

Code of Practice for the Governance of State Bodies

Remuneration and Superannuation

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Remuneration and Superannuation

Introduction

The purpose of this document is to set out the Remuneration and Superannuation requirements to be observed by State bodies under the *Code of Practice for the Governance of State Bodies*.

Chairpersons and Boards of all State bodies are required to implement Government policy in relation to the total remuneration package (including basic salary, allowances, and all other benefits in cash or in kind), and in relation to other provisions for superannuation and termination benefits, of the Chief Executive Officers (CEOs)/Managing Directors of State bodies.

Chairpersons and Boards of State bodies are also required to implement any relevant Government policy, as expressed from time to time, with regard to the remuneration of the Board and all other staff.

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1. Remuneration and Superannuation

Principles

Chairpersons and Boards of all State bodies are required to implement Government policy in relation to the total remuneration package (including basic salary, allowances, and all other benefits in cash or in kind), and in relation to other provisions for superannuation and termination benefits of the CEOs/Managing Directors of the State bodies.

Chairpersons and Boards of State bodies are also required to implement any relevant Government policy, as expressed from time to time, with regard to the remuneration of the Board members and all other staff. This role is essential to maintaining public trust in as well as the credibility and reputation of the public body concerned.

The Board should adhere to Government policy on the payment arrangements for CEOs and, where applicable, other staff in commercial State bodies as well as any conditions of sanction of approval issued by the Department of Public Expenditure & Reform and/or the relevant parent Department.

State bodies are required to publish in their annual report details of non-salary-related fees paid in respect of Board members, analysed by category, and the salary of the CEO.

Code Provisions

- 1.1** Chairpersons and Boards of all State bodies are required to implement Government policy in relation to the total remuneration package (including basic salary, allowances, and all other benefits in cash or in kind), and in relation to other provisions for superannuation and termination benefits of the CEOs/Managing Directors of the State bodies.
- 1.2** **Departmental Arrangements:** Arrangements put in place by the parent Department or the Department of Public Expenditure and Reform for determining and approving the remuneration of the CEO/Managing Director should also be adhered to and implemented.
- 1.3** **Other Staff:** Chairpersons and Boards are required to implement Government pay policy as expressed from time to time, in relation to other staff including, as appropriate, the CEO or equivalent and other staff of any subsidiary, as relevant.
- 1.4** **Departmental Consultation:** The Department of Public Expenditure and Reform should be consulted in good time prior to the implementation of any pay proposals, and of any likely developments, which could have significant implications for:
 - general Government pay policy;
 - the State body's finances;
 - charges for goods or services provided; and/or
 - other areas of the public sector.

- 1.5 Public Service Standards:** Compliance with Government pay policy or with any particular Government decision should not be effected in ways which cut across public service standards or integrity or conduct or involve unacceptable practices which result in a loss of tax revenue to the Exchequer.

Commercial State Bodies

- 1.6 Government Policy on Payment Arrangements:** The Board will adhere strictly to Government policy on the payment arrangements for CEOs and, where applicable, other staff in commercial State bodies as well as any conditions of sanction of approval issued by the Department of Public Expenditure & Reform and/or the relevant parent Department.

- 1.7 CEO Contract:** The CEO of each commercial State body shall hold office subject to the terms and conditions as determined by the Board of the State body with the consent of the relevant Minister and the Minister for Public Expenditure and Reform. Proposed draft contracts for employment, including the amount of the proposed remuneration, must be submitted for approval by the relevant Minister in advance of being presented to prospective CEOs.

A template contract of employment, containing all the relevant terms and conditions for employment of the CEO, has been approved by the Minister for Public Expenditure and Reform and endorsed by the Office of the Attorney General. CEOs should only be employed on the basis of a signed sanctioned contract based on this template contract. The template contract of employment is available from the Remuneration, Industrial Relations and Pensions Division of the Department of Public Expenditure and Reform.

- 1.8 Recruitment Process:** Save in exceptional circumstances, and then with the agreement of the relevant Minister, the CEO should be recruited after a competitive process, and the contract should be signed prior to the CEO taking up duty.

