

**Reprint
as at 20 March 2015**



**Parliamentary Salaries and
Allowances Determination 2015**

(LI 2015/41)

Pursuant to section 8 of the Members of Parliament (Remuneration and Services) Act 2013 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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Note

Changes authorised by subpart 2 of Part 2 of the Legislation Act 2012 have been made in this official reprint.

Note 4 at the end of this reprint provides a list of the amendments incorporated.

Determination

1 Title

This determination is the Parliamentary Salaries and Allowances Determination 2015.

2 Commencement

This determination is deemed to have come into force on 1 July 2014.

3 Expiry

This determination expires on 30 June 2015.

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 184(1) or (2) of the Standing Orders of the House of Representatives (with effect on 15 August 2014); or
- (b) the corresponding provision of those Standing Orders (with effect on an earlier or a later date).

5 Salaries

[Revoked]

Clause 5: revoked and deemed not to have come into force on 1 July 2014, on 20 March 2015, by section 3A of the Remuneration Authority Act 1977 (1977 No 110).

6 Allowances

- (1) The allowances payable under section 8 of the Members of Parliament (Remuneration and Services) Act 2013 are set out in Schedule 2.
- (2) An 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 other-

wise covered by the determinations made under the Members of Parliament (Remuneration and Services) Act 2013.

7 Revocation

The Parliamentary Salaries and Allowances Determination 2013 (SR 2013/462) is revoked.

Schedule 1
Salaries payable under section 8 of
Members of Parliament (Remuneration
and Services) Act 2013

cl 5(1)

[Revoked]

Schedule 1: revoked and deemed not to have come into force on 1 July 2014, on 20 March 2015, by section 3A of the Remuneration Authority Act 1977 (1977 No 110).

Schedule 2
Allowances payable under section 8 of
Members of Parliament (Remuneration
and Services) Act 2013

cl 6(1)

	Yearly rate of expenses allowance payable on and after 1 July 2014
Office	(\$)
Prime Minister	22,050
Speaker	20,620
Each other member of Parliament	16,560

Dated at Wellington this 24th day of February 2015.

John Errington,
Chairman.

A Foulkes,
Member.

Diane 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; 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 The Authority continues to use a total remuneration approach in setting the base salary for members, as it does for other groups for whom it sets pay. The Authority takes as its starting point its payline for public servants undertaking jobs with broadly similar complexity and responsibility. That enables it to identify a total remuneration package, based on market rates, for ordinary members. The Authority then deducts from that total package the value of the employer superannuation subsidy to members (20% of an ordinary member's salary) and the personal benefit of entitlements to members and their families (as assessed by the Authority). The figure remaining after these deductions from the total package becomes the base salary. If an individual member chooses not to take advantage of one or both of the entitlement and superannuation payments, his or her base salary is not increased.

- 1.5 The same approach is not taken with senior positions in Parliament, including the Prime Minister, Ministers, the Speaker, the Leader of the Opposition, Party Leaders, and so on.
- 1.6 In recognition of the significant element of public service given by those serving in the Executive and in senior roles in Parliament, democracies like our own have traditionally significantly discounted the rate at which their leaders have been materially rewarded, and those aspiring to those positions have accepted such a discount. The rates for these positions are not set based on market rates or the Authority's general payline, but maintain previous relativities established over many years and reinforced when parliamentary remuneration was fully reviewed in 2001/02.
- 1.7 Predictions for movements in remuneration show a continued expectation that wages will move ahead of inflation, and total public sector remuneration has increased by in excess of 2.5% and private sector remuneration is increasing at a similar rate.

2 Salary determination for 2014

- 2.1 In 2014, the Authority's payline at the level for ordinary members increased by 3.3%. For this year, the personal benefit of the travel entitlement to members and their families has been assessed at \$3,200 per member, a reduction in the amount assessed in previous years, which takes into account tightened provisions around the personal use of travel by family members. Taking into account the change in value of the travel entitlement, this produces a package increase of 3.56% and a salary increase for ordinary members of 5.5%.
- 2.2 Based on current movements in remuneration for top-level executive positions, the gap between market remuneration and the remuneration of senior members of the Executive and Parliament is increasing.
- 2.3 Those holding senior positions in the Executive and in Parliament have had their salary increased by the same percentage as members, with slight variances being caused by rounding. Despite this increase, the Authority continues to have concerns at the widening gap between the remuneration of Ministers and

the chief executives and staff reporting to them and will continue to review the gap annually.

