



## **Remuneration Tribunal**

### **Reports**

**Members of Parliament**  
**Secretaries of Departments**  
**Specified Statutory Offices**

### **Statement**

#### **Overview**

The Remuneration Tribunal has published, today, three reports setting out its conclusions about appropriate remuneration and other conditions arising from its reviews of:

- Members of Parliament (Initial Report of the Review of the Remuneration of Members of Parliament);
- Secretaries of Departments (Part II Report of the Review of the Office of Secretary); and
- Specified Statutory Offices (Remuneration of Public Offices - Specified Statutory Offices - Report).

Ordinarily, the Tribunal would also publish determinations giving effect to its conclusions.

However, in the circumstances associated with the reviews, in particular, of Members of Parliament and Secretaries of Departments, the Tribunal has not yet made the appropriate determinations.

The reasons for this vary between the groups of offices concerned.

This Statement sets out the reasons; attachments to it summarise the Tribunal's conclusions.

#### **Members of Parliament**

Amendments made to the *Remuneration Tribunal Act 1973* in August 2011 by the *Remuneration and Other Legislation Amendment Act 2011*, enable the Tribunal to determine Parliamentary Base Salary.

However, as indicated in the Tribunal's Report (Chapter 10, in particular) - and in the earlier Report of the Committee for the Review of Parliamentary Entitlements - parliamentarians derive their entitlements from a wide range of sources, including from separate legislation.

Until changes made with effect from October 2004, parliamentarians' superannuation arrangements had been a particularly significant component of their benefits. Until then, they were specified by the *Parliamentary Contributory Superannuation Act 1948* (the 1948 Act). Parliamentarians elected before then continue to be covered by the 1948 Act – an arguably generous scheme which provides a pension benefit linked to current parliamentary base salary. Those elected since 2004 simply have 15.4% of their salaries paid to the scheme of their choice – a defined contribution or accumulation scheme, as is normal practice today in most public and private sector circumstances.

It is the arrangements established by the 1948 Act that are the root of the Tribunal's decision not to determine any aspect of parliamentary remuneration and other entitlements at this juncture.

Under the 1948 Act, retired parliamentarians may be entitled to one, or both, of two pension 'streams':

- the first, applicable to all qualifying retired parliamentarians covered by the 1948 Act arrangements is the basic pension
  - for 8 years service, the pension is 50% of 'parliamentary allowance'. An additional 2.5% for each subsequent year of service is received up to a maximum of 75% of 'parliamentary allowance' (which is achieved at 18 years service).
- the second - applicable to all qualifying retired parliamentarians who held, during their parliamentary careers, appointment, or appointments, as a parliamentary office holder or as a Minister - is the additional pension
  - this accrues at 6.25% of the additional salary payable for each year of service as a minister or parliamentary office holder but is capped at 75% of the salary payable for the highest office ever held.

Under the 1948 Act:

- the basic pension is indexed to 'parliamentary allowance' (defined in the 1948 Act) which is, itself, linked to the current parliamentary base salary;
- the additional pension is linked to the current additional salaries of parliamentary office holders and ministers.

The August 2011 amendments to the *Remuneration Tribunal Act 1973* (the Act) enable the Tribunal to distinguish the amount of the 'parliamentary allowance' from parliamentary base salary.

Specifically, s7(1A) of the Act now provides as follows:

*The Tribunal may determine that a **portion** [emphasis added] of parliamentary base salary is not parliamentary allowance for the purposes of the Parliamentary Contributory Superannuation Act 1948.*

This means that, in contrast to the circumstances prior to the amendments to the Act, the Tribunal can now ensure that adjustments in the basic pension - driven by changes in 'parliamentary allowance' - are 'delinked' from adjustments in parliamentary base salary.

However - and this is the specific matter of concern to the Tribunal - the amendments to the Act do not enable Tribunal to ensure that changes in parliamentary base salary (which, as a consequence of additional salaries being

specified as percentages of parliamentary base salary, flow directly to the additional salaries) do not also flow through to the additional pensions of qualifying retired parliamentarians.

The Tribunal will not determine parliamentary base salary at the level proposed in its Report while it results in windfall gains in the pensions of retired parliamentarians, however justifiable that proposed base salary may be for current parliamentarians.

