



Parliamentary Salaries and Allowances Determination 2011

Pursuant to section 16 of the Civil List Act 1979 and to the Remuneration Authority Act 1977, the Remuneration Authority makes the following determination (to which is appended an explanatory memorandum).

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Determination

- 1 Title**
This determination is the Parliamentary Salaries and Allowances Determination 2011.
- 2 Commencement**
This determination is deemed to have come into force on 1 July 2011.

3 Expiry

This determination expires on 30 June 2012.

4 Interpretation

In this determination,—

party means a parliamentary political party whose members in the House of Representatives include at least 1 member elected as a constituency or list candidate for that party

select committee means a committee that is established by, or in accordance with,—

- (a) Standing Order 181(1) or (2) of the Standing Orders of the House of Representatives (with effect on 21 October 2011); or
- (b) the corresponding provision of those Standing Orders (with effect on an earlier or a later date).

5 Salaries

- (1) The salaries payable under section 16 of the Civil List Act 1979 are set out in Schedule 1.
- (2) No member of Parliament may be paid more than 1 salary at any one time under any of the provisions of Schedule 1 and, if a member holds 2 or more offices, the salary payable to that member is that payable for the office for which the highest salary is payable.

6 Allowance

- (1) The allowance payable under section 16 of the Civil List Act 1979 is set out in Schedule 2.
- (2) The allowance is paid to the recipient for the purpose of reimbursing the recipient for expenses that arise from that recipient's official and parliamentary duties, and that are not otherwise covered by the determinations made under section 20A of the Civil List Act 1979.

7 Revocation

The Parliamentary Salaries and Allowances Determination 2010 (SR 2010/487) is revoked.

Schedule 1
Salaries payable under section 16 of
Civil List Act 1979

cl 5(1)

Office	Yearly rate of salary payable on and after 1 July 2011 (\$)
<i>Members of the Executive</i>	
Prime Minister	411,510
Deputy Prime Minister	291,800
Each member of the Executive Council who is a Minister of the Crown holding 1 or more portfolios and who is a member of Cabinet	257,800
Each member of the Executive Council who is a Minister of the Crown holding 1 or more portfolios, but who is not a member of Cabinet	217,200
Each other member of the Executive Council	189,000
Each Parliamentary Under-Secretary	168,600
<i>Officers of the House of Representatives</i>	
Speaker of the House of Representatives	257,800
Deputy Speaker	181,200
Each Assistant Speaker	155,700
<i>Leader of the Opposition</i>	
Leader of the Opposition	257,800
<i>Other party leaders</i>	
Each member of Parliament who is the leader of a party—	
Base salary	155,700
<i>plus</i>	
For each additional member of the party in the House of Representatives up to a maximum of 5	1,850
<i>plus</i>	
For each additional member of the party in the House of Representatives over 5 up to a maximum of 23	1,230
<i>plus</i>	
For each additional member of the party in the House of Representatives over 23	610

	Yearly rate of salary payable on and after 1 July 2011 (\$)
Office	
<i>Deputy leaders</i>	
Each member of Parliament who is the deputy leader of a party whose members in the House of Representatives number not less than 25—	
Base salary	179,300
<i>plus</i>	
For each additional member of the party in the House of Representatives over 25 up to a maximum of 35	610
<i>plus</i>	
For each additional member of the party in the House of Representatives over 35 up to a maximum of 45	340
<i>Whips</i>	
In respect of each party whose members in the House of Representatives number not less than 4—	
One Whip	
Base salary	155,700
<i>plus</i>	
For each member of the party in the House of Representatives over 6 up to a maximum of 24	1,230
<i>plus</i>	
For each member of the party in the House of Representatives over 24 up to a maximum of 35	610
<i>plus</i>	
For each member of the party in the House of Representatives over 35 up to a maximum of 45	340
Senior Government Whip	
If that One Whip is the Senior Government Whip, an additional sum is added	4,420
In respect of each party whose members in the House of Representatives number not less than 25,—	
One Junior Whip (separate from, and additional to, that party's One Whip)	155,700

	Yearly rate of salary payable on and after 1 July 2011 (\$)
Office	
<i>Chairpersons of select committees</i>	
Each member of Parliament who is the chairperson of a select committee	155,700
<i>Deputy chairpersons of select committees</i>	
Each member of Parliament who is the deputy chairperson of a select committee	146,200
<i>Other members of Parliament</i>	
Each other member of Parliament	141,800

cl 6(1)

Schedule 2
**Allowance payable under section 16 of
Civil List Act 1979**

Office	Yearly rate of expenses allowance payable on and after 1 July 2011	(\$)
Prime Minister		21,400
Speaker		20,000
Each other member of Parliament		16,100

Dated at Wellington this 8th day of November 2011.

