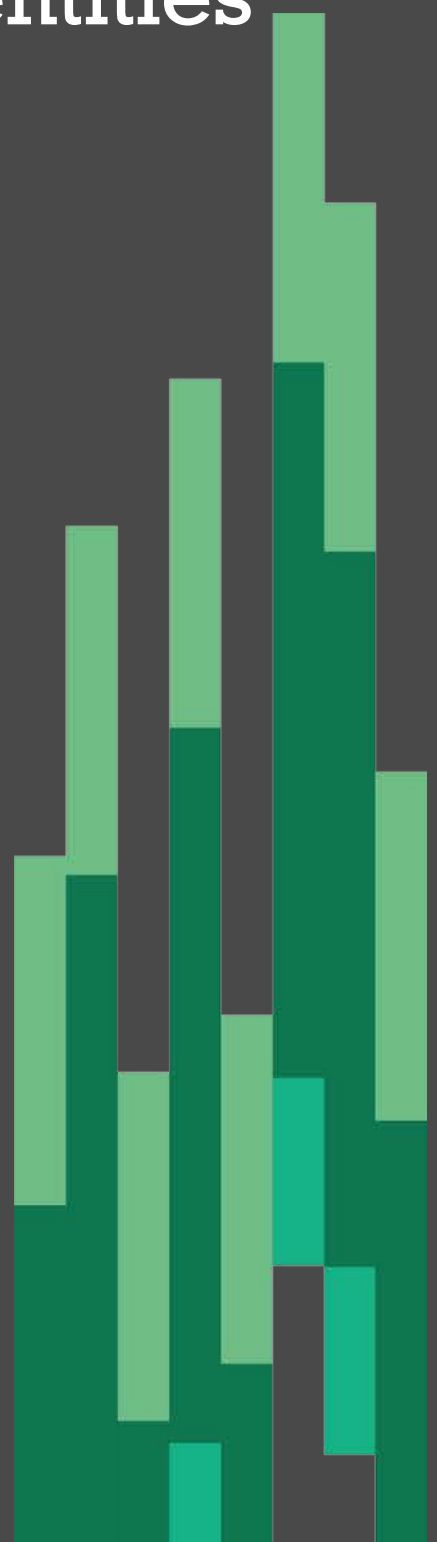


Remuneration bands for executives employed in prescribed public entities (Victoria) Annual Adjustment Determination 2021

Victorian
Independent
Remuneration
Tribunal



Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 (Vic)

Part 3—Determinations for annual adjustments in relation to executives employed in prescribed public entities.

Remuneration bands for executives employed in prescribed public entities (Victoria) Annual Adjustment Determination 2021



- A. Pursuant to section 16 of the *Victorian Independent Remuneration Tribunal and Improving Parliament Standards Act 2019 (Vic)* (VIRTIPS Act), the Tribunal determines to make the following adjustments to the *Remuneration bands for executives employed in prescribed public entities (Victoria) Determination No. 01/2020*.

A.1 Delete table 1 and replace it with the following:

Table 1: Values of remuneration bands for executives employed in prescribed public entities from 1 July 2021

Classification	Base of band TRP ^(a) \$ per annum	Top of band TRP \$ per annum
Public Entity Senior Executive Service-3	370,332	493,229
Public Entity Senior Executive Service-2	257,112	370,331
Public Entity Senior Executive Service-1 ^(b)	139,007	257,111

Notes: (a) The values in table 1 are for executives employed on a 1.0 FTE basis, and apply pro rata to executives employed on a part-time basis. (b) Under clause 7.2, when the work value of an executive’s position has been assessed using the PEECF and the position has a work value score of at least 21 points, the executive’s TRP must be no lower than \$199,014 per annum (based on 1.0 FTE). Once the work value of executive roles in prescribed public entities has been obtained using the PEECF, the only executives in prescribed public entities with a TRP between \$139,007 and \$199,013 per annum (based on 1.0 FTE) may be Chief Executive Officers (or equivalent roles) whose position does not meet the minimum work value score required for their classification to be determined under that framework (21 points).

A.2 Delete ‘the making of this Determination’ and replace it with ‘1 July 2021’ in:

- Sub-clause 6.1(a)
- Sub-clause 6.1(b)
- Sub-clause 6.1(c).

A.3 Delete ‘\$192,800’ in clause 7.2 and replace it with ‘\$199,014’.

B. This Determination commences on 1 July 2021.

C. The *Remuneration bands for executives employed in prescribed public entities (Victoria) Determination No. 01/2020* as varied is available on the Tribunal’s website.