The Tribunal has conveyed its position to the Government. In response, the Special Minister of State, the Hon Gary Gray AO MP, has acknowledged the Tribunal's concern and has advised that the Government intends to:

*"....introduce legislation as soon as possible in the 2012 Autumn sitting to put in place the necessary amendments to limit the flow through of salary increases for Ministers of State and parliamentary office holders to additional benefits under the 1948 Act."*

In its Initial Report, the Tribunal has also proposed changes to the present entitlements derived by parliamentarians from the *Members of Parliament (Life Gold Pass) Act 2002*. The Tribunal has recommended, amongst other things, that the Life Gold Pass scheme be abolished, prospectively, so that it would not be available to those who enter parliament at or after the next federal election.

The Special Minister of State has indicated that he will also include any other amendments required to give effect to other recommendations made by the Tribunal, and agreed to by the Government, in the legislation framed to address the Tribunal's concerns about superannuation arrangements under the 1948 Act.

The Tribunal acknowledges and appreciates the efforts of the Special Minister of State in these regards.

The Tribunal's Initial Report sets out its conclusions on a range of matters, including parliamentary base salary; the 'portion' of parliamentary base salary not to be taken into account in calculating 'parliamentary allowance'; Life Gold Pass; additional salaries for Shadow Ministers; and compensation and insurance arrangements for parliamentarians.

The Tribunal's present intention, however, is that it will not determine any variation in parliamentary remuneration, terms and conditions, or any associated matters, until the legislation foreshadowed by the Special Minister of State has been enacted.

In issuing its Initial Report, the Tribunal has completed only the first phase of its review of parliamentary remuneration and entitlements.

The Tribunal has said previously that it considers that:

*".....existing parliamentary entitlements should be rationalised and separated as, as far as applicable, into two distinct streams:*

- remuneration (those entitlements which provide a personal financial benefit); and*
- business expenses (the costs incurred in undertaking their duties and responsibilities as a parliamentarian)."*

The Tribunal's work, to date, has indicated that the achievement of this objective will be a considerable task. It may be the case, however, that some additional

progress will be made towards this objective between the issuing of the Tribunal's Initial Report and the framing of the further legislation, foreshadowed by the Special Minister of State, for consideration by the Parliament. The Tribunal will keep the Special Minister of State informed of its thinking in these regards, so that the foreshadowed legislation is as comprehensive and timely as possible.

The Tribunal intends to publish, as necessary, a further Statement, or Statements, as its work on parliamentary remuneration, terms and conditions, and other matters, progresses.

### **Secretaries of Departments**

The Tribunal has published Part II of its Report of its Review of the Office of Secretary today.

The Tribunal published Part I of its Report in March 2010.

In Part I, the Tribunal made the following observations about these public offices:

*Secretaries are at the very apex of the Australian Public Service. Prime Ministers and Ministers rely on them for the provision of public services and turn to them for strategic advice about the whole spectrum of domestic and foreign activities which define our nation, our security, our stability and our quality of life.*

*The work of Secretaries extends further than leading and managing the operations of specific departments because of the direct and indirect roles that they and their departments have in recommending and administering frameworks for the legal and regulatory regimes of the nation.*

*While some Secretaries have demonstrably wider portfolios than their colleagues - the Secretaries of the Department of the Prime Minister and Cabinet and the Department of the Treasury, for example - every Secretary handles a breadth of demands and responsibilities akin to those of the highest executive offices in the private sector.*

Part I covered:

- the attributes of the office of Secretary;
- their current remuneration arrangements;
- the distinctions between them (including the Tribunal's conclusions about classification arrangements);
- the standing of these offices relative to other federal public offices; and
- their responsibilities relative to senior positions in the private sector.

The Part II Report presents the Tribunal's conclusions on an appropriate classification structure, and associated remuneration arrangements, for Secretaries. In doing so, the Tribunal has built upon the proposals advanced in the Part I Report.

Part II:

- confirms the classification structure proposed in the Part I Report;
- settles the specific pay points associated with the classification structure;

- lays out the anticipated transition path of pay points to the developed classification structure (the date of commencement is yet to be determined, but the transition is expected to be concluded by 1 July 2014);; and
- finalises the associated terms and conditions (in a manner broadly consistent with those determined previously by the Prime Minister).

However, the Tribunal has not, yet, determined any aspect of the remuneration, classification or associated terms and conditions of Secretaries.

The reasons for this stem from the provisions of *Remuneration Tribunal Act 1973*. Unlike parliamentarians, however, they do not turn on any aspect of the existing terms and conditions of Secretaries.

