

Remuneration Authority (Members of Parliament Remuneration) Amendment Bill (No 2)

Government Bill

Explanatory note

General policy statement

This Bill is an omnibus Bill introduced under Standing Order 263(a) (dealing with an interrelated topic that can be regarded as implementing a single broad policy).

The Bill implements the Government's decision to amend the method and frequency requirements for reviews and determinations made by the Remuneration Authority to set the salaries of members of Parliament (**MPs**).

The Bill amends the Remuneration Authority Act 1977 and the Members of Parliament (Remuneration and Services) Act 2013. Specifically,—

- *Part 1* amends the Remuneration Authority Act 1977 to restore the Remuneration Authority's discretion when determining the salaries of MPs. In making its determination, the Authority will be guided by the criteria set out in sections 18 and 18A of the Remuneration Authority Act 1977. The Bill also links the frequency of adjustments to the electoral cycle so that the Authority would conduct 1 review after each general election, and would set MPs' pay for the entire term of Parliament on a year-by-year basis:
- *Part 2* amends the Members of Parliament (Remuneration and Services) Act 2013 to restore the requirement for the Remuneration Authority to consider the value of the personal benefit of entitlements when setting MPs' salaries.

The *Schedule* contains a transitional provision that requires the Remuneration Authority to issue a determination for salaries and allowances for the period 1 July 2019 to the polling date for the next general election.

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=2019&no=169>

Regulatory impact assessment

A regulatory impact assessment is not required for this Bill.

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 is the commencement clause. This Bill will come into force on the day after the date on which it receives the Royal assent.

Part 1

Amendments to Remuneration Authority Act 1977

Part 1 amends the Remuneration Authority Act 1977 (the **Act**) by—

- reversing changes made in 2015 that established a formula for calculating the remuneration of members of Parliament; and
- removing a spent provision that was inserted in 2018 to freeze the remuneration of members of Parliament for the period 1 July 2018 to 30 June 2019.

Clause 3 provides that *Part 1* amends the Remuneration Authority Act 1977.

Clause 4 amends section 12 by repealing subsection (2C). That subsection was inserted in 2018 to freeze the remuneration of members of Parliament until 30 June 2019, by preventing the Authority from issuing a determination for the period 1 July 2018 to 30 June 2019, and is now spent.

Clause 5 amends section 18 by repealing subsection (3). That subsection was inserted in 2015 when the formula for calculating the remuneration of members of Parliament was implemented. It provides that the criteria to be used by the Authority for determining remuneration does not apply when the Authority is calculating the remuneration of members of Parliament. Repealing the subsection will have the effect that the criteria specified in section 18 must be applied by the Authority when determining the remuneration of members of Parliament.

Clause 6 amends section 18A by repealing subsection (5). That subsection was inserted in 2015 when the formula for calculating the remuneration of members of Parliament was implemented. It provides that a requirement for the Authority to take into account countervailing economic conditions does not apply when the Authority is calculating the remuneration of members of Parliament. Repealing the subsection will

have the effect that countervailing economic conditions must be taken into account by the Authority when determining the remuneration of members of Parliament.

Clause 7 repeals section 18B, which is the section that sets out a formula that must be applied by the Authority when determining the remuneration of members of Parliament. Repealing it will have the effect that the Authority must determine the remuneration and allowances of members of Parliament using the criteria set out in the Act.

Clause 8 amends section 19, which sets out the frequency of adjustments, by—

- providing that, in the case of members of Parliament, the Authority must begin a review of salaries and allowances within 3 months after a general election and issue a determination to apply from the day after polling day;
- providing that the Authority's determination must set out the salaries and allowances of members of Parliament in 4 tranches: from the day after polling day in a general election to the next 30 June, then from the next 1 July to the following 30 June, then from the next 1 July to the following 30 June, and, finally, from the next 1 July to polling day for the next general election.

Clause 9 and the Schedule insert a *new Part 3* into the schedule of transitional, savings, and related provisions. That new Part—

- requires the Authority, as soon as practicable after this Bill commences, to issue a determination of the salaries and allowances of members of Parliament for the period beginning on 1 July 2019 and ending on polling day of the next general election (the **new determination**); and
- revokes any other determination that is in force at the time the Bill commences; and
- requires the Parliamentary Service to reconcile amounts paid under another determination against what would have been paid had the new determination been made on 1 July 2019; and
- requires adjustments to be made to pay any underpayment and recover any overpayment.

Part 2

Amendments to Members of Parliament (Remuneration and Services) Act 2013

Clause 10 provides that *Part 2* amends the Members of Parliament (Remuneration and Services) Act 2013.

Clause 11 amends section 8 by repealing subsection (5). That subsection was inserted in 2018 to freeze the remuneration of members of Parliament until 30 June 2019, by preventing the Authority from issuing a determination for the period 1 July 2018 to 30 June 2019. The subsection is now spent.