- 1.9 Remuneration of CEOs:** The Government reserves the right to vary the CEOs remuneration over the terms of their contracts by virtue of the application of public sector pay policy. While matters relating to the terms and conditions of new CEOs, or changes in the terms and conditions of sitting CEOs, are properly subject to discussion by the Board of each commercial State body, these must be authorised by the relevant Minister, in consultation with the Minister for Public Expenditure and Reform, in advance of any offer being made to the CEO. No sanction of approval will be given in respect of an offer of remuneration to the CEO unless it is in line with Government policy and in accordance with the relevant guidelines on the permissible range and limits of CEO pay. This applies to the recruitment of a new CEO and to any change in remuneration subsequent to the signing of a contract.

- 1.10 Duration of Contract:** It is the policy and practice across all Departments that the term of the contract of a CEO (or equivalent) of a commercial State body is normally limited to a single contract period of between five and seven years. This contract will not be renewable. The fact that contracts are of a fixed term nature has been taken into account in setting the appropriate level of remuneration for these posts. The template contract also stipulates that the Unfair Dismissals Acts do not apply to a dismissal consisting only of the expiry of the contract period.

This contract period also applies where the appointee is from within the commercial State body or a subsidiary thereof. In this case, the CEO contract must state unequivocally that it is separate and distinct from any earlier contract of employment.

1.11 Superannuation: There are three possible pension options for new CEOs. Administration costs of these pension schemes (except for standard commercial fees) will be met by the State body. They are as follows:

1. Contributory Defined Benefit scheme covering only the term of the CEO appointment, providing a pension of 1/80th of basic salary, and a lump sum of 3/80th of basic salary, for each year of service as CEO.
2. Company pension scheme - if the CEO is already a member of a company pension scheme, then he or she may elect to continue as a member of that scheme. The rules of the scheme will continue to apply although they may be amended to reflect any Government Decisions or legislation applicable to the CEO.
3. A separate Defined Contribution scheme with the company contributing a maximum of 25% of the CEO's basic salary during the term of the contract.

1.12 Staff below CEO Level: Unlike CEOs of commercial State bodies, the terms and conditions of the senior managers reporting to them are generally not governed by specific legislation relating to the State body concerned. However, the State body is required (in relation to all staff) to have regard to, and to implement, the Government's policy on pay and related matters.

The pay levels of senior staff should be set by reference to pay levels of posts with similar levels of duties and responsibilities in comparable employments but should also take account of the approved salary of the CEO of the State body. The salary of senior management should also be set at a level that allows sufficient headroom between the CEO and the senior management.

In relation to perquisites, it is important that these are kept to an appropriate level. Any perquisites should in no case exceed those available to the CEO and a reasonable differentiation between the CEO and other senior management should be maintained.

1.13 CEO Board Fees: In accordance with the One Person One Salary rule a CEO who is ex officio a Board member of a commercial State body will not be paid any fees or other form of compensation whether in cash or in kind in respect of the role as Board member.

Non-commercial State Bodies

1.14 Guidelines on Appointments of CEOs: Guidelines on the appointments of CEOs of non-commercial State bodies (including a standard employment contract template) are available from parent Departments.

1.15 Single Pension Scheme: Pension provision for all persons, including senior management and CEOs, who are recruited by non-commercial State bodies (and other public service employers) on or after 1 January 2013 shall consist solely of membership of the Single Public Service Pension Scheme. This provision

applies in all cases except where exempted under law (Public Service Pensions (Single Scheme and Other Provisions) Act 2012), and notwithstanding the existence in place of any private voluntary pension scheme for staff recruited on or prior to 31 December 2012.

2. Fees to Board Members

Principles

As set out in the Code of Practice for the Governance of State Bodies, Board members play a number of critical roles in setting the strategic direction and overseeing the performance of State bodies which are discharging key responsibilities laid down in legislation.

Inherent in the role of the Board is that of public value in seeking to ensure that the State body carries out its responsibilities as effectively and efficiently as possible and maximises its contribution to outcomes for citizens.

The reformed system of appointments to State Boards highlights the objective to attract high calibre individuals from all walks of life to serve on State Boards. Remuneration arrangements for Board members of State bodies reflect the ethos of public value.