Warren McCann

The Honourable Jennifer
Acton

Barbara Belcher AM

Chair

Member

Member

Victorian Independent
Remuneration Tribunal

Victorian Independent
Remuneration Tribunal

Victorian Independent
Remuneration Tribunal

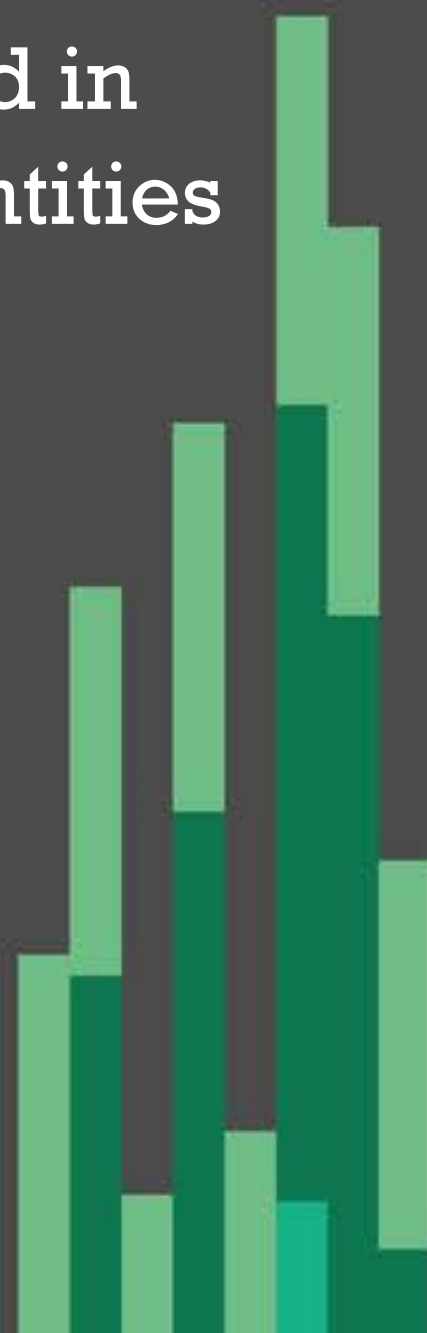
Date: 18/11/2021

Victorian
Independent
Remuneration
Tribunal

Remuneration bands for executives employed in prescribed public entities (Victoria)

Annual Adjustment Determination 2021

Statement of Reasons




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1 Context



The *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* (Vic) (VIRTIPS Act) establishes the Victorian Independent Remuneration Tribunal (Tribunal).

The VIRTIPS Act requires the Tribunal to inquire into and make Determinations in relation to:

- salaries and allowances for Members of the Parliament of Victoria
- remuneration bands for executives employed in public service bodies
- remuneration bands for executives employed in prescribed public entities
- allowances provided to Mayors, Deputy Mayors and Councillors in local government.

Section 19 of the VIRTIPS Act requires the Tribunal to make a Determination setting remuneration bands for executives employed in prescribed public entities every four years. Public entities are prescribed through the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards (Prescribed Public Entities) Regulations 2019* (Vic).

On 18 December 2020, the Tribunal issued the *Remuneration bands for executives employed in prescribed public entities (Victoria) Determination No. 01/2020* (PE Comprehensive Determination).¹ In setting remuneration bands, the Tribunal comprehensively reviewed the roles of executives employed in prescribed public entities and their remuneration arrangements at the time.²

Section 20 of the VIRTIPS Act requires the Tribunal to make a Determination providing for an annual adjustment to the values set in the current Determination under section 19 of the VIRTIPS Act.

The *Remuneration bands for executives employed in prescribed public entities (Victoria) Annual Adjustment Determination 2021* (2021 PE Annual Adjustment

¹ Victorian Independent Remuneration Tribunal (2020).

² VIRTIPS Act, s. 19.

Determination) provides for an adjustment to the values of the remuneration bands set in the PE Comprehensive Determination.

There are some executives in prescribed public entities who are employed under Part 3 of the *Public Administration Act 2004* (Vic) (PAA). The remuneration bands for these executives were adjusted from 1 July 2021 by the Tribunal's *Remuneration bands for executives employed in public service bodies (Victoria) Annual Adjustment Determination 2021* (2021 VPS Annual Adjustment Determination).³

The Tribunal is required to include a Statement of Reasons in a Determination.⁴ This Statement of Reasons relates to the 2021 PE Annual Adjustment Determination.

1.1 Legislative requirements

Before making a Determination, the VIRTIPS Act requires the Tribunal to:

- publish notice of its intention to make a Determination (s. 24(1)(a))
- include details about the proposed Determination in the public notice (s. 24(1)(b))
- give any affected person or class of persons a reasonable opportunity to make a submission in relation to the proposed Determination (s. 24(1)(c)).

In making a Determination, the Tribunal must also consider:

- any statement or policy issued by the Government of Victoria which is in force with respect to its wages policy (or equivalent) and the remuneration and allowances of any specified occupational group (s. 24(2)(a))
- the financial position and fiscal strategy of the State of Victoria (s. 24(2)(b))
- current and projected economic conditions and trends (s. 24(2)(c))
- submissions received in relation to the proposed Determination (s. 24(2)(d)).

In performing its functions and the exercise of its powers, the Tribunal must act independently and impartially and is not subject to the control or direction of any person, including the Minister.⁵

³ The remuneration bands for executives in public service bodies also apply to those executives in prescribed public entities employed under Part 3 of the PAA. Victorian Independent Remuneration Tribunal (2020), p. 5.

⁴ VIRTIPS Act, s. 24(3).

⁵ VIRTIPS Act, s. 5.