The August 2011 amendments to the *Remuneration Tribunal Act 1973*, besides affording the Tribunal responsibility for determining certain aspects of parliamentarians' remuneration and conditions, also extended the Tribunal's determinative jurisdiction to the office of Secretary.

The amendments, are not, however, straightforward.

Responsibility for settling remuneration arrangements for individual Secretaries is, in effect, shared between the Tribunal and the Secretary of the Department of the Prime Minister and Cabinet, with a consultative role for the Public Service Commissioner.

In short, under Division 4 of the Act:

- the Tribunal determines a classification structure for offices of Secretary;
- the Tribunal determines the classification to which each office of Secretary is assigned;
- the Tribunal determines the rates of remuneration associated with the classification structure;
- the Tribunal itself determines the remuneration of two offices of Secretary directly (namely the Secretary of the Department of the Prime Minister and Cabinet and the Secretary of the Department of the Treasury);
- the Secretary of the Department of the Prime Minister and Cabinet, in consultation with the President of the Tribunal and the Public Service Commissioner, assigns each Secretary to an amount of remuneration (which must be consistent with the classification structure determined by the Tribunal); and
- the Tribunal determines, from time to time, "*the terms and conditions (other than remuneration) that are to apply to the offices of Departmental Secretary*". By this provision, the Tribunal is responsible for setting all terms and conditions (other than remuneration) of Secretaries.

In view of the standing of the office of Secretary and the scope of the changes in the arrangements governing the determination of their remuneration, terms and conditions, the Tribunal decided that it would publish its conclusions. The Tribunal also decided that it would refrain giving effect to them by determination at this stage.

In this regard, the Tribunal is mindful that, on 12 December 2011, the Prime Minister announced changes to the Administrative Arrangements Order which are likely to bear upon the responsibilities of individual Secretaries. The Tribunal

will need to take these variations in the Administrative Arrangements Order – as well as any other significant changes that have been made since the publication of its Part I Report - into account in settling its assignment of Secretaries to the classification structure.

The Tribunal has discussed its intentions with the Secretary of the Department of the Prime Minister and Cabinet - noting the responsibilities vested in the Secretary of that Department under the Act - and is confident that the period between the presentation of its Part II Report and its giving effect to its conclusions by determination will allow the above matters to be taken fully into account.

The Tribunal is also conscious that, in respect of this significant group of public offices (and in contrast to other public offices in its jurisdiction), its remit extends to the determination of all terms and conditions. These matters have, hitherto, been the responsibility of the Prime Minister.

The Tribunal considers it necessary that there should be both continuity between the arrangements determined by the Prime Minister and those intended to be determined by the Tribunal, and confidence about their implementation and subsequent operation.

To these ends, the Tribunal has included in its Part II Report a draft of its intended determination; apart from the Department of the Prime Minister and Cabinet and the Department of the Treasury, the draft does not include an allocation of Secretaries to classifications. The Tribunal will discuss its intended determination with relevant interests prior to formalising it.

The Tribunal expects to have made its determination no later than 31 March 2012; it may do so before then.

### **Specified Statutory Offices**

The Tribunal has also issued, today, its Report of the conclusions of its review of the Specified Statutory Offices.

There are five Specified Statutory Offices (SSOs).

Each is singular; each has demanding responsibilities; each is invested with a high degree of autonomy. The five offices are:

- Chief of the Defence Force;
- Commissioner of Taxation;
- Chief Executive Officer of the Australian Customs and Border Protection Service;
- Auditor-General for Australia; and
- Australian Statistician.

On the basis of the broad alignment between the remuneration proposed for individual SSOs, and that proposed for Secretaries, the Tribunal has concluded that it would be inappropriate to determine remuneration for these offices before it has settled its determination of remuneration, terms and conditions for Secretaries.

The Tribunal has therefore decided that its determination of remuneration for each of the Specified Statutory Offices will have the same date of effect as the determination it makes in respect of Secretaries.

### THE ADJUSTMENTS TO BE DETERMINED BY THE TRIBUNAL

The adjustments intended to be determined by the Tribunal are set out in the individual reports and in the extracts from them attached to this Statement.

The Tribunal intends to determine Parliamentary Base Salary at \$185,000.