Code Provisions

- 2.1 Authorised Fee Levels:** In general, for fees to be payable to the Chairperson or members of a Board, an enabling provision in the legislation governing the State body concerned is required. Such a provision typically specifies that members may be paid such remuneration (if any) which the relevant Minister, with the consent of the Minister for Public Expenditure and Reform, may determine. Current fee rates for Category 1 - 4 State Boards are available from the Remuneration, Industrial Relations and Pensions Division of the Department of Public Expenditure and Reform.
- 2.2 One Person One Salary Rules:** Since 1 November 2011 under the One Person One Salary principle it has been a requirement of that principle that public servants and public sector employees (with the exception of certain worker Directors of commercial State bodies only) who sit on State Boards may not be paid Board fees. The criteria previously used to determine the eligibility of public servants and public sector employees to receive Board fee payments no longer applies in any such cases. This applies to all Board members, including those in place prior to 2011, and also to full-time executive Board members who operate on a salaried basis. The implementation of and adherence to these arrangements is the responsibility of the State body concerned.
- 2.3 Option to Waive Board Fee:** It is a requirement since January 2012 that all existing Board members of State bodies, and any members that may be appointed in the future to such Boards, are to be given the option by the relevant Minister to waive the related Board fee on a discretionary basis as a matter of formal protocol. The implementation of the arrangements necessary to ensure adherence to this requirement is a matter for the relevant Government Departments and State bodies concerned.
- 2.4 Authorised Fee Rates:** The Board of the State body must ensure that the fees paid to Chairpersons and the Board are at the rates sanctioned and approved by the Minister for Public Expenditure and Reform and that no fees are paid to public servants or public sector employees (with the exception of certain worker Directors of commercial State bodies only) under the One Person One Salary rules.

- 2.5 PRSI:** In general, fees paid to a Chairperson, Board members/Directors (including Worker Directors) of a State body are exempt from PRSI. Such persons are deemed to be Office Holders, provided the State body was created by an Act of the Oireachtas or by statutory regulation and provided the holder of the Office may be removed if the instrument creating the Office authorises it. (Scope Section, Department of Social Protection provides direction and information on the insurability of employment in accordance with law).
- 2.6 Tax:** Board fees are subject to taxation. The requirements are set out in Statement of Practice SP-IT/1/04 (Revised April 2011) *'Tax Treatment of Remuneration of members of State and State Sponsored Committees, Boards, Commissions and other Bodies'*, available from the Office of the Revenue Commissioners. Any queries in this regard should be directed to the Office of the Revenue Commissioners.
- 2.7 Subsidiaries:** The fees paid to the Chairperson or Board members/Directors of any subsidiary or associated body will not exceed the rates applying to the Chairperson or Board member/Directors, respectively, of the main body and will, as a general rule, be significantly less. Any such fees must be at the rates sanctioned and approved by the Minister for Public Expenditure and Reform.
- 2.8 Single Fee:** Only one fee will be payable to a person in respect of (a) service on the main Board of a State body and Boards of subsidiary or associated bodies or (b) service on subsidiary or associated State Boards only.
- 2.9 External Boards:** An executive other than the CEO will, subject to Board approval, be allowed to hold membership of the Boards of State funded bodies which are not subsidiary to or associated with the main body, but may not receive a Board fee under the One Person One Salary rules.
- 2.10 Chairperson's Comprehensive Report:** As part of the Chairperson's comprehensive report to the relevant Minister, the Chairperson should affirm that Government Pay Guidelines is being complied with in respect of such appointees who serve on the Board and any subsidiaries of State bodies. The Chairperson's comprehensive report should also include a schedule of the fees paid to each Board member.

Funded Pension Schemes and Minimum Funding Standard Requirements

- 2.11 Funded Pension Schemes:** Funded pension schemes established by employers (both public and private) to provide superannuation benefits for their employees are required (with certain exceptions) to comply, inter alia, with minimum funding standards set out in the Pensions Act 1990, as amended. If the assets of a scheme's fund are judged by the scheme's actuary to be insufficient to meet the funding standard, the Act provides that a funding proposal to meet the deficit must be prepared and forwarded to the Pensions Authority.
- 2.12 Funding Proposal for Pension Scheme:** Where such a funding proposal is required to be prepared for a funded pension scheme of a State body, in preparing the funding proposal the State body should have regard to the Guidance Note issued by the Department of Public Expenditure & Reform on 27 June 2014

[\(Circular 12/2014 – Assessment of Pension Scheme Funding Proposals\)](#). The draft funding proposal should, prior to final agreement between the State body's Board and the scheme trustees, be submitted for the approval of the relevant parent Department, given with the agreement of the Department of Public Expenditure and Reform. Only following this approval should the funding proposal be forwarded to the Pensions Authority (or, as the case may be, the Revenue Commissioners) for approval.

