



Victoria Government Gazette

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Public Administration Act 2004

ORDER REISSUING THE VICTORIAN GOVERNMENT PUBLIC ENTITY EXECUTIVE REMUNERATION POLICY

Order in Council

The Governor in Council, under section 92 of the **Public Administration Act 2004** and on the recommendation of the Special Minister of State, repeals the Order in Council made on 25 July 2019 under section 92 of the **Public Administration Act 2004** and makes a new Order requiring specified public entities in the Schedule to the new Order to comply with the updated Victorian Government Public Entity Executive Remuneration Policy (PEER Policy). The updated PEER Policy is contained in the Schedule to this Order.

This Order comes into effect on the date it is published in the Government Gazette.

Dated 4 February 2020

Responsible Minister:

GAVIN JENNINGS MLC

Special Minister of State

CLAIRE CHISHOLM
Clerk of the Executive Council

Public Administration Act 2004

VICTORIAN GOVERNMENT PUBLIC ENTITY EXECUTIVE REMUNERATION POLICY SCHEDULE TO THE ORDER IN COUNCIL

1. Objective

1.1 The Victorian Government Public Entity Executive Remuneration Policy (PEER policy) details the Victorian Government's approach to executive remuneration in specified public entities, and the role of the Victorian Independent Remuneration Tribunal (Tribunal) in administering the policy.

2. Commencement

2.1 PEER policy comes into operation on the date it is published in the Government Gazette, as it is the Schedule to an Order made by the Governor in Council under section 92 of the **Public Administration Act 2004** (PAA) to specify public entities to comply with PEER policy.

3. Revocation

3.1 From 25 July 2019, the Tribunal assumed responsibility for oversight of executive remuneration in public entities. If the Minister withdraws his request to the Tribunal, the PEER policy may need to be reissued stating who will replace the Tribunal in administering the policy.

4. Scope

4.1 PEER policy sets out a framework of five guiding principles for setting executive remuneration and the procedure for making a submission to the Tribunal for the approval of remuneration arrangements for certain executives in specified public entities. PEER policy also sets out the mandatory contract terms and conditions for executives in the specified public entities.

4.2 Specified public entities are listed under paragraph 9.1.

SPECIAL

- 4.3 In accordance with section 6(1)(f) of the **Victorian Independent Remuneration Tribunal and Improving Parliament Standards Act 2019** (VIRTIPS Act), the Minister has requested that the Tribunal determine the Total Remuneration Packages (TRP) of CEOs (however titled) of specified public entities. The Tribunal can only carry out these functions under the PEER Policy relating to CEO remuneration so long as the Minister's request under s 6(1)(f) remains current. If the request is later retracted, the PEER Policy may need to be reissued stating who will replace the Tribunal in administering the policy. To enable the Tribunal to exercise this function, prior to appointing a CEO, specified public entities are required to make a submission to the Tribunal in the following circumstances:
- an incoming CEO in a newly established or existing entity
 - the reappointment of an incumbent CEO, where an increase in TRP is proposed
 - any proposed mid-contract adjustment to a CEO's TRP that is greater than the Premier's annual adjustment (see paragraph 6.1 of PEER policy).
- 4.4 In addition, under PEER policy, the remuneration of a subordinate executive in specified public entities should not:
- exceed 80 per cent of the approved TRP for the CEO of the same public entity
 - result in the average TRP of all the CEO's direct reports exceeding 70 per cent of the CEO's TRP.

If the proposed remuneration of a subordinate executive will exceed either of the above thresholds, the public entity is required to first make a submission to the Tribunal to seek its advice in relation to this matter.

- 4.5 For the purpose of PEER policy, an executive includes an employee of a public entity who:
- receives a TRP equal to or greater than the base of the Victorian Public Service (VPS) executive officer remuneration range; and
 - has significant management responsibility, that is, the primary role of the employee is to provide leadership and strategic direction for other staff members.

For the avoidance of doubt, the following are not executives for the purpose of PEER Policy:

- staff whose remuneration rates are specified by an award or enterprise agreement
- technical specialists who meet the remuneration criteria outlined above, but do not have a people management function
- statutory or prerogative office holders appointed to public entities
- VPS executives employed under Part 3 of the PAA, including by virtue of a specific legislative reference or an order/instrument made under legislation.

5. Principles for public entity executive remuneration

- 5.1 The following principles are to guide public entity boards in preparing submissions for the Tribunal.

Principle 1: Executive remuneration should be fair and reasonable

Executives in public entities should receive fair and reasonable recompense for performing their public duties.

