

Governors-General—Salary and Pension

Introduction

This Research Note explains the salary and pension payable to Governors-General. It does not discuss other entitlements of office.

Section 3 of the Constitution specifies a salary of £10 000 payable to the Governor-General until 'Parliament otherwise provides'. Parliament did not legislate on the salary of Governors-General until the *Governor-General Act 1974* (the Act). Salaries are now set for each incoming Governor-General by an amendment to the Act.

The First Governor-General

The sum of £10 000 first appeared in financial estimates produced at the 1897 Constitutional Convention. These estimates were circulated during consideration of the draft constitution and a salary of £10 000 was ultimately included in the *Commonwealth of Australia Constitution Act 1901*. This amount was paid as salary to Australia's first Governor-General, Lord Hopetoun. In Edmund Barton's view, both the 1897 Convention and the framers of the Constitution always intended to provide allowances additional to salary. In May 1902, Barton introduced a Bill providing £8000 per annum 'to assist in defraying the Governor-General's establishment'.¹ Lack of support ensured the Bill was never brought to the vote in its original form. Instead, Parliament enacted an amendment that provided Hopetoun with a one-off payment of £10 000 to defray personal expenses incurred during the 1901 royal visit. At Parliament's apparent refusal to grant an ongoing increase in allowances, Hopetoun resigned his commission writing 'I have already strained my private resources beyond all justification'.² There were two consequences of the furore that followed—estimates of establishments' expenditure³ were

Governor-General	Salary (\$)
Rt Hon. Sir John Kerr, AK, GCMG, GCVO, QC	30 000
Rt Hon. Sir Zelman Cowen, AK, GCMG, GCVO, QC	37 000
Rt Hon. Sir Ninian Stephen, KG, AK, GCMG, GCVO, KBE	70 000
Hon. William Hayden, AC	95 000
Hon. Sir William Deane, AC	58 000
Hon. the Right Reverend Dr Peter Hollingworth, AC, OBE	310 000
Major General Michael Jeffery, AC, CVO, MC	365 000

consolidated so that parliamentarians could more easily grasp proposed expenditure; and successive Commonwealth governments were thereafter reluctant to approach the issue of vice-regal salary. Despite adjustments to establishments costs after 1902, many early Governors-General still found it necessary to meet certain requirements of the office from their own purse.

Governor-General Act 1974

With the introduction of the Governor-General Bill 1974, the Whitlam government acknowledged that appointment to the office of Governor-General should not depend on a candidate's 'personal wealth or the availability of other income'. Whitlam also put forward two principles that are still applied when Parliament considers salary—salary should be dealt with in a non-partisan way; salary should recognise the importance and place of this high office.⁴ The 1974 bill proposed an increase to \$30 000 for the incoming Governor-General, Sir John Kerr. By this time while salary had not increased, expenditure on the Governor-General's office and establishments had increased markedly since the mid 1950s, rising to \$708 047 in 1972–73.⁵

Salary

Parliament, therefore, has agreed to the salary arrangements for incoming Governors-General since 1974. The Constitution also provides that this salary cannot be altered

during a Governor-General's term of office, usually five years.

Income and Taxation

The *Income Tax Assessment Act 1997* was amended in 2001 to allow the taxation of the Governor-General's salary. This was reflected in an increased salary for incoming Governor-General Peter Hollingworth. Governors-General had been exempt from taxation on official salary since at least 1922 and on any overseas income since 1936.

There is no legislative requirement on Governors-General to reduce their salary to take account of any other income or allowances. At his own instigation, Sir William Deane's salary was reduced to take account of the pension he received as a former Justice of the High Court. It is reported that Governor-General Michael Jeffrey intends to give his military pension to charity.⁶

Setting the Salary

The Governor-General's salary is conventionally linked to the salary of the Chief Justice of the High Court. Although the link was not mentioned in debate on the 1974 Bill or 1977 amendments, this convention has been outlined in Parliament by the responsible Ministers since 1982.⁷ Prior to 2001, salary was set by calculating the after-tax equivalent of the Chief Justice's salary at the time of appointment. The average after-tax salary of the Chief Justice over a notional five-year term was

estimated, taking into account future possible increases. The vice-regal salary was then set to 'moderately exceed' this average.⁸ The salary is now set to moderately exceed the estimated average salary of the Chief Justice over a notional three year term of office.⁹

Pension

A pension scheme for retired Governors-General was introduced with the Act in 1974. Earlier governments had sometimes found it necessary to provide ex-gratia payments to former Governors-General and their widows.¹⁰ The pension scheme is an unfunded, defined benefit scheme¹¹ with the Secretary of the Department of Prime Minister and Cabinet as Trustee.