3. Travel and Official Entertainment

Principle

Commercial and non-commercial State bodies should be cognisant of the need to achieve economy and efficiency in expenditure on travel and official entertainment.

Code Provisions

- 3.1 Travel Circulars:** Non-commercial State bodies should adopt, and comply in all respects with, the Department of Public Expenditure and Reform circulars and office notices regarding travel and subsistence, as amended from time to time.

Board members and employees must claim travel and subsistence only in respect of official business and not personal travel or accommodation and must not make a claim from more than one State body for the same journey. All Travel and Subsistence claims must have a clear stated business purpose.

The Department of Public Expenditure and Reform [Circular 5/2015: Subsistence Allowances](#) sets out rates of subsistence allowance, which apply where applicable.

- 3.2 International Travel:** Non-commercial State bodies that incur significant expenditure on international travel by employees or members of the Board should put in place appropriate monitoring and control procedures to ensure compliance with relevant Department of Public Expenditure and Reform circulars and requirements.

- 3.3 Official Entertainment:** Department of Finance [Circular 25/2000: Official Entertainment](#) sets out the entertainment allowances, the limits on expenditure on official entertainment, and the numbers that can be accommodated at any given event (dependent on the grade or position of the host).

Glossary

For the purpose of this Code, the terms below shall have the following meaning:

- **Annual Report** – A report detailing the State body’s activities and financial performance during the preceding year. It includes the financial statements and may generally also include reports from those charged with governance (for example, the Chairperson of the Board), a review of the State body’s strategy and performance, information on risk management and governance, alongside other information for stakeholders.
- **CEO** – Chief Executive Officer.
- **Chairperson’s Comprehensive Report to the Minister** – A confidential letter from the Chairperson of the Board of a State body to the Minister of the parent Department.
- **Financial Statements** – A formal record of the financial activities and position of the State body for the previous financial year, including disclosures, intended to communicate the State body’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework.
- **Parent Department** – The Department under whose aegis the State body lies.
- **State Body** – See page 11 of the Code of Practice.
- **Subsidiary** – A subsidiary is a company that is controlled by the holding or parent company – often indicated by holdings of more than 50% of the voting share capital of the company. A wholly owned subsidiary is 100% owned by a holding or parent company.

Introduction

In matters of official travel and subsistence, non-commercial State bodies should adhere to civil service procedures as set-out in guidance issued by the Department of Public Expenditure and Reform, either communicated directly or via the parent Department. Similarly, commercial State bodies should also be cognisant of the need to achieve economy and efficiency in their expenditure on official travel and should have a policy in place that covers both domestic and international travel.

The Board of the State body should satisfy itself that the principles of its travel policy are adhered to and that the internal audit process is effective in ensuring that the State body is fully complying with the policy.

Board members should be advised of the details of the State body's travel policy. Board members and employees must only claim travel and subsistence allowances in respect of official travel and must not make a claim from more than one State body for the same journey.

Intent and Scope

The purpose of the travel policy should be to ensure that value for money is obtained in respect of each official trip undertaken, consistent with the requirements of official business. Alternatives to frequent travel, such as use of video conferencing facilities, should also be considered.

Domestic Travel

- Maximum use to be made of public transportation options for official travel; the use of taxi services should be rationalised as much as possible.

Air Travel

- A statement of the practice to be followed e.g. the criteria to be applied in choosing either restricted internet fares or fully-flexible economy class fares, where this approach is cost-effective.
- Outline of the exceptional circumstances in which more expensive Business Class options may be considered (the use of premium rates can rarely be justified).
- Frequent flyer points should not influence decisions taken in relation to the carriers used for official business.

Accommodation

- A statement to the effect that if an employee is not required to stay in a particular hotel for business reasons, the standard of hotel used should not be extravagant e.g. that three or four star hotels should be used.

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