John Errington,
Chairman.

A Foulkes,
Member.

D Morcom,
Member.

Explanatory memorandum

This memorandum is not part of the determination, but is intended to indicate its general effect.

1 Background

- 1.1 This memorandum explains not only the general effect of this determination, but also—
- (a) the extent and limitations of the role of the Remuneration Authority (the **Authority**); and

- (b) the considerations that have driven the Authority in coming to this determination.
- 1.2 The Authority is required to have regard to the following when setting parliamentary remuneration and allowances:
- (a) the need to achieve and maintain fair relativity with the levels of remuneration received elsewhere; and
 - (b) the need to be fair both—
 - (i) to the persons or group of persons whose remuneration is being determined; and
 - (ii) to the taxpayer or ratepayer; and
 - (c) the need to recruit and retain competent persons.
- 1.3 In addition the Authority must take into account—
- (a) the requirements of the position concerned; and
 - (b) the conditions of service enjoyed by the persons whose remuneration is being determined and those enjoyed by the persons or members of the group of persons whose remuneration and conditions of employment are, in the opinion of the Authority, comparable with those of the persons or members of the group; and
 - (c) any prevailing adverse economic conditions, based on evidence from an authoritative source; and may determine the remuneration at a rate lower than it would otherwise have determined.
- 1.4 Since 2001/02 the Authority has taken a remuneration package approach which takes account of the market rate for employees undertaking jobs with similar complexity and responsibility to identify a package value for ordinary members of Parliament. This figure reflects the total package of benefits members could expect to receive given the criteria in place at the time. Part of that package is the personal benefit value of the travel discount entitlement and part is the superannuation subsidy.
- 1.5 Each year the Authority has reviewed the appropriate total package value to ensure that the overall remuneration package available to ordinary members was aligned to the appropriate external groups. The Authority also reviews the value of the personal benefit of the travel discount entitlements, based on the actual usage of the entitlements.

- 1.6 The salary, and the value of the superannuation subsidy available to ordinary members, is then set by having regard to the total package value and the assessed personal benefit value of the travel discount entitlement.
- 1.7 The same approach is not taken in setting the salary rates for members with additional responsibilities, such as Ministers, the Speaker, the Prime Minister, and the Party Leaders. These rates are set using previous relativities within Parliament and reflect a measure of assessment of a fair remuneration for those members, taking into account the element of “public service” associated with those positions and the honour that many people feel when achieving higher status within Parliament. Had a form of external wage relativity been applied, the Authority recognises that the increases promulgated would have been significant and politically untenable.
- 1.8 When setting salary rates for members with additional responsibilities, the Authority recognises that the remuneration package for those members includes the personal benefit value of the travel discount entitlement as well as the superannuation subsidy. For this reason, the Authority, which pays close attention to benefits provided to all members by the determination issued by the Speaker, has merely kept a weather eye on the changes that from time to time occur in the determinations issued by the Minister Responsible for Ministerial Services. Although the value of ministerial allowances and reimbursement may vary from time to time, the packages that Ministers enjoy do not match either public or private sector remuneration for similarly responsible positions. To the extent that salary levels for this group are built on salaries for ordinary members, their salaries are discounted by the amount of the personal benefit of the travel discount entitlements.

2 Travel discount entitlement adjustment

- 2.1 Travel entitlements available to members are set by the Speaker and cover—
- members’ domestic air travel; and
 - members’ spouses’ domestic air travel; and
 - members’ dependants’ domestic air travel; and

- members' and members' spouses' international air travel.
- 2.2 Assessing the value of the travel discount entitlement has had regard to—
- the proportion of personal benefit assessed for each of—
 - members' domestic travel; and
 - members' spouses' domestic travel; and
 - members' dependants' domestic travel; and
 - members' and spouses' international travel entitlements; and
 - the actual costs of the various travel entitlements in each year; and
 - the average cost per member of the travel entitlements (even though members do not get equal benefits from the entitlements); and
 - some averaging of per member costs over time to recognise that costs can and do fluctuate from year to year.
- 2.3 It is recognised that some members get a disproportionate share of the value of the entitlements (by having more usage or by having a greater proportion of travel costs reimbursed) whereas all members are paying equally (by having the same reduction in salary). The Authority recognises this but is of the view that there is no other way of offsetting the personal cost of the entitlements whilst meeting the requirements of our Act.
- 2.4 The actual costs of the travel discount entitlements have reduced in recent years. Last year, after taking into account averaging over time and the reduced usage in the 2009/10 year, the Authority adjusted each member's salary by \$2,000 to partially reflect the reduced usage.
- 2.5 At that time the international travel discount entitlement for both members and their spouses was being withdrawn. The Authority indicated that it would issue an amending determination in the new year when the entitlement was formally withdrawn in order to maintain the value of members' remuneration packages. The amending determination was not made, due to the economic conditions at that time, and instead any

consideration of an adjustment was deferred until the next full review of members' remuneration.