The scheme is non-contributory, that is, Governors-General do not contribute a percentage of salary to the scheme that provides their pension. The pension is paid out of the Consolidated Revenue Fund as an *annual allowance* for life.

The Annual Allowance

The annual allowance is also subject to income taxation.

The superannuation contributions' surcharge was implemented for Governors-General in 1997.¹² Since 2001, Governors-General or their widowed spouses have been allowed to convert part of the annual allowance to a lump sum in order to pay a surcharge debt.¹³ The annual allowance is reduced accordingly.

The amount of annual allowance payable does not depend upon length of tenure. A retiring Governor-General becomes eligible for the same allowance whether they serve one week or five years at Government House. The manner in which a Governor-General leaves office does not affect the allowance in any way.

Calculations

The likely pension of an outgoing Governor-General is sometimes reported as being equivalent to 60 per cent of the salary of the Chief Justice of the High Court.¹⁴ This is not necessarily correct. Under the Act, it is the *basic rate* that is

defined as 60 per cent of the current salary of the Chief Justice of the High Court.¹⁵ The annual allowance is then calculated *at 85 per cent of, or at a prescribed percentage of, the basic rate, whichever is higher*. The prescribed percentage is calculated using a formula comprising the *surcharge adjustment* over time and the basic rate. Currently, the annual salary of a Chief Justice is \$336 450.¹⁶ Therefore the basic rate, being 60 per cent of this amount, is \$201 870. The annual allowance would then be *at least 85 per cent of this amount*.

In effect, the amount of annual allowance is dependent upon a Governor-General's surcharge debt at the time of retirement. This is a personal taxation and actuarial matter and not within the scope of this Note.

Upon the death of a retired Governor-General, their spouse receives five-eighths of the allowance payable, reduced by any other pension received.

Indexation of Allowance

Any increase in the salary of the Chief Justice of the High Court will cause a corresponding increase in the annual allowance paid to retired Governors-General. Any increase flows to the basic rate from which the annual allowance is calculated.

Double-dipping?

The Act requires that the basic rate be reduced by the amount of any other Commonwealth, State or Territory government-funded pension received by the retiring Governor-General.

1. A Bill for an Act Relating to the Governor-General's Establishment, 1st reading print, 30 April 1902.
2. Telegraph from Hopetoun to Chamberlain, Secretary of State for Colonies, 5 May 1902.
3. Expenditure includes upkeep to residences, postage, telephone and electricity and some staff salaries.
4. House of Representatives, *Debates*, 9 April 1974, p. 1248.
5. Senate, *Debates*, 10 April 1974, p. 879.

6. *Governor-General Amendment Bill 1995: explanatory memoranda* and B. Toohey, 'G-G can best serve us by keeping quiet' *Australian Financial Review*, 28 June 2003, p. 49.
7. House of Representatives, *Debates*, 29 April 1982, p. 2086.
8. *ibid.*, 6 June 2001, p. 27339.
9. *ibid.*, 24 June 2003, p. 17319.
10. *ibid.*, 9 April 1974, p. 1248.
11. 'Unfunded'—when a pension becomes payable, benefits are funded from an appropriation within the Commonwealth Budget. 'Defined Benefit'—the entitlement is, generally, a multiple of years of service and a percentage of salary; this does not apply to the pension of Governors-General but the amount is nonetheless fixed by a formula not by market returns on investments.
12. [Superannuation Legislation Amendment \(Superannuation Contributions Tax\) Act 1997](#).
13. [Governor-General Legislation Amendment Act 2001](#).
14. D. Atkins, 'It pays not to be so petty-minded', *Courier Mail*, 28 May 2003.
15. [Governor-General Act 1974](#), subsection 2A(2).
16. From 1 July 2003 as determined by the Remuneration Tribunal, but not yet tabled. Determinations are subject to disallowance. See [Determination 2003/12](#) Table 1 *Rates of Remuneration—Judicial Offices*. Rates effective 1 July 2002 from [Determination 2002/21](#) may apply at the time of reading.

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