

Remuneration Authority Amendment Bill

Government Bill

Explanatory note

General policy statement

This Bill amends the Remuneration Authority Act 1977 (the **Act**) to provide a sole criterion for the Remuneration Authority to consider when reviewing the total remuneration of members of Parliament. This criterion is the Quarterly Employment Survey (**QES**) for the public sector average ordinary time weekly earnings for full-time equivalent employees (FTE) using the change for the average for the year to June compared with the average for the previous year to June. Using this measure means that the remuneration of members of Parliament will increase in line with the average public sector salary. The average annual percentage change will be applied to smooth any sudden increases or decreases due to fluctuations in employment movements. To ensure that this process works, the Bill provides that the indexing of the salaries of members of Parliament to the QES must be done on an annual basis. Currently, the Act requires the Authority to make determinations for each position within its jurisdiction at least every 3 years (section 19(5)). The Bill provides for the current Parliamentary Salaries and Allowances Determination 2015 to be revoked as far as it applies to salaries. To ensure that members of Parliament continue to receive their salary, the Bill reinstates the Parliamentary Salaries and Allowances Determination 2013 (as it relates to salaries)

until such time as the Remuneration Authority is able to gazette a new determination using the new criterion under the amended Act.

Departmental disclosure statement

The Ministry of Business, Innovation, and Employment is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2015&no=9>.

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 provides that the Bill comes into force on the day after the date on which it receives the Royal assent.

Clause 3 provides that the Bill amends the Remuneration Authority Act 1977 (the **principal Act**).

Clause 4 inserts *new section 3A* into the principal Act, which gives effect to the transitional provisions set out in *new Schedule 1AA*.

Clause 5 amends section 18 of the principal Act, which sets out criteria for the Authority when determining remuneration. A *new subsection (3)* is inserted, which provides that these criteria apply when the Authority is determining the allowances of members of Parliament, but not when it is determining their salaries.

Clause 6 amends section 18A of the principal Act, which requires the Authority to take into account countervailing economic conditions. A *new subsection (5)* is inserted, which provides that this section applies when the Authority is determining the allowances of members of Parliament, but not when it is determining their salaries.

Clause 7 inserts *new section 18B*, which provides that, for the purpose of any determination under section 12(1)(a)(i) of the principal Act (which relates to determining the salaries and allowances of members of Parliament (which includes Ministers)), the Authority must fix the salaries in accordance with this section.

New section 18B(2) provides that the Authority must fix the salaries of members of Parliament so that the salaries, the superannuation

subsidy, and personal benefits assessed under section 16(2) of the Members of Parliament (Remuneration and Services) Act 2013, as a combination, can only move up in line with the movement in the average ordinary time weekly earnings for full-time equivalent employees in the public sector as shown by the Quarterly Employment Survey.

New section 18B(3) defines terms used in *new section 18B(2)*. *New section 18B(4)* deals with rounding of certain numbers used in the calculation of the formula in *new section 18B(2)*.

New section 18B(5) provides that if there is no upward (or a downward) movement in the average ordinary time weekly earnings for full-time equivalent employees in the public sector the Authority must fix the salaries at the same amount as for the previous year. *New section 18B(6)* provides that *New section 18B(5)* does not limit section 24 of the principal Act, which provides that the remuneration of existing holders cannot be reduced.

New section 18B(7) deals with the fixing of a salary for a new position where there will not be a salary rate from the previous 12-month period to index against.

Clause 8 amends section 19 of the principal Act, which deals with the frequency of adjustments. A *new subsection (5)* is substituted, which provides that the Authority must review and issue a determination in respect of the salaries of members of Parliament at intervals of 12 months (for each period ending on 30 June). For allowances, the existing minimum interval of 3 years is not changed.

The Schedule inserts *new Schedule 1AA* into the principal Act, which contains transitional, savings, and related provisions relating to this amendment Bill. *Clause 1* provides that the provisions of the Parliamentary Salaries and Allowances Determination 2015 (**2015 determination**) that determine salaries have no effect and are revoked. *Clause 2* provides that the provisions of the Parliamentary Salaries and Allowances Determination 2013 that determined salaries are deemed to continue in effect. *Clause 3* provides that no act done in accordance with the 2015 determination before this Bill comes into force is unlawful solely because of its partial revocation by *clause 1*. *Clause 4* requires the Authority to make a determination of salary

rates for members of Parliament for the period 1 July 2014 to 30 June 2015 in accordance with the principal Act as amended by this Bill.

Hon Michael Woodhouse

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Remuneration Authority Amendment Act **2015**.
- 2 Commencement** 5
This Act comes into force on the day after the date on which it receives the Royal assent.
- 3 Principal Act**
This Act amends the Remuneration Authority Act 1977 (the **principal Act**). 10

Part 1**Preliminary provision**

- 4 New section 3A inserted (Transitional, savings, and related provisions)**
After section 3, insert: 15
- “3A Transitional, savings, and related provisions**
The transitional, savings, and related provisions set out in **Schedule 1AA** have effect according to their terms.”

Part 2**Amendments relating to fixing of salaries of members of Parliament** 20

- 5 Section 18 amended (Criteria of Authority)**
After section 18(2), insert:
- “(3) This section—**
- “(a) applies to the Authority when determining the allowances of members of Parliament under section 12(1)(a)(i); but** 25
- “(b) does not apply to the Authority when determining the salaries of members of Parliament under section 12(1)(a)(i).”** 30

6 Section 18A amended (Countervailing economic conditions)

After section 18A(4), insert:

- “(5) This section—
- “(a) applies to the Authority when determining the allowances of members of Parliament under section 12(1)(a)(i); but
- “(b) does not apply to the Authority when determining the salaries of members of Parliament under section 12(1)(a)(i).”