Clause 12 amends section 16(2)(b) by reversing changes made in 2015 when the formula for calculating the remuneration of members of Parliament was implemented.

The effect of the change is to require the Authority, when determining salaries and allowances of members of Parliament and Ministers, to take into account the value of any personal benefits arising from entitlements to services.

Hon Iain Lees-Galloway

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Remuneration Authority (Members of Parliament Remuneration) Amendment Act **(No 2) 2019**.
- 2 Commencement** 5
This Act comes into force on the day after the date on which it receives the Royal assent.

Part 1

Amendments to Remuneration Authority Act 1977

- 3 Amendments to Remuneration Authority Act 1977** 10
This Part amends the Remuneration Authority Act 1977.
- 4 Section 12 amended (Functions of Authority)**
Repeal section 12(2C).
- 5 Section 18 amended (Criteria of Authority)** 15
Repeal section 18(3).
- 6 Section 18A amended (Countervailing economic conditions)**
Repeal section 18A(5).
- 7 Section 18B repealed (Fixing salaries of members of Parliament)**
Repeal section 18B.
- 8 Section 19 amended (Frequency of adjustments)** 20
Replace section 19(5) and (6) 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 and allowances of members of Parliament, as set out in **subsections (6) to (8)**; and 25
- (b) in any other case, at intervals of not more than 3 years.
- (6) 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. 30
- (7) After the review, the Authority must issue a determination that—

- (a) is deemed to have come into force on the date of the day after polling day for that general election; and
 - (b) expires on polling day for the next general election; and
 - (c) specifies separately the salaries and allowances payable for each of the periods set out in **subsection (8)**. 5
- (8) The determination under **subsection (7)** must set out the salaries and allowances of members of Parliament for the following periods:
- (a) the period beginning on the day after polling day and ending on the next 30 June; and
 - (b) the period beginning on 1 July after the 30 June referred to in **paragraph (a)** and ending on the next 30 June; and 10
 - (c) the period beginning on 1 July after the 30 June referred to in **paragraph (b)** and ending on the next 30 June; and
 - (d) the period beginning on 1 July after the 30 June referred to in **paragraph (c)** and ending on polling day for the next general election. 15

9 Schedule 1AA amended

In Schedule 1AA, after Part 2, insert the **Part 3** set out in the **Schedule** of this Act.

Part 2

Amendments to Members of Parliament (Remuneration and Services) Act 2013 20

10 Amendments to Members of Parliament (Remuneration and Services) Act 2013

This Part amends the Members of Parliament (Remuneration and Services) Act 2013. 25

11 Section 8 amended (Remuneration Authority to determine salaries and allowances)

Repeal section 8(5).

12 Section 16 amended (Principles)

Replace section 16(2)(b) with: 30

- (b) the value must be taken into account by the Remuneration Authority in determining the salaries and allowances of the relevant members of Parliament or Ministers under section 8; and

Schedule

New Part 3 inserted into Schedule 1AA of Remuneration Authority
Act 1977

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Part 3

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Provisions relating to Remuneration Authority (Members of
Parliament Remuneration) Amendment Act (No 2) 2019

- 6 Remuneration Authority to issue determination of salaries and allowances for period 1 July 2019 to polling date for next general election** 10
- (1) As soon as practicable after the commencement of the Remuneration Authority (Members of Parliament Remuneration) Amendment Act (**No 2**) 2019, the Authority must issue a determination of the salaries and allowances of members of Parliament for the whole of the period beginning on 1 July 2019 and ending on polling day for the next general election. 10
- (2) **Section 19(7) and (8)** does not apply to the determination to be issued under **subclause (1)**. 15
- 7 Determination revoked**
- Any determination of the salaries and allowances of members of Parliament that is in force on the commencement of the Remuneration Authority (Members of Parliament Remuneration) Amendment Act (**No 2**) 2019 is revoked, but must continue in force until it is superseded by the determination issued under **clause 6(1)**. 20
- 8 Amounts paid to be reconciled**
- (1) **Subclause (2)** applies if the determination issued under **clause 6(1)** sets salaries or allowances, or both, for members of Parliament from 1 July 2019 that are different to the salaries and allowances paid to members of Parliament from that date under another determination. 25
- (2) If this subclause applies, the Parliamentary Service must reconcile the salaries and allowances paid to members of Parliament from 1 July 2019 against the salaries and allowances that would have been paid had the determination issued under **clause 6(1)** been made on 1 July 2019, and any necessary adjustments must be made to pay the amount of any underpayment to affected members of Parliament and to recover the amount of any overpayment from affected members of Parliament. 30
- 9 Clause 6(1) prevails** 35
- (1) **Clause 6(1)** overrides section 19(2).

- (2) Sections 18A(3) and 24(1) do not apply to a change in remuneration arising from a determination issued under **clause 6(1)**.