The PE Comprehensive Determination was made on 18 December 2020. The Tribunal could not make the 2021 PE Annual Adjustment Determination within nine months of the date on which the PE Comprehensive Determination was made, that is, before 19 September 2021.⁶

The 2021 PE Annual Adjustment Determination takes effect from 1 July 2021.⁷

1.2 Consultation

In accordance with section 24(1) of the VIRTIPS Act, the Tribunal:

- published its notice of intention (NOI) to make a Determination on its website, including details about the proposed Determination, on 9 June 2021
- gave any affected person or class of affected persons a reasonable opportunity to make a submission regarding the proposed Determination.

The NOI included a summary of the matters the Tribunal was required to consider in the making of the Determination.

The Tribunal also wrote to prescribed public entities to inform them that the NOI had been published, and requested they also inform their executives about the NOI and the opportunity to make submissions. The Tribunal received five submissions.

1.3 PE Comprehensive Determination

The PE Comprehensive Determination set a new executive remuneration framework consisting of three distinct and contiguous Public Entity Senior Executive Service (PESES) bands for executives employed in prescribed public entities.

The Tribunal decided to broadly align the values of the PESES remuneration bands with the Senior Executive Service (SES) remuneration bands for executives employed in public service bodies. The key exception was that the PE Comprehensive Determination set the base of the PESES-1 band at \$135,000 per annum, lower than the base of the SES-1 band.⁸

⁶ VIRTIPS Act, s. 20(2).

⁷ VIRTIPS Act, s. 25(5).

⁸ Victorian Independent Remuneration Tribunal (2020), pp. 98-99.

The Tribunal considered that would:

*... provide smaller public entities (which may employ a single executive) with an appropriate degree of flexibility to set the remuneration of their CEO, including a CEO who may have less experience than existing incumbents.*⁹

The Tribunal further decided that if an executive’s position has a work value score of at least 21 points under the Public Entity Executive Classification Framework (PEECF), their Total Remuneration Package (TRP) must be no lower than \$192,800. This value corresponded to the base of the SES-1 band at the time of making the PE Comprehensive Determination.¹⁰

The values of the PESES remuneration bands set in the PE Comprehensive Determination, effective from 20 March 2020, are shown in table 1.1.

Table 1.1: Remuneration bands for executives employed in prescribed public entities, effective 20 March 2020

Classification	Base of band TRP \$ per annum	Top of band TRP \$ per annum
Public Entity Senior Executive Service-1	135,000	249,700
Public Entity Senior Executive Service-2	249,701	360,000
Public Entity Senior Executive Service-3	360,001	479,900

Source: Victorian Independent Remuneration Tribunal (2020), p. 4.

⁹ Victorian Independent Remuneration Tribunal (2020), p. 99.

¹⁰ Victorian Independent Remuneration Tribunal (2020), p. 99.

2 Victorian Government remuneration policies



In making this Determination, the Tribunal is required to consider any statement or policy issued by the Government of Victoria which is in force with respect to its wages policy (or equivalent), and relevant policies about executive remuneration. This chapter considers the Victorian Government's:

- Wages Policy and Enterprise Bargaining Framework (Wages Policy)
- executive employment and remuneration policies, including those related to superannuation entitlements.

2.1 Wages Policy

Box 2.1 reproduces the Wages Policy, which applies to departments and agencies in the Victorian public sector and is in force at the time of making this Determination.

Box 2.1: Victorian Government Wages Policy

The Victorian Government Wages Policy and Enterprise Bargaining Framework has three pillars:

- Pillar 1: Wages — increases in wages and conditions will be capped at a rate of growth of 2 per cent per annum over the life of the agreement. In practice this means employee wages and conditions will be allowed to grow at this rate.
- Pillar 2: Best Practice Employment Commitment — all public sector agencies will be required to make a Best Practice Employment Commitment which will outline measures to operationalise elements of the Government’s Public Sector Priorities that reflect good practice within Government and can be implemented operationally or without significant costs.
- Pillar 3: Additional strategic changes — additional changes to allowances and other conditions (not general wages) will only be allowed if the Government agrees that the changes will address key operational or strategic priorities for the agency, and/or one or more of the Public Sector Priorities.

A ‘Secondary Pathway’ is also available for public sector agencies whose current enterprise agreement reaches its nominal expiry date on or before 30 June 2020 which permits one annual wage and allowance increase capped at 2.5 per cent (instead of at 2 per cent).

Source: Industrial Relations Victoria (2019).

Victorian Public Sector Wages Policy from 2022

The Victorian Government has announced changes to the Wages Policy that will apply from 1 January 2022. From that date:

- the annual cap on wages and conditions, under Pillar 1 of the Wages Policy, will be adjusted from 2 per cent to 1.5 per cent
- additional changes to allowances and other conditions (not general wages) under Pillar 3 of the Wages Policy will be capped at 0.5 per cent of the salary base per annum
- a limited one-year rollover option with a 2 per cent increase will be available for parties whose current enterprise agreements reach their nominal expiry date in 2022.¹¹

2.2 Executive employment and remuneration policies

Employment and remuneration policies that apply to public entity executives are set out in the Public Entity Executive Remuneration Policy (PEER Policy) and the Victorian Public Entity Executive Handbook (Handbook).

