

Appendix One

Remuneration and performance policy

Objective

ACC's organisational success depends on performance measures being achieved by all employees across the organisation. This policy provides a consistent, transparent and flexible framework for rewarding and recognising the contribution of all employees, through individual performance measures, by applying a performance based remuneration model. This enables ACC to attract, motivate and retain the right people with the right skills.

Scope

All ACC employees.

Standards

ACC benchmarks itself against the wider New Zealand market to ensure we provide competitive remuneration for our employees, allowing us to recruit and retain the talent we need to achieve organisational success.

Your performance will be assessed annually through the Performance Development Cycle. ACC is committed to providing performance based rewards to all employees who perform at or above the standards required of them, subject to organisational performance and affordability.

Pay bands

Every position in ACC, excluding casual positions, has a pay band within which individual salaries are set and reviewed. The pay band for a role is set by the job evaluation process, which determines the size of a position. We currently use the Hay job evaluation methodology to do this.

Pay bands state the salary range which applies to a given role. The salary range for each band is 85% - 120% of the applicable market rate, determined annually through Hay salary data. Your pay band is reviewed annually against the market rate and may increase to maintain alignment with comparable roles in the market.

The pay band you are on will be determined by:

- your role; and
- whether or not you accepted the R3 terms (the R3 Offer).

Pay bands are different for those people who accept the R3 Offer because they have been consolidated; meaning similar jobs are grouped into a smaller total number of bands. We committed to retaining your existing terms and conditions if you do not accept the R3 Offer, so we have retained all previous pay bands and will continue to apply these to roles where R3 does not apply to the incumbent person.

Pay for performance

ACC's performance year runs from 1 July - 30 June, but the performance year for employees is delayed by one month to ensure meaningful objectives and competencies can be set taking into consideration what was achieved in the previous performance year, and to measure achievement against these based on the whole of ACC's data from the performance year.

All employees are set objectives and competencies at the beginning of the performance year in July. Their achievements against these are assessed through an 'end of year review' in August. The 'end of year review' will determine an employee's performance rating on a five point scale. This process is known as the Performance Development Cycle.

Performance increases based on the past year's performance rating are effective from 1 July.

Most employees who have performed at or above the required standard will be eligible to receive a performance based pay increase as a result of this process. Those who do not include:

- anyone who commenced employment with ACC on or after 1 April of the current performance year, or who worked for less than three months of the performance year
- some employees within the Clinical Services Directorate and Investments Team
- casual employees
- members of the Executive.

The performance based increase is determined by a number of factors:

- organisational affordability
- ACC's organisational performance
- the employee's pay band and current salary
- the employee's performance rating, based on the achievement of objectives and competencies through the annual Performance Development Cycle
- the type of Employment Agreement in place for each employee, including whether or not the R3 Offer is accepted.

The 2014/15 performance year pay tables

Each performance year pay tables will be produced to determine performance based rewards for employees. The tables may vary year on year according to the factors detailed above.

For employees who accepted the R3 Offer

Under R3, your Position in Range (PIR) will influence the size of your performance reward. A weighting has been applied to the performance pay table, so employees who perform well and are low in their PIR can move faster towards 100% of their pay band.

Performance rewards are through base salary increases, lump sum payments or a combination, depending on your PIR. The higher you are in your range the more likely you are to get a partial or full lump sum payment instead of an increase in base pay.

For employees who did not accept the R3 Offer

Employees who did not accept the R3 Offer will be entitled to receive performance related increases, which includes any entitlements to remuneration increases from their employment agreements.

Notes:

- The pay table is subject to the monitoring of market movement through the 2014/15 performance year and ACC's organisational performance.
- Where an employee's entitlements to remuneration increases are more favourable in their employment agreement these will be honoured.

If you are not on R3 terms but would like to transfer onto these (whether you are on an individual or collective employment agreement) you may do so at any time. However, if you transfer onto R3 terms effective from any date between 1 April and 30 June, the R3 performance based pay table will not be effective until the July that follows the next performance year. You will remain on the performance pay table applicable to employees who did not accept the R3 Offer until that time.

Overpayments

ACC will make all reasonable efforts to prevent overpayments occurring. However, in the event that you are overpaid, ACC may recover the amount of overpayment provided that you are given written notification of:

- a. the intention to recover an overpayment
- b. the amount to be recovered and timeframe for recovery
- c. an explanation of the reasons for the overpayment.

Manager's responsibilities

Managers are responsible for:

- managing and assessing employee's performance by applying the Performance Development Cycle
- ensuring accurate and up-to-date position descriptions exist for each position to enable accurate job evaluation
- managing any exceptions to the provisions of the Remuneration policy by seeking advice from the Remuneration Specialist, and working within the authority limits set out within the Delegations Manual at all times.

Accountabilities

The Chief Talent Officer is responsible for ensuring organisational controls are in place in support of this policy.