

APPENDIX 3

INFORMATION ON SUPERANNUATION WHICH WAS PROVIDED TO OASITO BY THE COMMONWEALTH SUPERANNUATION GROUP, DEPARTMENT OF FINANCE AND ADMINISTRATION

Senate Foreign Affairs, Defence and Trade References Committee
Answers to questions on notice - Supplementary Hearing - 29 November 1999
Office of Asset Sales & IT Outsourcing

Senator Hogg asked (Hansard 29 November 99 page FAD&T 180):

Can you make available advice provided by the superannuation people in the Department of Finance and Administration in respect of superannuation?

Answer:

The following information was provided to OASITO by the Commonwealth Superannuation Group, Department of Finance and Administration.

CSS/PSS benefits on separation for employees affected by a sale, transfer or outsourcing.

The following comments are intended to provide a broad outline of the benefit options that apply to employees affected by a sale, transfer or outsourcing of an agency.

Before CSS/PSS members affected by a sale, transfer or outsourcing of an agency take any action or make any election in respect of superannuation, members are strongly advised to seek specific information based on their own individual circumstances. Employees could seek counselling from ComSuper with regards to any special circumstances that may apply in individual cases and they should also look at the ComSuper publications *CSS Your Super Scheme* and *PSS The Super Book*. Reference should also be made to the appropriate superannuation rules and legislation. This paper is not a substitute for the CSS and PSS rules and legislation.

Post 1 July 2000

From 1 July 2000 the CSS/PSS arrangements will require that members preserve at least the employer financed component of all lumpsum benefits before minimum retirement age.

Permanent, Temporary or Fixed -Term Contract Employees?

The provisions set out below apply equally to all types of employees, including employees on a fixed term contract who have not completed their contract at the time of the sale, transfer or outsourcing event. The rules for the PSS and CSS provide that where the contract of employment differs from 'normal' superannuation arrangements, the provisions in the contract will normally apply.

Superannuation Industry (Supervision) Act 1993 (SIS Act)

The SIS Act prescribes prudential and operating standards for superannuation funds and these standards can affect the benefit options available to an individual involved in a sale, transfer or outsourcing process. For example, SIS does not allow a cash in

hand payment of superannuation benefits (eg. lump sum, pension, etc.) when there is a change of owner and not a change of employer, as occurs when there is a sale of shares. The SIS Act also sets out the minimum preservation requirements. Prior to 1 July 1999 the minimum amount of CSS and PSS benefits which had to be preserved under SIS was equivalent to the Superannuation Guarantee (SG) minimum benefit. However, changes to the SIS preservation rules and scheme specific rules (eg CSS/PSS rules) may mean that more than that required under SIS will be required to be preserved.

Options available on sale, transfer or outsourcing when there is a change of owner but no change in employer

Where the employee continues in employment when there is no change of employer, (eg. when the Commonwealth sells shares in an organisation), the member has the following options:

Table Sale, Transfer or Outsourcing Options

CSS	PSS
<p>Rollover option* Employees who are: required to cease CSS membership in circumstances connected with a sale, transfer or outsourcing; and are under 55 may rollover an amount equal to the total involuntary retirement (redundancy) lump sum benefit</p>	<p>Rollover option* Employees who are: required to cease PSS membership in Circumstances connected with a sale, transfer or outsourcing; and are under 55 May rollover an amount equal to the total involuntary retirement (redundancy) lump sum benefit.</p>
<p>Preserve the total benefit Benefit entitlement can be preserved in the scheme until at least minimum retiring age (or earlier, in cases of invalidity retirement or death). In a sale, transfer or outsourcing two preservation options are available:</p> <p>Standard preservation - (Available if under minimum retiring age) CPI indexed pension based on 2.5 times members basic contributions plus interest earned until commencing pension. Plus payment of accrued member and productivity benefit, which may be received as a non-indexed pension.</p>	<p>Preserve the total benefit Total benefit entitlement is preserved in the scheme until at least age 55 and leaving the workforce (or earlier, in cases of invalidity retirement or death). Member and productivity component continue to earn interest. Remaining employer financed component increased in line with CPI.</p>

<p>Delayed Updated Pension (DUP) - (available irrespective of age) provides a CPI indexed pension on retirement from the work force after age 55 based on salary and length of scheme membership as at the sale, transfer or outsourcing day. The age at retirement from the workforce is used to assess the pension factor and the member's final salary is updated by CPI from sale, transfer or outsourcing day to retirement. Plus payment of accrued member and productivity component, which may be received as a non-indexed pension.</p>	
<p>Postpone the benefit Available if minimum retiring age or greater, but under age 65. (If over age 65 benefit must be taken immediately.)</p> <p>Postpone CPI indexed pension and own contributions plus interest and productivity contributions and interest until retirement from the work force.</p>	<p>Postpone the benefit Not available</p>

OASITO suggests that the Committee may be assisted by the attached ComSuper advice dated 11 June 1999 confirming the options available to ADI CSS members.