With respect to Secretaries, the Tribunal intends to determine the following classification structure, transition paths, and timing - with the full structure being realised by 1 July 2014:

	Intended Dates of Effect of 'steps'					
	Initial Adjustment	1 Jul 2012	1 Jan 2013	1 Jul 2013	1 Jan 2014	1 Jul 2014
<b>Level 1A (PM&amp;C)</b> Current Upper Level TR 539580	620,000	661,000	702,000	743,000	784,000	825,000
<b>Level 1B (Treasury)</b> Current Upper Level TR 539580	615,000	653,000	691,000	729,000	767,000	805,000
<b>Introduction of Upper Level (Level 1)</b>						
<b>Level 1</b> (Current Higher Level TR) 539580	612,500	646,000	679,500	713,000	746,500	780,000
	612,500	638,000	665,500	693,000	720,500	740,000
	612,500	630,000	647,500	665,000	682,500	700,000
<b>Introduction of Lower Level (Level 2)</b>						
<b>Level 2</b> (Current Lower Level TR) 504810	575,000	600,000	625,000	650,000	675,000	700,000
	572,500	593,000	613,500	634,000	654,500	675,000
	570,000	586,000	602,000	618,000	634,000	650,000

The remuneration intended to be determined for the individual Specified Statutory Offices will be informed by that determined for Secretaries classified at either the upper, or lower, level of the foregoing classification structure.

The Tribunal is well aware that any increase in the remuneration of parliamentarians will attract public criticism - some of it vigorous. Equally, however, the Tribunal is conscious that there is a degree of recognition and acceptance that parliamentarians - including ministers - should be paid adequately for undertaking their responsibilities as elected representatives; as parliamentary office holders; and as ministers.

The Tribunal's task is to set the remuneration of parliamentarians - and that of the other public offices in its jurisdiction - having proper regard for the work that they do. It is not a matter of parties reaching an agreement and seeking endorsement of it through an industrial tribunal.

The Tribunal has reviewed the work of parliamentarians carefully. Its approach and its conclusions are set out in its Initial Report. It is important to note that remuneration must be set at a level sufficient to attract or at least not to deter parliamentarians from various walks of life with diverse past careers and ranges of life experiences. A vibrant democracy depends on this.

As is evident from the Initial Report, the process for setting parliamentary remuneration has been volatile in the way that responsibility for it has shifted over the years.

There have been occasions when the Parliament has set the remuneration of parliamentarians itself. The Parliament last did that early in the 1990s by the enactment of the *Remuneration and Allowances Act 1990*. As the Tribunal explained in its 2006-2007 Annual Report:

*"The Remuneration and Allowances Act 1990 removed the Tribunal's power and linked base salary to the salary of Band 1 officers in the Senior Executive Service of the Australian Public Service (APS SES). Legislation enacted in 1994 linked base salary to the minimum SES Band 2 salary level."*

The SES reference points used then no longer exist. However, the following table - drawn from the APS SES Remuneration Survey published by the Australian Public Service Commission - shows the median and average base salary of SES Band 1, Band 2 and Band 3 employees as at 31 December 2010:

Band	Median Base Salary			Average Base Salary		
	2009	2010	Movement	2009	2010	Movement
SES 1	\$149,987	\$158,277	5.5%	\$153,523	\$160,972	4.9%
SES 2	\$189,633	\$200,726	5.8%	\$193,448	\$205,288	6.1%
SES 3	\$248,000	\$261,910	5.6%	\$257,017	\$267,877	4.2%

Adjusted by the 3 % annual adjustment determined by the Tribunal for public offices with effect from 1 July 2011, the average of the 2010 Median Base Salaries and the Average Base Salaries for SES Band 1 and SES Band 2 employees is, respectively, \$184,890 and \$188,620. The Tribunal notes that its conclusion about an appropriate level of parliamentary base salary is not at odds with movements in these rates.

The increases proposed for Secretaries of Departments are not insignificant. They are, however, quite consistent with the arrangements foreshadowed by the Tribunal in March 2010 when it published Part 1 of its Report of its Review of the Office of Secretary. More importantly, the remuneration levels intended to be determined by the Tribunal are consistent - both relatively and absolutely - with the remuneration of other federal public offices in the Tribunal's jurisdiction and, in a very real sense, represent a "re-basing" of the remuneration of Secretaries to take into account how these important offices have fallen behind appropriate public, and private, sector comparators.

## **Attachments**

Each of the Tribunal's Reports mentioned in this Statement has been published today on the Tribunal's website.

The following materials are attached to this Statement:

- (a) Executive Summary from the Initial Report of the Review of the Remuneration of Members of Parliament;
- (b) Summary of Proposals from the Part II Report of the Review of the Office of Secretary; and
- (c) Conclusions about total remuneration amounts and transition arrangements for the Specified Statutory Offices.

