

# Prescribed Public Entity Executive Remuneration Guidelines

- Effective date 18 December 2020
- Revised July 2023 to reflect the *Remuneration bands for executives employed in prescribed public entities (Victoria) Annual Adjustment Determination 2023*

## 1. Introduction

- 1.1. In accordance with section 36(6) of the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 (Vic)*, the Victorian Independent Remuneration Tribunal (the Tribunal) makes these guidelines with respect to the placement of executives employed in prescribed public entities within the remuneration bands set by the Determination.
- 1.2. These Guidelines should be read together with the Determination in effect at the time.

## 2. How and when to use these Guidelines

- 2.1. A prescribed public entity employer must apply these Guidelines when setting the remuneration for an executive when:
  - (a) appointing a new executive;
  - (b) renewing an expiring contract; or
  - (c) making a remuneration adjustment in the employment contract (for example, when a position is re-structured or re-classified).
- 2.2. The Guidelines aim to assist public entity employers in placing executives within the relevant remuneration bands.
- 2.3. Ultimately, judgement will need to be exercised by a public entity employer when weighing up the various factors to determine the appropriate remuneration for the individual executive.

### 3. Guiding principles

The following overarching principles have been drawn from matters considered by the Tribunal in making the Determination:

**3.1. Executive remuneration should be fair and reasonable**

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

**3.2. Executive remuneration should be competitive**

Remuneration should be set at a competitive level, so as to attract and retain talented people.

**3.3. Executive remunerations arrangements should be robust**

Remuneration decisions should be robust and based on a consideration of all relevant factors as outlined in section 4.

### 4. Factors to be considered when determining the remuneration level

Together with the guiding principles, public entity employers must apply the work value score for the position under the Public Entity Executive Classification Framework (PEECF), together with some, or all, of the other factors outlined below when setting the remuneration of executives within the relevant remuneration band.

If the executive position has not been assessed under the PEECF, employers must first contact the Victorian Public Sector Commission (VPSC) to arrange a work value assessment prior to advertising the position (for a new appointment) or making an adjustment to the employment contract if it relates to an existing executive.

**4.1. The work value assessment score for the position under the Victorian Public Sector Commission's PEECF**

*(for further information on the PEECF please refer to the [VPSC's website](#))*

- (a) The PEECF enables public entity employers to classify executive positions using a work value assessment tool, which produces a work value score for each position. Generally, the higher the score, the more highly the position may be remunerated within the relevant band.

- (b) It should be noted, however, that work value scores should not be interpreted as equating to a fixed dollar value or increment within a relevant band. The only exception, in line with paragraph 7.2 of the Determination, is when the executive position has a work value score of at least 21 points, then the executive's TRP must no lower than \$216,376 per annum (based on 1.0 FTE).
- (c) Where a CEO position has a work value score of less than 21, the factors listed at paragraphs 4.3 to 4.7 below will assist in setting the executive's remuneration.

#### **4.2. The experience, knowledge and capability of the individual**

- (a) For an executive with no prior or little executive experience, remuneration at the base or in the lower half of the remuneration band may be appropriate.
- (b) For a relatively experienced executive, remuneration around the middle of the remuneration band may be appropriate.
- (c) For a highly experienced executive, with evidence of high performance, remuneration above the middle of the band may be required to retain or attract the executive and compete effectively in the market.

#### **4.3. The current remuneration of the individual**

Individuals recruited from a comparable position may warrant a higher level of remuneration to secure the candidate which may be a reason for increasing the executive's remuneration within the relevant remuneration band.

#### **4.4. Labour market pressures on the position**

Skills shortages in particular geographic areas or occupational categories, or niche skills required for the position may require a more competitive remuneration offering within the remuneration band.

#### **4.5. The remuneration relativities of other executives within the organisation**

- (a) Comparable position within the organisation should attract similar remuneration in order to maintain relativity within a peer group (recognising that some public entities have very few or only one executive).

This may result in an adjustment to the remuneration within the relevant band to more accurately reflect the remuneration of executives with comparable positions.

- (b) Particular consideration may also be required to achieve gender pay equity and reduce the gender pay gap for comparable executive positions across the organisation.

#### 4.6. Intra band reporting

- (a) When an executive reports to another executive and both are remunerated within the same band, the more senior position in the reporting relationship should receive a higher level of remuneration.
- (b) An exception may occur for specialist positions, where a higher level of remuneration is offered to attract a candidate with the particular knowledge and capability required for the position, despite the specialist reporting to a more senior executive.

#### 4.7. Transitional considerations

- (a) Where an executive has been assigned to a remuneration band based on TRP, but the position is subsequently classified by the employer following a PEECF assessment, an employer should consider the factors set out in paragraphs 4.1 to 4.6 if the employer determines that changes to the executive's remuneration within the band are warranted.
- (b) In line with paragraph 7.2 of the Determination, if an executive is paid below \$216,376, but the position has a score of 21, the executive's remuneration must be uplifted to a minimum of \$216,376.