Principle 2: Executive remuneration decisions should have regard to Victoria's fiscal and economic conditions

Executive remuneration decisions should consider the fiscal and economic conditions of the state, reflected in the Victorian Government's wages policy, as updated from time to time.

Principle 3: Executive remuneration should be competitive

Remuneration should be set at a competitive level for the relevant market and sector, so as to attract and retain talented people.

Principle 4: Executive remuneration should reflect the non-financial benefits of public sector employment

Remuneration should not be the overriding factor in attracting and retaining executives, in recognition of the fact that there are a variety of non-financial benefits of public sector employment.

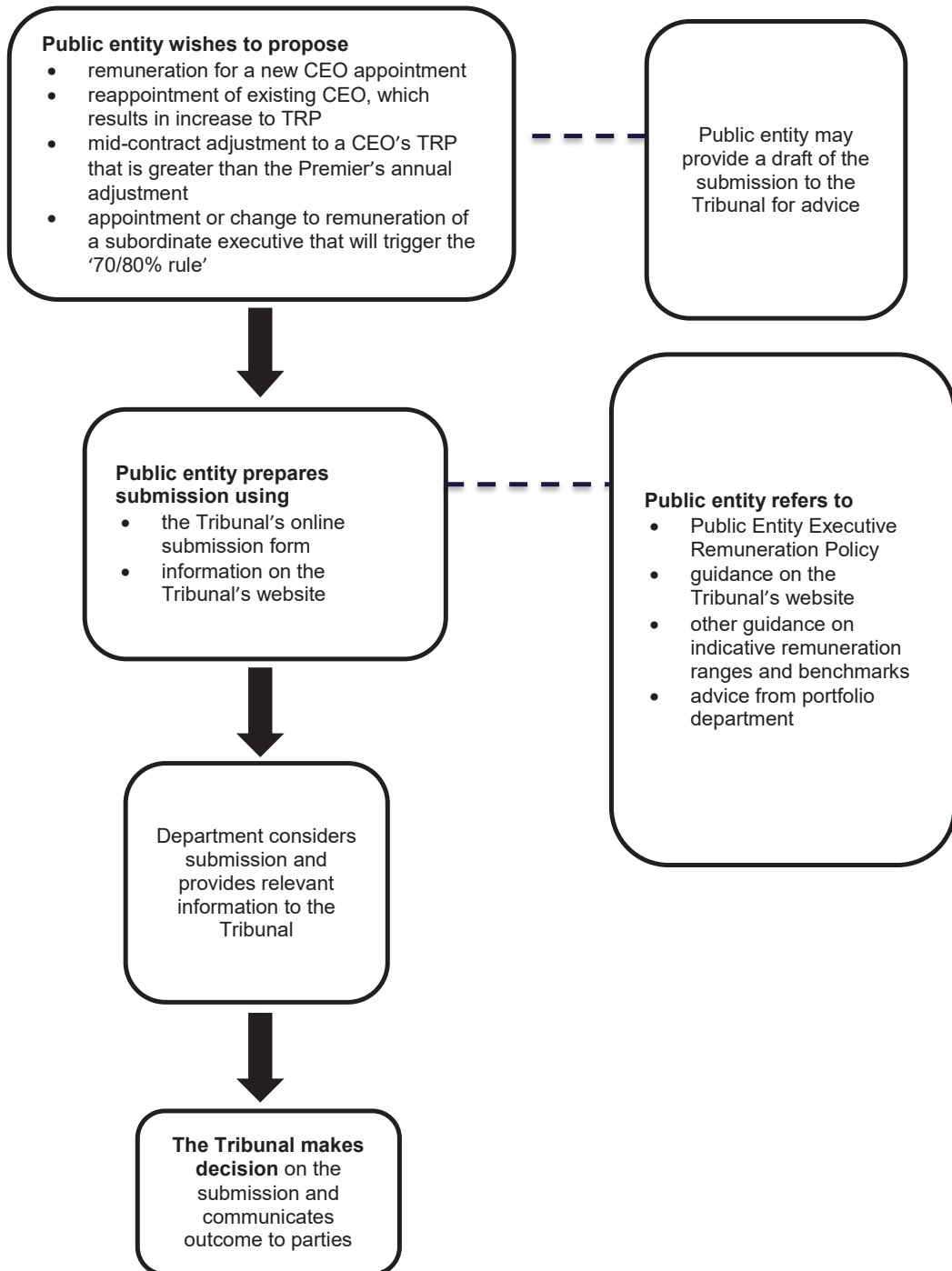
Principle 5: Executive remuneration arrangements should be robust and transparent

The methodology underpinning remuneration decisions should be robust, transparent and based on rigorous analysis of all relevant factors.