Remuneration Tribunal

15 December 2011

## **Enquiries**

Enquiries may be directed to [enquiry@remtribunal.gov.au](mailto:enquiry@remtribunal.gov.au)

# Remuneration Tribunal

## Initial Report of the Review of the Remuneration of Members of Parliament

### Executive Summary

#### Power to Determine

1.1 The Committee for the Review of Parliamentary Entitlements (CROPE) made a number of recommendations concerning the remuneration and other entitlements of federal members of parliament. These included restoring to the Tribunal the power to determine the base salary of parliamentarians (Recommendation 1). The Government accepted this recommendation, which was achieved through the amendment of the *Remuneration Tribunal Act 1973* by the *Remuneration and Other Legislation Amendment Act 2011*.

1.2 With the agreement of the Special Minister of State, the Hon Gary Gray AO MP, the Tribunal was also tasked with considering CROPE's thirty eight other recommendations. These cover matters such as remuneration, so-called tools of trade (or business expenses) entitlements, governance issues, and travel.

#### Parliamentary Base Salary

1.3 The Tribunal considers that the base salary of a member of the Australian Parliament should be \$185,000 per annum and will determine this from a date to be fixed.

1.4 Based on the principle that parliamentary remuneration, like other remuneration determined by the Tribunal, should be based on the roles and responsibilities of the job in question, the Tribunal's decision was informed by an assessment of the work of federal parliamentary backbenchers, which was carried out with the assistance of a consultant, Egan Associates. (A work value assessment of this kind was also recommended by CROPE.)

1.5 The consultant concluded that a base salary in the range of \$185,000 to \$250,000 per annum was appropriate for parliamentarians, taking into consideration their accountabilities as well as broader remuneration comparatives.

1.6 The Tribunal accepted this advice as sound but, consistent with its conservative approach to public sector remuneration, has decided to set a salary figure at the bottom of the range.

#### Additional Salaries

1.7 The Tribunal has long held the view that shadow ministers should receive a salary in addition to base salary given that they have greater responsibilities than general opposition backbenchers and perform identifiable functions in relation to the Parliament. In addition, the Tribunal considers that the Manager of Opposition Business in the House of Representatives has a significant role in the running of the Parliament.

1.8 Accordingly, these office holders will be paid as follows, from a date to be fixed:

- Manager of Opposition Business in the House of Representatives – 27.5% additional salary;
- shadow Cabinet minister – 25% additional salary; and
- shadow minister outside shadow Cabinet – 20% additional salary.

1.9 The Tribunal intends to limit the number of shadow ministers who can be paid these additional salaries so that the number of shadow ministers does not exceed the number of Government ministers.

1.10 There is no immediate intention to make major changes to any of the current percentages representing additional salary for the currently listed offices.

## **Entitlements Determined by the Tribunal**

1.11 When parliamentary pay is determined, the Tribunal intends to simultaneously make two major changes to the entitlements of parliamentarians, namely:

- abolish the individual overseas study travel entitlement; and
- restrict the severance travel entitlement to a maximum of five return trips - available to be used only within six months after leaving Parliament, and only to cover travel from the member's home base to Canberra, or from their home base to a location where they had an electorate office.

1.12 Under transitional arrangements, those who have already accrued an entitlement to overseas study travel will be able to utilise the entitlement in the current or next Parliament. The former severance travel entitlement, which allowed former parliamentarians who did not qualify for a Life Gold Pass (LGP) to travel anywhere in Australia at Commonwealth expense for six months to five years after retirement, will only apply to eligible former members who retire prior to the making of the relevant determination.

1.13 In coming to these conclusions, the Tribunal noted that there were other avenues for overseas travel, for example, as part of a parliamentary delegation, or as a representative of the government or a minister.

1.14 In the case of members losing their seats, the Tribunal recognised that there might be a need for them to have some travel entitlements after leaving Parliament to ensure a smooth transition and to wind up their parliamentary business.

1.15 CROPE recommended that the Tribunal cash out the overseas study travel entitlement with a consequent increase in base parliamentary salary (Recommendation 22). The Tribunal sees no compelling reason to do so. The Tribunal also sees no reason to compensate current parliamentarians for the changes to the severance travel entitlement.

1.16 At this time, the Tribunal intends to make no other changes to the entitlements it determines, with the exception of removing the personal cost contribution of \$711 paid annually by members of parliament towards the cost of their private plated vehicle. This removal was recommended by CROPE (Recommendation 18).