¹¹ Industrial Relations Victoria (2021).

The PEER Policy sets out mandatory contractual terms and conditions which must be included in an executive's contract of employment, including that the executive's TRP consists of:

- base salary
- superannuation contributions
- employment benefits (i.e. non-salary)
- the annual cost to the employer of providing the non-monetary benefits, including any fringe benefits tax payable.¹²

The Handbook provides that executives are able to include non-salary benefits as part of their TRP, including:

- a motor vehicle obtained through the Executive Vehicle Scheme¹³
- a motor vehicle obtained through a novated leasing arrangement
- a health insurance scheme (subject to the employer participating in a scheme)
- salary sacrificed superannuation contributions.¹⁴

The Victorian Public Sector Commission (VPSC) publishes a Standard Contract for the employment of public entity executives. While use of the contract is not mandatory, the PEER Policy states that public entities are encouraged to use it.¹⁵ Around 90 per cent of executives in prescribed public entities are employed under the Standard Contract.¹⁶

The Premier traditionally announces an annual adjustment guideline rate (guideline rate) to provide a mechanism for adjusting executive remuneration. Employers typically have discretion to pass on an increase to an executive's remuneration up to the guideline rate. In 2020-21 the guideline rate was set at zero.¹⁷ In November 2021, the Victorian Government announced a guideline rate for both 2021-22 and 2022-23 of 1.5 per cent.¹⁸

¹² Victorian Government (2020), paragraph 7.1.

¹³ Under the Executive Vehicle Scheme, executives can access a motor vehicle under a salary sacrifice arrangement where the executive contributes to the cost of the vehicle. VPSC (2020a).

¹⁴ VPSC (2020a), p. 29.

¹⁵ Victorian Government (2020), paragraph 7.2.

¹⁶ VPSC (2020b).

¹⁷ Victorian Independent Remuneration Tribunal (2020), p. 50.

¹⁸ Victorian Government (2021).

Superannuation

Under Commonwealth law, the superannuation guarantee (SG) and maximum superannuation contribution base (MSCB) apply to executives who are members of an accumulation scheme.¹⁹

The SG is the minimum rate of employer superannuation contributions that an employee is entitled to, set as a percentage of their ‘ordinary time earnings’.²⁰ The MSCB acts as a cap on the ‘ordinary time earnings’ that are used to calculate an employee’s superannuation entitlements — earnings over the MSCB are not counted for the purpose of calculating entitlements.²¹

The amount of superannuation payable to executives in an accumulation scheme may increase each year as a result of the indexation of the MSCB, and/or changes to the SG.

The Handbook states that public entity employers whose employees are on the Standard Contract must bear the cost of such increases in superannuation liabilities. The Handbook requires employers not to offset the cost of changes to superannuation by passing on less of an annual remuneration adjustment (determined following the annual review of the executive’s remuneration required by the Standard Contract) to an individual executive than they otherwise would have.²² In the remainder of this Statement of Reasons, this requirement is referred to as the ‘Superannuation Policy’.

In 2020, the Department of Premier and Cabinet issued guidance to Victorian public sector employers about how to comply with the Superannuation Policy when providing an annual adjustment to an executive’s TRP.²³ The guidance document explains that for executives whose remuneration is expressed as a TRP:

- the employer’s chosen annual adjustment rate is to be applied to the salary component of the executive’s TRP
- the superannuation component of the executive’s TRP is to be separately adjusted to reflect their new superannuation entitlements.

¹⁹ VPSC (2020a), pp. 36-37.

²⁰ Australian Taxation Office (2021b).

²¹ *Superannuation Guarantee (Administration) Act 1992* (Cth), s. 6(1).

²² VPSC (2020a), p. 37.

²³ Department of Premier and Cabinet (2020).

On 1 July 2021, the following changes occurred:

- the SG increased from 9.5 per cent to 10 per cent²⁴
- the MSCB was indexed, in line with changes in Australian average weekly ordinary time earnings, from \$57,090 per quarter (\$228,360 per year) to \$58,920 per quarter (\$235,680 per year).²⁵

²⁴ *Superannuation Guarantee (Administration) Act 1992* (Cth), s. 19(2).

²⁵ Australian Taxation Office (2021a).

3 Economic factors



In accordance with the VIRTIPS Act, the Tribunal is required to consider:

- current and projected economic conditions and trends (s. 24(2)(c))
- the financial position and fiscal strategy of the State of Victoria (s. 24(2)(b)).

3.1 Current and projected economic conditions and trends

The Tribunal examined international, Australian and Victorian economic and financial conditions and trends. There is considerable uncertainty about future conditions, following government responses to the coronavirus (COVID-19) pandemic. The Tribunal relied upon the latest data and forecasts available to it at the time of making this Determination.