97/2923
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11 June 1999

Mr N Rokvic
Director
Office of Asset Sales and IT Outsourcing
Level 2, Burns Centre
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FORREST ACT 2603

Dear Mr Rokvic,

I refer to your facsimile enquiry, addressed to John McCullagh, in which you ask for confirmation of the benefit options available to ADI employees who are currently members of the Commonwealth Superannuation Scheme (CSS), when ADI is sold.

The superannuation options available to members who are under 55 years of age, who cease CSS membership on change of owner, are:

- **Preserve all benefits in the CSS.** This option entitles the member to an employer-funded Deferred Pension, which is calculated as a percentage of accumulated basic contributions in the Fund at the date of claim, plus *either* a lump sum of accumulated contributions, *or* a non-indexed pension purchased with the accumulated contributions. This benefit may be claimed at any time after 55, providing the member has not re-entered eligible Commonwealth service.
- **Delayed Updated Pension.** This option entitles the member to an employer-funded indexed pension, which is calculated on the member's salary at the date of sale, updated by movements in the Consumer Price Index to date of claim, contributory service in years and days at the date of sale, and age in complete years when the benefit is claimed. The member is also entitled to *either* a lump sum of accumulated contributions, *or* a non-indexed pension purchased with the accumulated contributions. This benefit may be claimed after minimum preservation age, currently 55, and retirement from the Australian work force.
- **Rollover CSS equity to another Fund or Retirement Savings Account.** This option allows a rollover of 3.5 times accumulated basic contribution, plus accumulated supplementary contributions to a fund of the member's choice. There are no further benefits due or payable from the CSS. The employer component of this benefit may be claimed after minimum preservation age, currently 55, and retirement from the Australian work force. The member contributions remain a restricted non-preserved benefit until SIS requirements for release are satisfied.

The superannuation options available to members 55 years of age and over, who cease CSS membership on change of owner, are:

- **Delayed Update Pension.** See above.
- **Rollover CSS equity to another Fund or Retirement Savings Account.** See above.
- **Postpone Standard Pension and claim an immediate lump sum of accumulated contributions.** This option entitles the member to an employer-funded indexed pension, which is calculated on the member's salary at the date of sale updated by movements in the Average Weekly Ordinary Time Earnings to date of claim, contributory service in years and days at the date of sale, and age incomplete years when the benefit is claimed. The employer portion of the benefit may be claimed after retirement from the Australian work force.
- **Postpone all benefits.** This option entitles the member to an employer-funded indexed pension (outlined above) and *either* a lump sum of the accumulated contributions *or* a non-indexed pension purchased with the accumulated contributions. This benefit may be claimed after retirement from the Australian work force.

I trust that this information is of assistance to you. Should you require any further information, please contact my assistant manager, Heather Gill on 6252 6886.

Yours sincerely



Robert Fowler
Manager, Client Information Services

Senate Foreign Affairs, Defence and Trade References Committee
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Senator Hogg asked (Hansard 29 November 99 page FAD&T 180):

Provide criteria established for the standard application of established superannuation law and rules.

Answer:

Former Commonwealth employees who transferred to ADI on its establishment were able to remain members of the Commonwealth Superannuation Scheme (CSS) because ADI was an approved authority under the *Superannuation Act 1976* (the Act). ADI ceased to be an approved authority under the Act on sale date (29 November 1999). An extract of the Act, defining an 'approved authority' is set out below.

Part I Preliminary

Section 3

Superannuation Act 1976

approved authority means:

(a) an authority or other body that is declared by the Minister to be an approved authority for the purposes of this Act and is:

- (i) a body corporate incorporated, whether before or after the commencement of this Act, for a public purpose by an Act, regulations made under an Act or a law of a Territory; or
- (ii) an authority or body, not being a body corporate, established, whether before or after the commencement of this Act, for a public purpose by, or in accordance with the provisions of, an Act, regulations made under an Act or a law of a Territory; or
- (iii) a company or other body corporate incorporated, whether before or after the commencement of this Act, under a law of the Commonwealth or of a State or Territory, being a body corporate in which the Commonwealth has a controlling interest; or
- (iv) an authority or body established, whether before or after the commencement of this Act, and whether by or in accordance with the provisions of an Act, regulations made under an Act or a law of a Territory or otherwise, and whether a body corporate or not, being an authority or body which is financed in whole or in substantial part, either directly or indirectly, by moneys provided by the Commonwealth; or
- (v) a company or other body corporate incorporated, whether before or after the commencement of this subparagraph, under an Act or a law of a State or Territory, being a company or body corporate in which:

- (A) an authority or body referred to in subparagraph (i), (ii), (iii) or (iv), or that is an approved authority because of paragraph (b), has; or
- (B) the Commonwealth and one, or more than one, such authority or together have; or
- (C) 2 or more such authorities or bodies together have;

a controlling interest; or

(b) an authority or body that, immediately before the commencement of this Act, was an approved authority for the purposes of the superseded Act other than such an authority or body in relation to which a declaration under subsection (2A) is in force.