6. Overview of the submission process

- 6.1 A diagram describing the process for making a submission to the Tribunal appears on the following page.
- 6.2 More information on the submission process and the online form for making a submission are available on the Tribunal's website.

Diagram: process for making a submission to the Tribunal



7. Other remuneration and contractual matters: annual adjustment, mandatory contract terms and bonus opportunity

- 7.1 Boards may choose to increase a CEO's TRP by up to the Premier's annual remuneration adjustment guideline rate. The annual adjustment to TRP may be applied at any time during the financial year to which it relates, but not backdated prior to the start of that financial year.
- 7.2 The mandatory contractual terms and conditions for public entity executives applicable under the former Government Sector Executive Remuneration Panel framework which continue under PEER policy are:
- contract of employment to be offered for a period of up to five years
 - TRP includes salary, superannuation, the cost of a motor vehicle to an employer and the cost of other employment benefits and associated fringe benefits tax, but excludes general business expenses such as laptop computers, mobile phones or study leave
 - termination of contract provisions – the employer may terminate a contract by providing the executive with four months' notice in writing
 - no compensation for termination of a contract beyond payment in lieu of notice and accrued leave
 - an unexpired portion of a contract may only be paid out in exceptional circumstances, with the written consent of the relevant department Secretary
 - capped bonus opportunity for executives employed on or before 3 February 2020 (see below).
- 7.3 The mandatory terms and conditions outlined above are reflected in the template public entity executive contract available from the Victorian Public Sector Commission website. Boards of public entities are encouraged to use the standard executive contract template.
- 7.4 Bonus opportunities are being removed from public entity executive contracts. All new or renewed executive contracts entered into from 4 February 2020 onwards must not include a bonus opportunity.

Executives employed on or before 3 February 2020

- 7.5 From 4 February 2020, public entities must make a bonus buy-out offer to existing executives with an existing bonus opportunity in their contract in the form of a once-off uplift to their TRP in exchange for the removal of the bonus opportunity from their executive employment contract. All offers must be made and accepted by 1 May 2020.
- 7.6 For each public entity, the total sum of all bonus buy-out offers made to its executives must be no greater than 8 per cent of the combined value of TRPs (as at 3 February 2020) for existing executives that are eligible for bonus opportunities.
- 7.7 Subject to paragraph 7.6, the maximum bonus buy-out offer that can be made to an executive is given by the lower of the average rate of bonus payment received in the 2016–17, 2017–18 and 2018–19 financial years or 10 per cent of the executive's TRP as at 3 February 2020.
- 7.8 The final bonus opportunity will apply to the 2019–20 financial year and will be paid as a lump sum, separate to the bonus buy-out uplift to remuneration.

Executives who do not accept a bonus buy-out offer

- 7.9 The maximum bonus opportunity available to public entity executives employed on or before 3 February 2020 is either 17 per cent or 20 per cent, with the exception of health services executives, who are eligible for a maximum opportunity of 10 per cent. Subject to paragraph 7.11, an executive employed on or after 4 February 2020 will not be entitled to a bonus opportunity.
- 7.10 Bonuses should only be paid when an executive's performance exceeds planned targets. The total cost of bonuses in a public entity where a 17 per cent maximum opportunity currently applies cannot exceed 6 per cent of the pro rata aggregate of TRPs of those executives who are assessed for a bonus. Executives or public entities that have opted to retain the 20 per cent bonus opportunity are not subject to the 6 per cent total bonus average provisions.

Ongoing bonus opportunities

7.11 Specific roles at the Treasury Corporation of Victoria and the Victorian Funds Management Corporation will continue to be eligible for bonus opportunities. These roles will be determined by the Premier and the responsible Minister.

8. Contact

8.1 For further information regarding PEER policy, please contact the Tribunal, via this email address: enquiries@remunerationtribunal.vic.gov.au

9. Public entities specified to be subject to PEER policy

9.1 The public entities listed in the Table are subject to PEER policy. This has been determined in consultation with departments.