- 2.4 Under section 16(2) of the Members of Parliament (Remuneration and Services) Act 2013, the Remuneration Authority, the Speaker, or the Minister Responsible for Ministerial Services must assess the value of any personal benefit for members, Ministers, or their family members arising from each entitlement to services determined, and the Authority must take that assessed value into account when determining salaries and allowances under section 8 of that Act. The Authority must include in its determination of the salaries and allowances a statement that sets out how it has taken that value into account in determining the relevant salaries.
- 2.5 The items that give rise to a personal benefit are members' domestic travel, their partners' and dependants' domestic travel, the use of ministerial cars, mobile phones, home phones and the Internet, and home security. This is the first year in which this has been a requirement, and for some benefits there is little or no reliable data on which to assess the new levels of personal benefit. This year the Authority took a very broad-brush approach to the values it takes into account when setting salaries. In future years, the Authority expects there to be better data to assist its decision making.

Members' domestic travel: Based on 2013/14 usage and the Inland Revenue Department's assessment as to the proportion of total cost that is subject to fringe benefit tax (FBT), the assessed value of the personal benefit (including FBT) is \$1,138 for ordinary members and \$1,209 for Ministers. The Authority has used a value of \$1,200 for the purpose of setting an ordinary member's salary.

Partners' domestic travel: The entitlement to this benefit has changed to become more restrictive. A small survey of members in the latter part of 2014, together with the Inland Revenue Department's assessment as to the proportion of total cost that is subject to FBT, indicated an assessed value (including FBT) of about \$5,500 per member. The Authority has used a value of \$2,000 per member when setting salaries. This reflects the Authority's view, explained in its 2014 determination on MPs' services, that it is appropriate to display

a family-friendly approach to members and Ministers. The assessed value of \$2,000 per member for partners' domestic travel also reflects the Authority's wish not to penalise members who do not have partners, or whose partners make little use of the benefit.

Dependants' domestic travel: The entitlement to this benefit has changed to become more restrictive. Based on 2013/2014 usage, assuming that usage would have met the new constraints, and the Inland Revenue Department's assessment as to the proportion of total cost that is subject to FBT, the assessed value of personal benefit (including FBT) is about \$1,400 per member. The Authority has used a zero value per member when setting salaries to recognise the package as being family-friendly as well as not penalising members who do not have dependants, or whose dependants make little use of the benefit.

Ministerial self-drive cars: The average purchase price of ministerial cars is about \$44,700 (including GST). Based on Automobile Association data, and recognising that the cars are available for ministerial as well as personal use, the Authority has assessed a personal value of \$9,000 per Minister. This is not used in the salary-setting process but can be regarded as being part of a Minister's remuneration package.

Mobile phones, home phones and the Internet, home security, and the use of VIP cars: There is some assessed personal value in these items, but the Authority has placed a zero value on them for the purpose of salary setting because the Authority considers them to be tools of trade.

3 Tax-free allowances

- 3.1 Last year, the Authority worked with the Speaker to verify that a tax-free allowance is set at the appropriate level. An allowance is intended to cover out-of-pocket expenses incurred in the pursuit of parliamentary business and may include—
- (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 (excluding wreaths for public commemorative events); and
- (g) passport photos; and
- (h) briefcases and luggage; and
- (i) meals.

3.2 The level of allowances has been increased by 1.6% rounded (the New Zealand Consumers Price Index movement to 30 June 2014).

4 Superannuation

The Authority has made no adjustment to the percentage contribution payable to members' superannuation. This contribution is capped at 20% of an ordinary member's salary.

5 Effective date

This determination is effective from 1 July 2014, the day after the date on which the previous determination expired. This determination is for a year and expires on 30 June 2015. Because the Authority is a follower rather than a setter of salary trends, it is necessary for the Authority to have up-to-date data on remuneration movements, changes in the New Zealand Consumers Price Index, and the usage of members' travel entitlements before it can form any views on appropriate remuneration changes. Coupled with the statutory requirement to consult before finalising the determination, this means that retrospectivity cannot be avoided.

Reprints notes

1 *General*

This is a reprint of the Parliamentary Salaries and Allowances Determination 2015 that incorporates all the amendments to that determination as at the date of the last amendment to it.

2 *Legal status*

Reprints are presumed to correctly state, as at the date of the reprint, the law enacted by the principal enactment and by any amendments to that enactment. Section 18 of the Legislation Act 2012 provides that this reprint, published in electronic form, has the status of an official version under section 17 of that Act. A printed version of the reprint produced directly from this official electronic version also has official status.

3 *Editorial and format changes*

Editorial and format changes to reprints are made using the powers under sections 24 to 26 of the Legislation Act 2012. See also <http://www.pco.parliament.govt.nz/editorial-conventions/>.

4 *Amendments incorporated in this reprint*

Remuneration Authority Act 1977 (1977 No 110): section 3A