International economic conditions

The Reserve Bank of Australia's (RBA) latest *Statement on Monetary Policy* (November 2021) noted that 'the ongoing rollout of COVID-19 vaccines and significant policy stimulus has laid the groundwork for a sustained global recovery' from the impacts of the COVID-19 pandemic.²⁶ Nonetheless, the RBA also noted that the extent of the recovery has been mixed in the Asia-Pacific region. The recovery in most advanced economies in Asia has continued, underpinned by strong export growth and investment in manufacturing capacity. However, tightening of COVID-19 containment measures has stalled the recovery in some economies in recent months.²⁷

The RBA also stated that capacity constraints in many countries could cause recent increases in global inflationary pressures to persist for longer than initially expected, posing a downside risk to the growth outlook.²⁸

²⁶ RBA (2021), p. 5.

²⁷ RBA (2021), p. 7.

²⁸ RBA (2021), p. 5.

Australian economic conditions

Australian Bureau of Statistics (ABS) data show that Australia's Gross Domestic Product (GDP) grew by 0.7 per cent over the June quarter 2021, and by 1.4 per cent over 2020-21.²⁹

The RBA's Statement noted that economic activity in Australia declined sharply in the September quarter due to COVID-19 related restrictions. As a result, GDP is forecast to have fallen by around 2.5 per cent over the quarter.³⁰

According to the RBA's Statement, data suggest that a rebound in economic activity is well underway in states and territories that were affected by major outbreaks of the COVID-19 Delta strain.³¹ The RBA expects that as restrictions ease:

*... fiscal and monetary policy support will help to re-establish the momentum in the economy that was evident prior to the recent Delta outbreaks.*³²

Under the RBA's central scenario, GDP is expected to grow by around 3 per cent over 2021, 5.5 per cent over 2022 and 2.5 per cent over 2023.³³

ABS data show that the seasonally adjusted national unemployment rate in October 2021 was 5.2 per cent, which is almost one-third lower than the unemployment rate in October 2020 (6.9 per cent). The seasonally adjusted participation rate was 64.7 per cent in October 2021, one percentage point lower than a year prior.³⁴

The RBA's central scenario forecasts the unemployment rate to decline to around 4 per cent by the end of 2023. The RBA noted that, in the past half century or so, this rate of unemployment has been experienced in Australia only briefly, and that there is some uncertainty about what the impact will be on the economy.³⁵

The RBA anticipates annual growth in the Australian Wage Price Index (WPI) will be above 2 per cent by the end of 2021, and around 3 per cent by the end of 2023 — which would be the fastest rate of growth since 2013. Underlying inflation is

²⁹ ABS (2021a).

³⁰ RBA (2021), pp. 27-28.

³¹ RBA (2021), p. 27.

³² RBA (2021), p. 27.

³³ RBA (2021), p. 63.

³⁴ ABS (2021d).

³⁵ RBA (2021), p. 71.

forecast to be around 2.25 per cent per year over the next few years, increasing to around 2.5 per cent by the end of 2023.³⁶

On 16 June 2021, the Fair Work Commission issued its Annual Wage Review 2020-21 Decision. The Decision increased the national minimum wage and modern award minimum wages by 2.5 per cent.³⁷ This increase took effect from 1 July 2021, subject to limited exceptions.³⁸ The Decision noted that Australia's economic environment at that time was markedly better than it was in the previous year, and that the economy had recovered from the impacts of the COVID-19 pandemic to a greater extent and more quickly than anticipated.³⁹

Victorian economic conditions

The *Victorian Budget 2021/22* (Victorian Budget), released in May 2021, noted the 'significant impact' that the COVID-19 pandemic has had on the Victorian economy.⁴⁰ The Victorian Budget reported the following economic outlook for Victoria:

- real Gross State Product (GSP) was forecast to grow by 6.5 per cent in 2021-22, with the economy expected to return to its pre-pandemic size by late 2021
- the unemployment rate was expected to average 5.75 per cent in 2021-22.⁴¹

The Victorian Government's *2020-21 Annual Financial Report* (Victorian Financial Report), released in October 2021, noted that although the COVID-19 pandemic led to the largest global recession since the Great Depression, the Victorian economy rebounded strongly in the December quarter 2020. This momentum carried through to strong growth in the March quarter 2021, despite a brief period of COVID-19 related restrictions in February 2021.⁴²

The Victorian Financial Report stated that Victoria's employment growth was the strongest of all states prior to the onset of the COVID-19 pandemic, averaging 3.1 per cent per year over the five years to 2018-19. While the COVID-19 pandemic led to many Victorians losing work between March and September 2020, the

³⁶ RBA (2021), p. 68.

³⁷ Fair Work Commission (2021), p. 44.

³⁸ The Decision delayed the operative date of the increase for several awards including the travel, food services and retail sectors, due to differences in the pace at which sections of the economy have been recovering from the COVID-19 pandemic (among other matters).

³⁹ Fair Work Commission (2021), pp. 24, 44.

⁴⁰ Department of Treasury and Finance (DTF) (2021a), p. 1.

⁴¹ DTF (2021c), p. 4.

⁴² DTF (2021d), p. 1.

subsequent economic recovery led to a significant rebound, and by June 2021 employment was above pre-pandemic levels.⁴³

ABS data show that Victoria’s State Final Demand increased in seasonally adjusted terms by 1.4 per cent over the June quarter 2021, and by 10.5 per cent over the 12 months to June 2021.⁴⁴ Meanwhile, Victoria’s unemployment rate was 4.5 per cent as at July 2021.

