

11 September 2024

Attention: Warren McCann
Victorian Independent Remuneration Tribunal
Suite 1, Ground Floor, 1 Treasury Place,
East Melbourne Victoria 3002

By email: enquiries@remunerationtribunal.vic.gov.au

Dear Mr McCann,

I refer to your letter dated 19 July 2024 regarding consultation on the Tribunal's new Determination of remuneration bands for Executive employees in the prescribed public entities (**PE Determination**).

VMIA's submission in relation to the PE Determination is as follows:

1. How has the role of public entities, and the role of Executives employed in public entities, evolved since the Tribunal's 2020 Determination?

Executive roles at VMIA are the most senior positions in the business and are limited to the CEO and their direct reports. These positions hold significant management responsibility and focus on leadership and strategic direction of the organisation. VMIA has made no change to this approach since the 2020 determination.

VMIA is a Public Financial Corporation (PFC) providing insurance services and risk advice. VMIA competes with private-sector insurance and financial services companies to attract and retain talent. With sustained cost of living pressures and challenges of a tight labour market, executive remuneration in public entities and, more specifically in PFCs, has not been able to keep pace with private sector salaries and other monetary benefits aligned to performance and development in roles.

2. Are the values of the existing remuneration bands competitive in terms of attracting and retaining executive talent, noting that an employer must seek and consider the Tribunal's advice if they propose to pay an executive above the band?

VMIA has been able to attract and retain Executives within the PESES bands. However, in all instances we have had to recruit at the higher end of the bands. For attraction and retention purposes, the lower end of the bands does not meet candidate and market demands.

At the higher end of the PESES bands, we note VMIA Executive roles are below the 25th percentile for equivalent roles in the private sector, with the remuneration gap growing. We anticipate attraction and retention to be more challenging in future.

3. In benchmarking the remuneration of public entity Executives against the broader market, what is an appropriate market positioning (e.g. low, middle or high), and why?

VMIA benchmarks executive and non-executive roles and remuneration against general market and financial services data. Benchmarking against available AON financial services data and comprehensive reviews of our non-Executive remuneration and assessment processes by Mercer indicate that the PESES bands are at the very low to low end of the market for equivalent roles, assessed using the VPS executive classification framework.

Mercer's labour market and remuneration insights, published in May 2024, report a 4.8% movement within finance and insurance in total employment cost for employees in the same role in the same company over a 12-month period.

As a PFC, VMIA competes in the market with other financial and insurance services. In the private sector, the equivalents to our Chief Insurance Officer and Chief Performance Officer roles would attract a significantly higher remuneration package, including performance-related rewards. The PESES bands indicate the lower end of the market for these roles whereas, in order to be competitive, we need to be targeting at least the middle of the market.

4. How are market conditions or pressures affecting the ability of public entities to attract and retain Executives? Please provide specific data or information to support your response, noting that submitters may request this data or information be treated as confidential (i.e. not published on the Tribunal's website).

To date, VMIA has been able to attract and compensate in line with the PESES remuneration bands. Our most recent executive recruitment process was completed in August 2023 for our Chief Information Officer.

We undertook a review of market conditions at the time of recruitment and were able to attract strong candidates that met our needs. This position is classified as a PESES-2 and the remuneration range for this classification allowed us to attract suitable candidates for this role.

However, for the reasons indicated under paragraph 3 above, this is not the case for the Chief Insurance Officer and Chief Performance Officer roles. For roles with these skillsets, VMIA competes in the commercial insurance market which pays significantly higher than VMIA can offer using the PESES remuneration bands and under the policy.

5. Are the values of the existing remuneration bands fair and equitable for employers and Executives?

The values of the existing remuneration bands are at the very low end of the private sector in which VMIA competes for talent. While we have been able to attract Executives with roles classified in PESES-2 and PESES-3 within the remuneration bands, this will become increasingly difficult. The lower end of PESES-1 band is too low to consider for Executives at VMIA.

6. Are the relativities in remuneration between Executives and non-Executives in public entities appropriate?

VMIA uses remuneration benchmarking information from Mercer and AON to support decisions for remuneration outcomes for non-executive roles. This benchmarking data provides insights for reviews of individual jobs against the general market, financial services and relevant job profiles.

We do not believe the relativities are appropriate given lower end of band PESES-1 crosses over with remuneration offered across analyst, specialist roles and middle-management roles at VMIA which do not meet the Executive Classification. The responsibilities and expectations of Executive positions described in the Executive Classification Framework are greater in scope and impact compared to our non-executive roles. The remuneration range for PESES-1 with a minimum point of \$151,134 is insufficient and does not match the expectations of market and internal relativities.

7. How should the Tribunal consider the non-financial aspects of working as an Executive in a public entity, that is, the ‘employee value proposition’?

VMIA is of the opinion that it would be difficult to benchmark non-financial benefits against the private market. As such, these benefits should be left to each entity to determine.

8. The existing remuneration bands each correspond to a single classification level set by the relevant executive classification framework. Are the classification levels a suitable basis for setting the remuneration bands? Should the Tribunal consider other options, such as a different number of remuneration bands?

The existing three-level framework is sufficient. The classification framework offers sufficient differentiation for executive roles assessment. However, VMIA believes the classification framework is more difficult to apply to PFCs. While not seeking further complexity, the framework would benefit from scoring characteristics that relate more closely to accountability, breadth, scale and complexity for PFCs.

9. What changes, if any, could be made to the PE Guidelines to better support employers to place Executives within the remuneration bands?

The PE Guidelines could be amended to remove the remuneration application criteria and reintroduce the criteria that focus on elements required for Executive roles including significant management responsibility, delivering against organisational strategic goals, accountability for budgets and significant team and leadership accountabilities.

10. Are there any other matters the Tribunal should consider as part of its deliberations?

There are no other matters the Tribunal should consider.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Elana Rubin', is positioned above the printed name.

Elana Rubin
Chairperson
VMIA