

# Remuneration framework 2020-2021

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## Purpose

The NSW Public Service Senior Executive Remuneration Management Framework ('the Framework') provides a fair and transparent approach to determining executive remuneration. The intention of the Framework is to:

- Provide design principles for executive structures which can support Secretaries and heads of agencies to deliver on their strategies and corporate objectives.
- Ensure that all decisions-making processes relating to executive remuneration support the principle of equal remuneration for men and women doing work of equal or comparable value.
- Outline the approach, using an approved role evaluation methodology (Mercer/CED, OCR or Hay), for determining where within a senior executive band a role (or group of roles) is to be placed for the purpose of calculating its base remuneration point and discretionary remuneration range.
- Provide the formulas needed to calculate the base remuneration point and discretionary remuneration range for a senior executive role (or group of roles) based on the Statutory and Other Offices Remuneration Tribunal (SOORT) Determination for senior executives, which is effective 1 July each year.
- Provide guidance in the form of a Remuneration Decision Matrix about matters the Secretary or head of a separate agency may take into consideration when determining the remuneration of a senior executive upon assignment to a senior executive role.

- Outline the limited circumstances in which the following actions may be appropriate:
  - the remuneration of a senior executive to progress along the discretionary remuneration range applying to the senior executive role
  - the Secretary or head of a separate agency to approve remuneration beyond the discretionary remuneration range
  - the Secretary or head of a separate agency to seek remuneration above the band.

## What does remuneration mean?

Senior executives receive a total remuneration package (TRP), of which salary will be one component. Any reference to remuneration throughout the Framework is to a TRP, as defined in Appendix 3 Glossary of terms.

## Who does the Framework apply to?

The Framework is a guide for all Public Service agencies as listed in Schedule 1 of the GSE Act in respect to GSE Act senior executives (bands 1-3).

The NSW Health Service, NSW Transport Service and NSW Police Force may use the Framework as guidance provided by the Public Service Commissioner in respect to:

- Health Service senior executives (see Section 121D (1) and (2) of the *Health Services Act 1997*)
- Transport Service senior executives (see Section 68F (1) and (2) of the *Transport Administration Act 1988*)
- NSW Police Force senior executives (see Section 36 (1) and (2) of the *Police Act 1990*).

## When is the Framework applied?

The Framework should be implemented as and when Secretaries and heads of separate agencies create senior executive roles in bands 1 to 3 in order to determine the remuneration for those new roles. The Framework is also to be implemented when applying the annual SOORT determination increases and when considering progression over time within the discretionary remuneration range in accordance with the requirements of the agency's formal performance management system.

## Key features

The Framework outlines the process for determining executive remuneration. The process is summarised in section 1.6 *How to use the Framework – business case*.

More detailed information on creating roles, determining the band, the base remuneration point and remuneration adjustments are outlined in sections 2 to 4.

The relevant formulas for determining the discretionary remuneration ranges and a remuneration decision matrix are provided in Appendices 1 and 2.

## How to use the Framework – business process

### Step 1: Create a senior executive role

Determine the band using the Senior Executive Work Level Standards and develop a role description using the Role Description Guideline (Refer 3.2 & 3.3).

Example outcome: Role determined is a senior executive Band 1

### Step 2: Evaluate the role description for the role

Evaluate the role description using the agency's methodology (Mercer/CED, Hay or OCR) to determine the work value points and place the role within the band (Refer 3.4).

Example evaluation: Work value points using Mercer/CED evaluation is 680 points

### Step 3: Determine the base remuneration point for the role

Calculate the base remuneration point (BRP) using the appropriate base remuneration formula (BRF) in Appendix 1, Table 1 (Mercer/CED, Hay or OCR for the relevant band 1, 2, or 3) and the individual work value points for the role obtained in Step 2 (Refer 4.1).

Example calculation: Mercer/CED BRF for Band 1 is:  $185.099 \times 680 + 68,584 = \$194,451$  (the BRP)

### Step 4: Determine the maximum discretionary remuneration range for the role

Obtain the maximum discretionary remuneration range for the role by adding the BRP for the role obtained in Step 3 with the appropriate discretionary remuneration range (DRR) for the band in Appendix 1, Table 2 (Refer 4.2).

Example calculation: DRR for Band 1 is up to \$23,054:  $\$194,451$  (BRP) +  $\$23,054$  (DRR) =  $\$217,505$  (the maximum discretionary remuneration)

## Step 5: Determine the initial remuneration for a senior executive assigned to a role

Determine where within the DRR for a role the individual senior executive should be paid using the Remuneration Decision Matrix in Appendix 3 (Refer 5.1).

Example calculation: Potential remuneration for the Band 1 role is \$194,451 (BRP) up to a maximum of \$217,505. Remuneration is determined at \$194,451 (the bottom of the range) based on the assessment of the individual senior executive's capability and knowledge & experience.

## Step 6: Increase remuneration over time

### SOORT Annual Determination

Apply the updated formulas for each senior executive role from 1 July each year (Refer 4.52).

Adjust each senior executive's current remuneration point to incorporate the determined increase from 1 July each year (Refer 4.2).

### Performance Management System

Review senior executive's performance in accordance with the requirements of the agency's formal performance management system and approve progression within the discretionary remuneration range (Refer 5.3).