Regarding price movements, ABS data show that the All Groups Consumer Price Index for Melbourne (Melbourne CPI) grew by 2.9 per cent between September 2020 and September 2021, the equal second lowest rate of all capital cities.⁴⁵

Regarding wage movements, ABS data show that the Victorian WPI increased by 1.8 per cent for the 12 months to June 2021, the third highest growth of all states and territories (behind the Northern Territory and Tasmania).⁴⁶ Another commonly used measure of wage movements, average weekly ordinary time earnings (AWOTE) for full-time Victorian adults, grew by 2.4 per cent between May 2020 and May 2021.⁴⁷

Table 3.1 sets out the Victorian Budget forecasts for the Melbourne CPI and the Victorian WPI.

Table 3.1: Forecast growth in Melbourne CPI and Victorian WPI

Indicator	Annual growth (%)			
	2021-22	2022-23	2023-23	2024-25
CPI	1.50	1.75	2.00	2.25
WPI	1.75	2.00	2.25	2.50

Source: DTF (2021a).

3.2 Financial position and fiscal strategy of the State of Victoria

The Tribunal’s analysis of financial factors draws on the Victorian Financial Report and the Victorian Budget.

⁴³ DTF (2021d), p. 2.

⁴⁴ ABS (2021a).

⁴⁵ ABS (2021c).

⁴⁶ ABS (2021e).

⁴⁷ ABS (2021b).

Victorian Financial Report

According to the Victorian Financial Report, the Victorian general government sector recorded an operating deficit of \$14.6 billion for 2020-21, which was \$2.9 billion lower than the Victorian Budget estimate. A contributing factor was revenue being \$1.2 billion higher than expected. The Victorian Financial Report stated this was:

*... primarily due to higher GST grants from the Commonwealth resulting for a stronger than expected recovery in economic activity in the June quarter.*⁴⁸

As at 30 June 2021, net debt for the general government sector was \$72.7 billion, \$4.8 billion lower than previous estimates.⁴⁹ Employee expenses for the general government sector in 2020-21 were approximately \$30 billion, 10.4 per cent higher than for the previous year. The Victorian Financial Report explained that:

*... this increase is primarily due to additional resources in the health sector for the COVID-19 response and additional staff required following the establishment of COVID-19 Quarantine Victoria. The increase ... also reflects increases in remuneration levels in enterprise bargaining agreements.*⁵⁰

Victorian Budget

The Victorian Budget forecast an operating deficit (for the general government sector) of approximately \$11.6 billion for 2021-22, with smaller deficits expected in the following years. Net debt is forecast to be \$102.1 billion (20.3 per cent of GSP) in 2021-22 and to increase to \$156.3 billion (26.8 per cent of GSP) in 2024-25. These forecasts reflect an improvement relative to the previous budget, which the Victorian Budget stated is principally due to improvements in the Victorian Government's operating position.⁵¹

The Victorian Budget noted that uncertainty around Victoria's revenue outlook remains elevated due to the COVID-19 pandemic. In particular, deviation from forecasting assumptions — which include that further domestic outbreaks of COVID-19 are contained and result only in localised, short-term restrictions — would weigh on the revenue outlook and forward estimates.⁵²

⁴⁸ DTF (2021d), p. 5.

⁴⁹ DTF (2021d), p. 5.

⁵⁰ DTF (2021d), p. 10.

⁵¹ DTF (2021a), p. 6.

⁵² DTF (2021b), p. 166.

4 Submissions



In accordance with section 24 of the VIRTIPS Act, the Tribunal:

- gave any affected person or class of affected persons a reasonable opportunity to make a submission regarding the proposed Determination
- took submissions received into account as part of making the Determination.

The Tribunal received five submissions. Each party that made a submission requested that it be published in a de-identified form. Sections of submissions that identified the submitting party were redacted prior to publication on the Tribunal's website.

Each submission advocated for a positive annual adjustment to the remuneration bands, with suggestions for an adjustment ranging from a 1.5 per cent to a 2.5 per cent increase to each band (box 4.1).

Box 4.1: Summary of suggested rates for the annual adjustment in submissions

- Submission 1 stated that an increase of 1.5 per cent (plus changes to superannuation) would be a 'fair increase in the current environment'
- Submission 2 requested a 'material' increase to remuneration bands 'to be consistent with the general industry trends'
- Submission 3 suggested a 2.5 per cent increase, consistent with the Tribunal's recent adjustment of MP salaries
- Submission 4 stated that an increase of 2 per cent for executives 'would be well deserved and received as a validation of their value'
- Submission 5 stated that the submitting party anticipated 'a minimum' increase of 1.5 per cent to executive remuneration, in line with the Government's new Wages Policy, and asked the Tribunal to also consider the impact of the 'extremely challenging talent market'.

Source: Submissions made in relation to the proposed Determination.

A theme raised in submissions was the effect of recent government remuneration policies and decisions on the competitiveness of public entity executive

remuneration arrangements. Each submission noted the impact of the Premier's zero per cent guideline rate for 2020-21 on executive remuneration. Submissions 1, 2 and 3 also noted the Government's decision in 2020 to phase-out bonus opportunities from public entity executive contracts.