- 2.6 The Speaker formally withdrew the members' and spouses' international air travel entitlement with effect from 1 January 2011.
- 2.7 It is important to understand that, because the salary of every member is adjusted to take account of the personal benefit of the travel discount entitlements available to all members, the members themselves are meeting the cost of those personal benefits by, in effect, taking a salary cut to pay for the benefits. The cost is also being met by members with additional responsibilities by virtue of the process the Authority uses to set the salaries for those members.
- 2.8 It therefore follows that, if the value of the personal benefit of those entitlements significantly decreases, there should be a compensating adjustment to salaries. If no compensating adjustment were made then members would be paying for a benefit which they are not getting.
- 2.9 A similar situation could happen in the private sector if, for example, a manager had the personal use of a car as part of their employment package. The value of the private use would be reflected by the manager having a lower salary for a given overall package value. If the personal use of a car was discontinued, then the manager's salary would be increased so that their overall package value remained the same.
- 2.10 From the 2009 fiscal year to the 2011 fiscal year the annual personal value of the members' travel discount entitlement has reduced by \$1.18 million. This is equivalent to \$9,710 per member. The reduction in the personal value of the entitlements is due to their reduced usage and the removal of the members' and spouses' international travel entitlement.
- 2.11 Last year \$2,000 of that reduction in personal value was passed back to members.
- 2.12 This year the Authority has decided to pass back a further \$5,000 to members after taking into account—
- the prevailing adverse economic conditions; and
 - the likelihood of further fluctuations in usage; and

- the need to be fair to both the persons for whom it is setting remuneration, and to the taxpayer.
- 2.13 It should be noted that the resulting increase in salary of \$5,000 per annum for each member is less than the increase that would be needed to restore the real value of remuneration packages. The increase in salary must be viewed as a partial compensation for the loss of a benefit of greater value.
- 2.14 The cost to the taxpayer of the combined members' salary and personal travel entitlement benefit has gone down.

3 General salary adjustment

- 3.1 In recent years, members' remuneration packages have not kept pace with increases in the cost of living, nor with general wage movements.
- 3.2 This has partly been due to Parliament requesting (and the Authority acceding to that request) to have no increase for the 2009/10 year, and partly due to the Authority taking into account prevailing adverse economic conditions.
- 3.3 Since fiscal year 2009 general salaries and wages have increased by 3.5% and the Consumers Price Index has increased by 7.0%. Parliamentary salaries (excluding the \$2,000 increase in 2010 to compensate for the reduction in value of the travel discount entitlements) have increased by only 1.4%.
- 3.4 Again, taking into account the prevailing adverse economic conditions, the Authority has decided to apply a general increase this year of 1.5%, in addition to the \$5,000 increase to compensate for the reduction in value of the travel discount entitlement.
- 3.5 This still leaves members of Parliament receiving lower remuneration increases than the general population.

4 Tax-free allowance

- 4.1 The Authority has adjusted members' tax-free allowance by 5.3%, that percentage change being the percentage change in the Consumers Price Index since this allowance was last adjusted.

- 4.2 The Authority is working with the Speaker to gain assurance that this allowance, which was independently verified in 2001, is still set at an appropriate level to meet such genuine out-of-pocket business expenses as—
- (a) the entertainment of visitors, staff, constituents, and officials; and
 - (b) memberships, sponsorships, and fees; and
 - (c) koha; and
 - (d) donations and raffle tickets; and
 - (e) gifts and prizes; and
 - (f) flowers (including wreaths); and
 - (g) passport photos; and
 - (h) clothing and grooming (Prime Minister only); and
 - (i) briefcases and luggage; and
 - (j) meals.

5 Superannuation

- 5.1 The Authority has made no adjustment to the percentage contribution payable to members' superannuation. This contribution, which is capped at 20% of an ordinary member's salary, ranges from 6.9% to 20%, depending on the position the member holds.

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