7 New section 18B inserted (Fixing salaries of members of Parliament)

After section 18A, insert:

“18B Fixing salaries of members of Parliament

- “(1) For the purpose of any determination under section 12(1)(a)(i), the Authority must fix the salaries of members of Parliament in accordance with this section.
- “(2) A salary rate for a 12-month period from 1 July to 30 June (the **relevant 12-month period**) must be fixed so that—

$$S_r + Su_r + P_r = (S_p + Su_p + P_p) \times (a \div b) \quad 20$$

where—

- S_r is the salary rate for the relevant 12-month period
- Su_r is the amount of the superannuation subsidy that will be payable (in accordance with the determination made under section 12(1)(b) and (ba)) in the relevant 12-month period 25
- P_r is the amount of any element of personal benefit or potential personal benefit assessed under section 16(2) of the Members of Parliament (Remuneration and Services) Act 2013 for the relevant 12-month period 30
- S_p is the salary rate for the 12-month period immediately before the relevant 12-month period (the **previous 12-month period**)
- Su_p is the amount of the superannuation subsidy that was payable (in accordance with the determination made under section 12(1)(b) and (ba)) in the previous 12-month period 35

- P_p is the amount of any element of personal benefit or potential personal benefit assessed under section 16(2) of the Members of Parliament (Remuneration and Services) Act 2013 for the previous 12-month period
- a is the average ordinary time weekly earnings for FTE employees in the public sector as determined by the Quarterly Employment Survey for each of the 4 quarters of the previous 12-month period, added together and divided by 4 5
- b is the average ordinary time weekly earnings for FTE employees in the public sector as determined by the Quarterly Employment Survey for each of the 4 quarters of the 12-month period immediately before the 12-month period referred to in item a, added together and divided by 4. 10 15
- “(3) In **subsection (2)**,—
 “FTE means full-time equivalent as used in the Quarterly Employment Survey, being a measure of hours of work per week
 “Quarterly Employment Survey means the Quarterly Employment Survey published by Statistics New Zealand or, if that survey ceases to be published, any measure certified by the Government Statistician as being equivalent to that survey. 20
- “(4) For the purposes of applying the formula in **subsection (2)**, the number resulting from dividing variable a by variable b must be rounded up or down to 4 decimal places (with 0.00005 or greater being rounded up). 25
- “(5) If the result of the calculation $a \div b$, as those variables are defined in **subsection (2)**, is less than 1, the Authority must fix the rates of salaries for the relevant 12-month period at the same rates as for the previous 12-month period. 30
- “(6) Nothing in **subsection (5)** limits section 24.
- “(7) If the Authority is fixing a salary rate for the first time for a position for which there is no previous determination, the Authority must fix the rate consistently with a comparable position or positions for members of Parliament.” 35

8 Section 19 amended (Frequency of adjustments)

Replace section 19(5) with:

- “(5) Notwithstanding any term included in any determination, the Authority must review and issue a determination for each position that is subject to its jurisdiction,—
- “(a) in the case of the salaries of members of Parliament, at intervals of not more than 12 months in respect of each period of 12 months ending on 30 June; and
 - “(b) in the case of the allowances of members of Parliament, at intervals of not more than 3 years; and
 - “(c) in any other case, at intervals of not more than 3 years.”
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	Schedule	s 4
	New Schedule 1AA inserted	
	Schedule 1AA	s 3A
	Transitional, savings, and related provisions	
	Part 1	5
	Provisions relating to Remuneration Authority Amendment Act 2015	
1	Parliamentary Salaries and Allowances Determination 2015 has no effect in relation to salaries	
	Clause 5 and Schedule 1 of the Parliamentary Salaries and Allowances Determination 2015—	10
	(a) are deemed not to have come into force on the date specified in clause 2 of that determination; and	
	(b) are revoked.	
2	Parliamentary Salaries and Allowances Determination 2013 has effect in relation to salaries	15
(1)	Clause 5 and Schedule 1 of the Parliamentary Salaries and Allowances Determination 2013 (the determination)—	
	(a) are deemed to have continued to have effect on and from 1 July 2014; and	20
	(b) continue to apply as if the expiry date specified in clause 3 of the determination is 30 June 2015.	
(2)	For the purposes of section 69(2) of the Members of Parliament (Remuneration and Services) Act 2013, clause 5 and Schedule 1 of the determination are deemed not to have been superseded by the Parliamentary Salaries and Allowances Determination 2015.	25
3	No acts unlawful	
	No act done in accordance with the Parliamentary Salaries and Allowances Determination 2015 before the Remuneration Authority Amendment Act 2015 came into force is unlawful solely because of the revocation of clause 5 and Schedule 1 of that determination by clause 1 of this schedule.	30

Schedule 1AA—*continued*Part 1—*continued***4 Authority to make new determination in relation to salaries**

- (1) The Authority must make a determination of salary rates for members of Parliament for the period 1 July 2014 to 30 June 2015. 5
- (2) The determination must be made in accordance with this Act as amended by the Remuneration Authority Amendment Act **2015**.
- (3) For the purposes of **section 18B(2)**, the salary rates for the previous 12-month period (as defined in that section) are those in Schedule 1 of the Parliamentary Salaries and Allowances Determination 2013. 10
- (4) To avoid doubt, the determination required by **subclause (1)** may be made before or after 30 June 2015 and with effect for the period described in **subclause (1)**, despite the expiry date specified in **clause 2(1)(b)** and the requirement in section 19(2) that a determination must continue in force at least until the close of its expiry date. 15