPs and to the taxpayers;
  - 13.3. Consider what impact, if any, those levels of baseline and outyears' salaries and allowances would have on the recruitment and retention of competent persons to be MPs;
  - 13.4. Take into account what MPs actually do in relation to the responsibilities of their role;
  - 13.5. Take into account the conditions of service enjoyed by MPs and those enjoyed by any persons or groups that, in the Authority's opinion, have comparable conditions of employment to MPs.
14. The Authority will also consider whether section 18A of the Act has relevance to the investigation or determination of any matter relating to MPs' salaries and allowances at the time; taking into account evidence received from authoritative sources in regard to any countervailing economic conditions.
15. Specifically in relation to the allowances specified in Schedule 2 of the current determination, the Authority will reassess both the purposes and the amounts of those allowances. Having established the baseline figures for MPs' allowances, the Authority will then determine what increases, if any, are to be applied to those baseline figures in the outyears and the basis of calculation of those outyear's allowances.
  - 15.1. Schedule 1 of the 2024 determination will detail the salaries for MPs in compliance with the criteria set out in section 18 of the Act (and if deemed appropriate also in compliance with section 18A of the Act) for each of the four separate periods specified in paragraphs 7.1 to 7.4 of these terms.
  - 15.2. Schedule 2 of the 2024 determination will detail the allowances for MPs for each of the four separate periods specified in paragraphs 7.1 to 7.4 of these terms.

## **Investigations**

16. In determining the baseline and outyears' salaries and allowances, the Authority must base its determinations on the best information that is available to it at the time of this review (section 19(6) of the Act). To assess what information is available and the 'best', the Authority will seek information from a variety of sources including Treasury, the Reserve Bank, Statistics New Zealand, Ministry of Business Innovation and Employment, Economic consultancies, Market Salary Survey companies and others. This will be undertaken in writing, in person and, in some cases, by use of third-party expertise.

## Consultation

17. For inputs into the review, the Authority will consult with –
- 17.1. All MPs seeking their views to be taken into account during the review; and
  - 17.2. The Speaker and the Minister responsible for Ministerial Services requesting advice about the matters specified in section 17A(a) of the Act; and
  - 17.3. The Commissioner of Inland Revenue requesting advice about the matters specified in section 17A(b) of the Act; and
  - 17.4. A number of other persons, including some previous MPs, whose experiences may be of assistance to the Authority in the review; and
  - 17.5. Some organisations that have an interest in MPs' pay and whose views may be of assistance to the Authority in the review.
18. Section 21 of the Act allows any person or organisation to make a submission on the review and the Authority will receive any submissions and consider them as part of the process.

## 2024 determination

19. Once all the material from the investigations has been assembled, it will be analysed and final decisions made about all the matters required by these terms. A report on the review, along with the 2024 determination will be assembled.
- 19.1. The review report will be delivered to all MPs and published on the Authority's website.
  - 19.2. The Authority will publish the 2024 determination as required by section 16(1) of the Act.