1.17 With respect to electorate allowance, as a consequence of the more detailed work giving rise to this Report, the Tribunal now accepts this as a business expense payment and intends to maintain it in its current form.

## **Entitlements Not Determined by the Tribunal**

1.18 The pensions of retired members of the superannuation scheme established by the *Parliamentary Contributory Superannuation Act 1948* are linked to the current base and additional salaries of current parliamentarians. In order to prevent an unintended windfall benefit to members of this scheme, the Tribunal intends to delay determining any increase to base parliamentary salary (and consequently additional salary) until the Tribunal is satisfied that the matter is resolved, preferably by severing the link between current additional salaries and the additional pensions of retired members of the 1948 Act superannuation scheme.

1.19 With respect to other current entitlements of parliamentarians, the Tribunal recommends that:

- legislation should be put before Parliament to abolish the LGP scheme, prospectively, so that it would not be available to those who enter parliament at or after the next federal election:
  - a. the number of return trips for existing pass holders should be reduced, now, from 25 to 10 within Australia per annum;
  - b. the reduced benefit should apply to current senators and members who have qualified for an LGP at the date of the government's announcement of its decision;
  - c. the spouse/partner of current senators and members who have qualified for an LGP at the date of the government's announcement of its decision should be reduced from 25 to 10 return trips to Canberra per annum.

- an on-going travel entitlement should continue to be provided to former Prime Ministers (once they have left the Parliament) under special provisions for former Prime Ministers;
- the overseas travel provisions for the Leader and Deputy Leader of the Opposition and Leaders of minor parties be enhanced;
- the Government act immediately to introduce a workers' compensation scheme by, amongst other things, implementing amendments to the *Parliamentary Entitlements Act 1990* (PE Act) to accommodate a scheme compliant with the *Safety, Rehabilitation and Compensation Act 1988*. The scheme should cover all members of parliament and provide for arrangements related to:
  - a. medical and rehabilitation costs;
  - b. lump sum payment for permanent impairment and non-economic loss;
  - c. lump sum payment for loss of future earnings;
  - d. exclusions;
  - e. dispute resolution;
  - f. duties covered, e.g. coverage for travel related to parliamentary, electorate or official business.
- the Government undertake an immediate examination of the current rate and coverage of public liability insurance held by all members of parliament with a view to determining whether:
  - a. the risk of injury or damage to members of the public is supported by the insurance held by individual senators and members;
  - b. the holding of public liability insurance to an agreed level be a compulsory requirement for all senators and members;
  - c. the cost of public liability insurance should be reimbursed to senators and members;
  - d. the provision of public liability insurance should be included as an entitlement under the PE Act.
- the examination outlined above should provide the Special Minister of State with:
  - a. recommendations for the best means of providing such an entitlement;
  - b. financial costing for coverage of all senators and members with a view to that coverage commencing by 1 July 2012; and
  - c. the legislative means to enact public liability insurance as a business expense entitlement.

1.20 The Tribunal also notes that if the Government does not act to close the LGP scheme before the commencement of the next Parliament, the Tribunal will amend the qualifying periods (as it is empowered to do) so that the grant of an LGP becomes a very rare occurrence.

### **Remuneration and Conditions of State and Territory Parliamentarians and Assembly Members**

1.21 The Tribunal recommends that any existing linkages between the remuneration of state and territory parliamentarians and assembly members and the base salary of federal parliamentarians be severed on the basis that it cannot be justified without a state or territory based work-value assessment similar to that conducted for federal parliamentarians. In addition, such linkages might not differentiate salaries for superannuation purposes and inappropriately create a flow-on of the increased base salary to state/territory pension benefits.

1.22 The Tribunal also notes that any future increases in the base salary of federal parliamentarians resulting from the elimination of entitlements (although no such increases are foreseen at this time) could also be passed on inappropriately to state and territory parliamentarians and assembly members.

## **Next Steps**

1.23 The above decisions respond, in whole or in part, to CROPE Recommendations 6, 8, 10, 18, 20, 21, 22 and 26.

1.24 The Tribunal will next review the business funding given to parliamentarians, with a view to rationalising and separating, as far as applicable, remuneration (those entitlements which provide a personal financial benefit) and business expenses (the costs incurred in undertaking the duties and responsibilities of a parliamentarian) into two distinct streams.