Submission 4 noted that executives were the only occupational group in the public sector that didn't receive an increase in 2020:

All Ministerial staff and the Minister ... have received pay increases in the last 18 months. Our staff members have received a 3% increase in 2020-2021 and another pay increase is planned for them in 2021-2022.

Executive Officers were the only ones across the public sector not to receive an increase in 2020.

Some submissions argued for an increase based on executive remuneration movements in their industry sector:

- Submission 1 stated that for the year May 2020 to April 2021, the average base remuneration increase for comparable roles ranged from 1.2 per cent to 2.7 per cent
- Submission 5 stated that the year-on-year increase in fixed remuneration for relevant executive roles averaged between 1.2 per cent and 3 per cent
- Submission 2 noted that industry reports showed some private sector areas — including property, law and finance — have paid 'material' increases and out of cycle bonuses to offset flat remuneration outcomes in 2020.

Another theme raised in submissions was the impact of the COVID-19 pandemic, including on executive workloads and the supply of executive labour. For example:

- Submission 3 stated that the workload of some executives 'has increased double and triple fold in certain circumstances', due to the need to support new ways of working and staff welfare in work-from-home arrangements, and increased responsibilities associated with the State Government's construction industry stimulus
- Submission 5 said that the closure of international borders has tightened the labour market for some executive roles in Australia.

5 Tribunal's considerations



The Tribunal now turns to determining an annual adjustment to the values of the remuneration bands for executives employed in prescribed public entities.

The values of the remuneration bands for executives employed in prescribed public entities are expressed as a TRP, inclusive of salary and superannuation. Consistent with Victorian Government executive remuneration policies, the Tribunal has decided to adjust the salary and superannuation components of the remuneration bands separately, by:

- adjusting the notional salary component of the remuneration band values by a 'standard rate' — based on a range of considerations including the Wages Policy, financial position and fiscal strategy of the State of Victoria and current and projected economic conditions and trends
- adjusting the notional superannuation component of the band values to incorporate changes to superannuation entitlements from 1 July 2021.

5.1 Salary component

Taking into account the legislative factors that it is required to consider, the Tribunal has decided to adjust the notional salary component of the remuneration band values by a 'standard rate' of 2.5 per cent for 2021-22.

The Tribunal considers this increase is generally consistent with Wages Policy currently in force, recognising that in 2020-21 the Premier's guideline rate for annual adjustments to executive remuneration was set at zero.

The Tribunal's decision is also intended to promote mobility, retention and equity objectives, as outlined in its PE Comprehensive Determination. In this Determination, the Tribunal chose to broadly align the values of the remuneration

bands for executives employed in prescribed public entities with the public service executive remuneration bands. The Tribunal considered that this alignment:

*... will further promote mobility between the VPS and public entities, retention of executives, and fairness in remuneration outcomes across the public sector.*⁵³

The Tribunal notes that ongoing government restrictions imposed in response to outbreaks of COVID-19 have had negative impacts on economic and financial conditions, particularly in the September quarter 2021. However, as noted in chapter 3, official estimates suggest that a rebound in economic activity is underway.

Table 5.1 shows the notional salary component of the values of the remuneration bands and the impact of applying the ‘standard rate’.

Table 5.1: Change to the notional salary component of the remuneration bands due to the ‘standard rate’ adjustment

Classification	30 June 2021 value \$ per annum		Change to notional salary component due to ‘standard rate’ \$
	TRP value	Notional salary component ^(a)	
PESES-1			
base of band	135,000	123,288	3,082
top of band	249,700	228,037	5,701
PESES-2			
base of band	249,701	228,037	5,701
top of band	360,000	338,306	8,458
PESES-3			
base of band	360,001	338,307	8,458
top of band	479,900	458,206	11,455

Notes: (a) Calculated by reducing the TRP value by the amount of the superannuation entitlement, as at 30 June 2021. The superannuation entitlement is calculated based on Commonwealth superannuation law as at 30 June 2021 — SG rate of 9.5% and MSCB of \$228,360.

5.2 Superannuation component

On 1 July 2021, the superannuation entitlements of executives increased under Commonwealth law. The Superannuation Policy requires employers to bear the cost of those increases. That means that public sector employers must — in

⁵³ Victorian Independent Remuneration Tribunal (2020), p. 98.

addition to any annual adjustment made to an executive's TRP — also increase that executive's TRP to accommodate their higher superannuation entitlements.

Taking into account the factors it is required to consider, the Tribunal has decided to increase the superannuation component of the remuneration bands in line with the Superannuation Policy (table 5.2).

The increase to the superannuation component reflects changes to the salary component determined by the Tribunal, and changes to the MSCB and SG that took effect on 1 July 2021. However, the maximum increase to the superannuation component is capped at \$1,874 (equation 5.1).

