



28 April 2020

Chairs of Crown agents and ACEs	Chair, Broadcasting Standards Authority
Chancellors of Universities	Chair, Climate Change Commission
Chair of NZIST	Chair, Commerce Commission
Chairs, Wānānga	Chief Commissioner, Criminal Cases Review Commission
Chair, Drug Free Sport New Zealand	Chief Human Rights Commissioner
Chair, Electricity Authority	Chair, Takeovers Panel
Chair, External Reporting Board	Chair, Transport Accident Investigation Commission
Chair, Financial Markets Authority	

Dear colleagues

Pay restraint in the Public Sector

Following the Prime Minister's announcement of a pay reduction for senior leaders in Government and the Public Service, Cabinet has agreed that visible pay restraint in the public sector is an appropriate response to the COVID-19 context.

We are in an unprecedented time, when many in the private sector are losing their jobs or facing significant pay reductions. Public sector leaders need to consider appropriate actions to take to reflect this context.

The Prime Minister and Ministers are going to take reductions in pay of 20% for six months. Public Service chief executives are voluntarily agreeing to the same reduction, as well as agreeing to forego any remuneration reviews that might usually occur before 30 June 2021. We have been advised that some Crown entity chief executives have agreed with their Boards that they will also be taking pay cuts.

What this means for chief executives

I encourage chief executives to consider taking a similar reduction to their colleagues in the Public Service. As you know, the public sector is made up of a wide variety of organisation types. But the public view us all as the government. New Zealanders will be looking to us all to demonstrate leadership at this time.

If your chief executive is taking a reduction in pay, please advise us. In any case, I think increases to remuneration for Crown entity chief executives are generally undesirable at this time. I am therefore withdrawing all current remuneration guidance that has been provided to Chairs for remuneration reviews that have not been finalised. If you currently

have such processes underway, I ask that you pause these, and consider, in conjunction with your chief executive, how to proceed.

Regarding upcoming remuneration reviews for chief executives, my guidance will be for a nil remuneration increase for remuneration reviews due from now until 30 June 2021. This guidance is attached.

If you make a proposal for an increase, I will have regard to relevant factors including the context of your entity, the information you provide, the public interest in prudent stewardship of public resources, Government expectations and relevant market information. Given the latter factors, I expect only very special circumstances might result in an increase.

What this means for your workforce

I have provided Public Service chief executives with a set of key principles on how to apply pay restraint for their workforces:

- the voluntary pay reductions agreed by chief executives will not be extended beyond the chief executive level
- the approach to restraint applies through to June 2021
- retaining people in jobs is a priority
- no pay increases for senior leaders and higher paid staff and no or minimal increases below that level
- current employment agreement obligations to be complied with where they require an increase to pay
- any discretionary provisions should be operated to target low paid and frontline roles, and continue to address gender and ethnic pay inequities
- exceptional and urgent recruitment and retention pressures may need to be addressed
- outcomes across individual employment agreements and collective agreements covering the same roles should be equitable.

I ask you to take a similar approach in your agency.

What this means for you and your Board

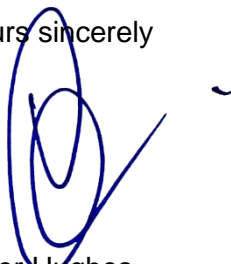
We understand some Chairs and board members have already decided to take a cut and I encourage you to consider this. If you as Chair or your Board wish to take a reduction in fees, please discuss this with your monitoring agency.

If you have specific questions relating to your chief executive, you may wish to contact Kellie Coombes, Deputy Commissioner System and Agency Performance (021 536 146) or Geraldine Needham-Girven, Manager Crown Entity Engagement (021 221 4277).

Dale Farrar, Deputy Commissioner Workforce and Talent Management (021 893 267) or Sarah Borrell, Manager Workforce and Employment Relations (027 244 0729) are available to provide any guidance and advice your HR team may need or answer any questions you may have in relation to your workforce.

I thank you in advance for uniting with New Zealanders as we respond and recover from Covid-19.

Yours sincerely



Peter Hughes
State Services Commissioner

Copy to: Chief Executives of Crown agents and ACEs
 Vice Chancellors of Universities
 Chief executive of NZIST
 Tumuaki of Wānānga
 Chief Executives of Independent Crown Entities

PS Chief Executives - Crown entity monitoring departments

State Services Commissioner's guidance for Crown entity and Tertiary Education Institution chief executive remuneration reviews



The State Services Commissioner's guidance for you to consider when reviewing your chief executive's remuneration is for a nil increase. This includes reviews with effective dates up to today that have not been finalised and reviews due from now until 30 June 2021.

Please note we are withdrawing guidance that has been sent for reviews that have not yet been finalised. If you are in doubt, please contact us.

Chief executives are also encouraged to consider taking a similar reduction to their colleagues in the Public Service, which is a pay cut of 20% for six months.

Your chief executive has voluntarily agreed to a pay cut

Please let us know this. If it is to be a reduction in remuneration, please advise us the following:

- the percentage and actual reduction to base salary
- advise the start and end date of the reduced remuneration.

Please remember that a reduction in base salary will have flow on effects to other remuneration components, such as superannuation and performance pay. This information will ensure our records are accurate, allow us to track trends and calculate the figures to disclose.

Board's decision is for no change to the current remuneration at the annual review

At the time of the annual remuneration review for your chief executive, please advise us the following:

- confirm that there is no change to performance-related pay or any other components of the remuneration package, or the proportion of the components relative to each other
- confirm that **all** benefits received by the chief executive are included in the remuneration package
- advise the performance rating awarded for the past year, and
- (if applicable) advise the percentage of any performance component awarded for the past year.

This information will ensure our records are accurate, allow us to track trends and calculate the figure to be disclosed.

Board is proposing an increase to remuneration

If you are considering a proposal for an increase or other change to the components, such as the removal of performance pay, please provide it in writing. We are available to discuss your proposal.

When considering proposals, the State Services Commissioner will have regard to (among any other relevant factors):

- the legal, commercial, and operational context of your entity

- any information provided by you, which might include, for example, your advice about your chief executive's knowledge, skills, experience, and performance
- the public interest in prudent stewardship of public resources
- Government expectations
- relevant market information.

Performance pay (if applicable)

If your chief executive has performance pay as part of their remuneration package, the Commissioner suggests you consider removing this at the first / best opportunity. Any proposed change to performance pay will be managed on an individual basis and needs the Commissioner's concurrence/ consent. We are happy to discuss options.

However, the Commissioner's expectation is that the proportion of performance pay incorporated into base salary should be below both the full *potential* value and the average of *actual* amounts paid. This discount recognises the benefits of certainty and regularity of payment for your chief executive as well as the expectations of the public. The Commissioner recognises your first opportunity to remove performance pay may be the appointment of a new chief executive.

Remuneration disclosure

The State Services Commission (SSC) discloses the remuneration paid to State Sector chief executives (as requested by Cabinet) to provide transparency for the public. Your decisions relating to this review will be reflected in the disclosure.

We are still intending to move to quarterly updates for the disclosure of chief executive remuneration using the tables on SSC's website. This allows the timing of disclosure to align to each entity's remuneration cycle, e.g. for a chief executive whose review year ends on 31 December, the disclosure data will reflect the year to 31 December.

Once you have gained SSC consent to your chief executive's remuneration review and advised the percentage of any performance payment awarded (if applicable), we will confirm the disclosure information with you.

For further information or to discuss options, please call Geraldine Needham-Girven, Manager Crown Entity Engagement (021 221 4277) or your Advisor.