1.25 It will also review whether there is any scope for improving or refining the provisions for travel within Australia (including the external territories). In doing so, the Tribunal will take into consideration and report on, among other things, CROPE Recommendations 17 (Family reunion travel); 19 (Car transport allocations); 25 (Additional travel for children of senior officers); 27 (Travel to external territories); 33 (Travelling allowance for shadow ministers); and 34 (Travelling allowance for the second Deputy Speaker in the House of Representatives).

1.26 Charter Allowance, which the Tribunal will also reconsider, was not the subject of a CROPE recommendation.

# Remuneration Tribunal

## Part II Report of the Review of the Office of Secretary

### Summary of the Tribunal's Proposals

1. In its Part I Report issued in March 2010, the Tribunal foreshadowed a classification structure; remuneration arrangements; and variations to termination and redeployment provisions, for Secretaries.
2. The proposals set out in the Part II Report are consistent with those foreshadowed in its Part I Report.
3. However, in view of the standing of the office of Secretary and the scope and extent of the changes in the arrangements governing their entitlements, the Tribunal has decided that it would publish its proposals but would not determine them at this stage.
4. In this regard, the Tribunal is mindful that, on 12 December 2011, the Prime Minister announced changes to the Administrative Arrangements Order which are likely to bear upon the responsibilities of individual Secretaries. The Tribunal will need to take these variations in the Administrative Arrangements Order - as well as any other significant changes that have been made since the publication of its Part I Report - into account in settling its assignment of Secretaries to the classification structure.
5. The Tribunal is also conscious that, in respect of this significant group of public offices (and in contrast to other public offices in its jurisdiction), its remit extends to the determination of all terms and conditions. These matters have, hitherto, been the responsibility of the Prime Minister. The Tribunal considers it necessary that there should be both continuity between the arrangements determined by the Prime Minister and those intended to be determined by the Tribunal, and confidence about their implementation and subsequent operation.
6. The Tribunal has included in its Part II Report a draft of its intended determination. In settling the draft, the Tribunal will take account of the foregoing matters. The Tribunal expects to have made its determination no later than 31 March 2012; it may do so before then.

### The Tribunal's Proposals

#### Classification Structure

##### (a) The Structure

Consistent with the proposals foreshadowed in its Part I Report, the classification structure proposed to be determined by the Tribunal has the following features:

- two levels (Level 1 being the upper, and Level 2 being the lower, level);
- Level 1 structured so as to have two discrete points above the ceiling of the standard Level 1 classification band, establishing remuneration for the offices of Secretary of the Department of the Prime Minister and Cabinet and Secretary of the Department of the Treasury;
- each Level having three pay points; and
- the highest pay point of the lower level is coincident with the lowest pay point of the higher level.

(b) Proposed pay points and transition arrangements

7. In its Part I Report, the Tribunal foreshadowed the phased introduction of new remuneration arrangements for Secretaries, including an initial reasonable adjustment of remuneration for existing office holders.

8. Consistent with this, the Tribunal proposes that the transition to the mature remuneration structure for Secretaries will be phased-in over six steps.

9. The date of effect of the initial step will be settled by the Tribunal in the context of its making its initial determination (which will occur before the end of March 2012); the transition to the final classification structure and rates is expected to have been completed by 1 July 2014.

10. The proposed pay points and transition paths are as follows:

	<b>Intended Dates of Effect of 'steps'</b>					
	<b>Initial Adjustment</b>	<b>1 Jul 2012</b>	<b>1 Jan 2013</b>	<b>1 Jul 2013</b>	<b>1 Jan 2014</b>	<b>1 Jul 2014</b>
<b>Introduction of \$825000 point by 1 Jul 2014</b>						
<b>Level 1A (PM&amp;C)</b> Current Upper Level TR 539580	620000	661000	702000	743000	784000	825000
<b>Introduction of \$805000 point by 1 Jul 2014</b>						
<b>Level 1B (Treasury)</b> Current Upper Level TR 539580	615000	653000	691000	729000	767000	805000
<b>Introduction of Upper Level (Level 1) Transition Points</b>						
<b>Level 1</b> (Current Higher Level TR) 539580	612500	646000	679500	713000	746500	780000
	612500	638000	665500	693000	720500	740000
	612500	630000	647500	665000	682500	700000
<b>Introduction of Lower Level (Level 2) Transition Points</b>						
<b>Level 2</b> (Current Lower Level TR) 504810	575000	600000	625000	650000	675000	700000
	572500	593000	613500	634000	654500	675000
	570000	586000	602000	618000	634000	650000

Superannuation (Chapter 5)

(a) Defined Benefit Schemes

11. Secretaries' base salary (salary for superannuation purposes) will be set at 70% (down from 80%) of total remuneration for members of those schemes. This will be done in stages early in the transition to the new classification structure.