Equation 5.1: Cap on increase to the superannuation component

Maximum increase

$$= (\text{MSCB} \times \text{SG, as at 1 July 2021}) - (\text{MSCB} \times \text{SG, as at 30 June 2021})$$

$$= (\$235,680 \text{ per annum} \times 10\%) - (\$228,360 \text{ per annum} \times 9.5\%)$$

$$= \$23,568 \text{ per annum} - \$21,694 \text{ per annum}$$

$$= \$1,874 \text{ per annum}$$

Table 5.2: Change to the superannuation component of the remuneration bands

Classification	Value as at 30 June 2021			Value as at 1 July 2021		Change to the superannuation component ^(d) \$
	TRP \$ per annum	Salary component \$ per annum	Superannuation component ^(a) \$ per annum	Salary component ^(b) \$ per annum	Superannuation component ^(c) \$ per annum	
PESES-1						
base of band	135,000	123,288	11,712	126,370	12,637	925
top of band	249,700	228,037	21,663	233,737	23,374	1,710
PESES-2						
base of band	249,701	228,037	21,664	233,738	23,374	1,710
top of band	360,000	338,306	21,694	346,763	23,568	1,874
PESES-3						
base of band	360,001	338,307	21,694	346,764	23,568	1,874
top of band	479,900	458,206	21,694	469,661	23,568	1,874

Notes: (a) Equal to the superannuation entitlement of an executive with the salary specified in the preceding column based on Commonwealth superannuation law as at 30 June 2021 — SG rate of 9.5% and MSCB of \$228,360 per annum. (b) Equal to the 30 June 2021 value increased by the 2.5 per cent ‘standard rate’. (c) Equal to the superannuation entitlement of an executive with the salary specified in the preceding column, based on Commonwealth superannuation law as at 1 July 2021 — SG rate of 10% and MSCB of \$235,680 per annum. (d) The change in the superannuation component is calculated by subtracting the superannuation component as at 30 June 2021 from the superannuation component as at 1 July 2021. Numbers in the table have been rounded to the nearest dollar.

5.3 Total adjustment to the bands

The Tribunal has determined that the annual adjustment for each of the remuneration band values is equal to the sum of:

- adjustments applied to the salary component of the remuneration bands — based on a ‘standard rate’ of 2.5 per cent
- adjustments applied to the superannuation component of the remuneration bands, to take into account changes to executive superannuation entitlements that occurred on 1 July 2021 under Commonwealth law.

The remuneration band values that apply from 1 July 2021 are shown in table 5.3.

Table 5.3: Annual adjustment to the remuneration bands and values as at 1 July 2021

Classification	Value as at 30 June 2021 \$ per annum	Adjustments \$ per annum		Total adjustment ^(a) \$	Value as at 1 July 2021 \$ per annum
		Salary component	Superannuation component		
PESES -1					
base of band	135,000	3,082	925	4,007	139,007
top of band	249,700	5,701	1,710	7,411	257,111
PESES -2					
base of band	249,701	5,701	1,710	7,411	257,112
top of band	360,000	8,458	1,874	10,331	370,331
PESES-3					
base of band	360,001	8,458	1,874	10,331	370,332
top of band	479,900	11,455	1,874	13,329	493,229

Notes: (a) Differences in this table between the total adjustment and the sum of the salary component and superannuation component are due to rounding.

5.4 Other considerations

Clause 7.2 of the PE Comprehensive Determination stated that when the work value of an executive’s position has been assessed using the PEECF and the position has a work value score of at least 21 points, the executive’s TRP must be no lower than \$192,800 per annum (for a 1.0 Full Time Equivalent position). This value corresponded to the base of the SES-1 remuneration band at the time of making the PE Comprehensive Determination.

The PE Comprehensive Determination stated that once the work value of executive roles in prescribed public entities has been obtained using the PEECF,

the only executives in prescribed public entities with a TRP below \$192,800 may be CEOs (or equivalent) whose position does not meet the minimum work value score required for their classification to be determined under that framework (21 points).

On 1 July 2021, the value of the base of the SES-1 remuneration band increased to \$199,014 per annum. The Tribunal has determined to also adjust the minimum TRP that may be provided to an executive in a prescribed public entity with a position that has a work value score of at least 21 points, to \$199,014 per annum.

5.5 Conclusion

This Statement of Reasons explains the Tribunal's considerations in making the 2021 PE Annual Adjustment Determination.

In making this Determination, the Tribunal's considerations included the following legislative factors:

- the Wages Policy (s. 24(2)(a))
- Victorian Government policies regarding the remuneration and allowances of public sector executives, including the Superannuation Policy (s. 24(2)(a))
- the financial position and fiscal strategy of the State of Victoria (s. 24(2)(b))
- current and projected economic conditions and trends (s. 24(2)(c))
- submissions received in relation to the proposed Determination (s. 24(2)(d)).

In June 2021, the Tribunal published its NOI to make a Determination on its website, including details about the proposed Determination and a summary of the matters it was required to consider. The Tribunal also gave any affected person or class of affected persons a reasonable opportunity to make a submission regarding the proposed Determination. The Tribunal received five submissions.

In accordance with the VIRTIPS Act, the Tribunal has determined to make an annual adjustment to the values of the remuneration bands, consisting of:

- a standard rate of 2.5 per cent applied to the notional salary component of the remuneration bands
- a further amount, ranging from \$925 to \$1,874, to take into account changes to executive superannuation entitlements that occurred on 1 July 2021.

The Determination takes effect from 1 July 2021.

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