Table

Accident Compensation Conciliation Service
Agriculture Victoria Services Pty Ltd
AMES Australia
Architects Registration Board of Victoria
Australian Grand Prix Corporation
Ballarat General Cemeteries Trust
Barwon Coast Committee of Management
Barwon Region Water Corporation
Barwon South West Waste and Resource Recovery Group
Bellarine Bayside Foreshore Committee of Management (Inc)
Bendigo Cemeteries Trust
Bendigo Kangan Institute
Box Hill Institute (including the Centre for Adult Education)
BreastScreen Victoria
Capel Sound Foreshore Committee of Management Inc
Central Gippsland Region Water Corporation
Central Highlands Region Water Corporation
Centre for Books, Writing and Ideas
Chisholm Institute
City West Water Corporation
Coliban Region Water Corporation
Consumer Policy Research Centre
Corangamite Catchment Management Authority
Country Fire Authority
Dairy Food Safety Victoria
Development Victoria
Docklands Studios Melbourne
East Gippsland Catchment Management Authority
East Gippsland Region Water Corporation

Emerald Tourist Railway Board
Emergency Services Telecommunications Authority
Energy Safe Victoria
Environment Protection Authority
Falls Creek Alpine Resort Management Board
Fed Square Pty Ltd
Federation Training Institute
Game Management Authority
Geelong Cemeteries Trust
Geelong Performing Arts Centre Trust
Gippsland and Southern Rural Water Corporation
Gippsland Ports Committee of Management
Gippsland Waste and Resource Recovery Group
Glenelg Hopkins Catchment Management Authority
Gordon Institute of TAFE
Goulburn Broken Catchment Management Authority
Goulburn Ovens Institute of TAFE
Goulburn Valley Region Water Corporation
Goulburn Valley Waste and Resource Recovery Group
Goulburn–Murray Rural Water Corporation
Grampians Central West Waste and Resource Recovery Group
Grampians Wimmera Mallee Water Corporation
Great Ocean Road Coast Committee Inc
Greater Metropolitan Cemeteries Trust
Greyhound Racing Victoria
Harness Racing Victoria
Health Purchasing Victoria
Holmesglen Institute
Kardinia Park Stadium Trust
Launch Victoria
Legal Practitioners' Liability Committee
Loddon Mallee Waste and Resource Recovery Group
Lower Murray Urban and Rural Water Corporation
Mallee Catchment Management Authority
Melbourne and Olympic Parks Trust
Melbourne Convention and Exhibition Trust
Melbourne Convention Bureau
Melbourne Market Authority
Melbourne Polytechnic

Melbourne Recital Centre
Melbourne Water Corporation
Metropolitan Fire and Emergency Services Board
Metropolitan Waste and Resource Recovery Group
Mount Buller and Mount Stirling Alpine Resort Management Board
Mount Hotham Resort Management Board
North Central Catchment Management Authority
North East Catchment Management Authority
North East Region Water Corporation
North East Waste and Resource Recovery Group
Parks Victoria
Phillip Island Nature Park Board of Management
Port of Hastings Development Authority
Port Phillip and Westernport Catchment Management Authority
PrimeSafe
Public Transport Development Authority
Queen Victoria Women's Centre Trust
Royal Botanic Gardens Board
Shrine of Remembrance Trust
South East Water Corporation
South Gippsland Region Water Corporation
South West Institute of TAFE
Southern Alpine Resort Management Board
Southern Metropolitan Cemeteries Trust
State Sport Centres Trust
State Trustees Limited
Sunraysia Institute of TAFE
Sustainability Victoria (CEO Only)
Transport Accident Commission
Treasury Corporation of Victoria
Trust for Nature (Victoria)
V/Line Corporation
VET Development Centre
Veterinary Practitioners Registration Board of Victoria
VicForests
Victoria State Emergency Service
Victorian Arts Centre Trust
Victorian Asbestos Eradication Agency
Victorian Assisted Reproductive Treatment Authority

Victorian Building Authority
Victorian Equal Opportunity and Human Rights Commission
Victorian Funds Management Corporation
Victorian Health Promotion Foundation
Victorian Institute of Sport
Victorian Institute of Teaching
Victorian Managed Insurance Authority
Victorian Pharmacy Authority
Victorian Planning Authority
Victorian Ports Corporation (Melbourne)
Victorian Rail Track Corporation
Victorian Regional Channels Authority
Victorian Responsible Gambling Foundation
Visit Victoria
VITS LanguageLoop
Wannon Region Water Corporation
West Gippsland Catchment Management Authority
Western Region Water Corporation
Westernport Region Water Corporation
William Angliss Institute of TAFE
Wimmera Catchment Management Authority
Winton Wetlands Committee of Management
Wodonga Institute of TAFE
Working Heritage
Yarra Valley Water Corporation
Zoological Parks and Gardens Board

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