(b) Accumulation Schemes

12. In relation to the accumulation schemes, it is the Tribunal's view that the revised superannuation contribution rules contain all the guidance necessary for individual officers to make their own arrangements as regards contributions. The Tribunal's disposition, in the longer term, is simply to specify Total Remuneration; it would then be up to individual Secretaries who are members of an accumulation scheme to decide what they contribute by way of superannuation.

13. In the longer term, for the accumulation schemes, the employer superannuation contributions should reflect the actual cost to the employer of the Secretary's membership of that scheme.

Termination & Redeployment (Chapter 6)

14. Where a Secretary is terminated in accordance with the provisions of subsection 59(1) of the *Public Service Act 1999* and the Commonwealth has not made the Secretary an offer of suitable alternative employment, the Tribunal intends that the Secretary will be entitled to:

- (a) for a termination 12 months or more before the end of the Secretary's term of appointment - 12 months' 'Reference Salary' at the time of termination; or
- (b) for a termination less than 12 months before the end of the Secretary's term of appointment - 1 month's 'Reference Salary' for each full month of the balance of the term not served, subject to a minimum payment of 6 months' Reference Salary at the time of termination.

15. 'Reference Salary' means the Secretary's Total Remuneration, less the rate of the Employer's Superannuation Contribution for the Secretary.

16. Where an offer of 'suitable alternative employment' involves acceptance of appointment to a position in the Tribunal's determinative jurisdiction, the Tribunal intends that income be maintained for 12 months.

Other Terms and Conditions (Chapter 7)

17. To this point, the remuneration and other conditions of Secretaries have been specified by a determination made by the Prime Minister. The Tribunal, now being responsible for determining the terms and conditions that are to apply to the office of Secretary, intends, at the outset, to maintain a degree of consistency with the terms and conditions for Secretaries determined by the Prime Minister.

Secretaries' Direct Reports (Chapter 8)

18. The Tribunal considers that there are clear benefits in having consistent remuneration arrangements between the principal APS management level - Secretaries - and their direct reports. The Tribunal is conscious that responsibility for the determination of SES remuneration lies with the relevant Agency Head. However, the Tribunal considers that Secretaries would be assisted in the exercise of this responsibility were APS-wide guidance to be issued reflecting the foregoing arrangements. Proposals aimed at reinforcing the achievement of this objective are set out in Chapter 8 of the Report.

# Remuneration Tribunal

## Report of Review of the Specified Statutory Offices

### Conclusions about total remuneration amounts and transition arrangements for the Specified Statutory Offices

The Tribunal intends to determine the following total remuneration amounts and transition arrangements for these offices with the same date of effect as the determination that it makes in respect of Secretaries.

<b>Dates of Effect</b>					
Initial Adjustment	1 Jul 2012	1 Jan 2013	1 Jul 2013	1 Jan 2014	1 Jul 2014
<b>Chief of the Defence Force</b>					
<b>Transition TR rates</b>					<b>Final TR</b>
612,500	646,000	679,500	713,000	746,500	780,000
<b>Base Salary</b> (salary for superannuation purposes)					
<b>Transition Rates</b>					<b>Final</b>
441,000	458,660	475,650	499,100	522,550	546,000
<b>Commissioner of Taxation</b>					
<b>Transition TR rates</b>					<b>Final TR</b>
580,000	630,000	665,500	693,000	720,500	740,000
<b>Base Salary</b> (salary for superannuation purposes)					
<b>Transition Rates</b>					<b>Final</b>
417,600	447,300	465,850	485,100	504,350	518,000
<b>CEO of Australian Customs &amp; Border Protection Service</b>					
<b>Transition TR rates</b>					<b>Final TR</b>
575,000	600,000	625,000	650,000	675,000	700,000
<b>Base Salary</b> (salary for superannuation purposes)					
<b>Transition Rates</b>					<b>Final</b>
414,000	426,000	437,500	455,000	472,500	490,000
<b>Auditor-General for Australia Australian Statistician</b>					
<b>Transition TR rates</b>					<b>Final TR</b>
572,500	593,000	613,500	634,000	654,500	675,000
<b>Base Salary</b> (salary for superannuation purposes)					
<b>Transition Rates</b>					<b>Final</b>
412,200	421,030	429,450	443,800	458,150	472,500