

The Senate

Finance and Public Administration
Legislation Committee

Provisions of the Parliamentary Superannuation
Bill 2004 and the Parliamentary Superannuation
and Other Entitlements Legislation Amendment
Bill 2004

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Chapter 1

Introduction

Background

1.1 The Hon. Peter Slipper MP, Parliamentary Secretary to the Minister for Finance and Administration, introduced the Parliamentary Superannuation Bill 2004 and the Parliamentary Superannuation and Other Entitlements Legislation Amendment Bill 2004 into the House of Representatives on 1 April 2004. The bills were passed by the House of Representatives on 12 May 2004, and introduced into the Senate on 13 May 2004.

Reference of the bill

1.2 On 12 May 2004, the Senate adopted the Selection of Bills Committee Report No. 7 of 2004 and referred the provisions of the bills to the Senate Finance and Public Administration Legislation Committee for inquiry and report by 15 June 2004.

1.3 In particular, the Committee was asked to examine the following four matters:

- to examine the provisions of the bill relating to the superannuation entitlements of new Members of Parliament and ability to attract quality MPs;
- to consider the impact of the legislation on existing Parliamentarians and the implications of having three different superannuation arrangements for MPs;
- to compare this legislation with similar changes being made to the Commonwealth Public Service and State and Territory Parliaments; and
- to consider the Labor proposal to cap the additional retiring allowances for Ministers and other office holders.

Purpose of the bills

1.4 Both bills form a package of bills designed to make new superannuation arrangements for persons who first become members of the Federal Parliament, or return to the Parliament after a previous period in Parliament, at or after the next general election. In his second reading speech, the Hon. Peter Slipper MP noted that the new arrangements are intended to:

...more closely align parliamentary superannuation with the superannuation arrangements for the majority of Australians.¹

1 The Hon. Peter Slipper MP, Parliamentary Secretary to the Minister for Finance and Administration, House of Representatives, *Hansard*, 1 April 2004, p. 27933

1.5 The Parliamentary Superannuation Bill, 2004 provides the framework for the new superannuation arrangements.

1.6 The Parliamentary Superannuation and Other Entitlements Legislation Amendment Bill 2004 amends the *Parliamentary Contribution Superannuation Act 1948*, and the *Remuneration and Allowances Act 1990*. These amendments close the current Parliamentary Contributory Superannuation Scheme (PCSS) to new members, provide for the suspension of retiring allowances paid to former senators and members should they again be elected to the federal parliament, and allow a salary sacrifice facility for Senators and Members covered by the new superannuation arrangements.

Submissions

1.7 The Committee advertised its inquiry in *The Australian* on 19 May 2004, and on the Internet. A number of organisations and stakeholders were also contacted and invited to make submissions to the inquiry. A list of submissions received appears in Appendix 1.

Hearing and evidence

1.8 The Committee held one public hearing on Monday 31 May, at Parliament House, Canberra. A list of witnesses who appeared before the Committee at that hearing is in Appendix 2.

Acknowledgment

1.9 The Committee wishes to thank all those who assisted with this inquiry.

Chapter 2

The Bills

Background

2.1 Superannuation arrangements for federal Senators and Members are currently managed through the Parliamentary Contributory Superannuation Scheme (PCSS). Membership of the PCSS is compulsory for all Senators and Members, who automatically become members of the scheme from the time that they first become entitled to a parliamentary salary. The legislative basis for the current PCSS is the *Parliamentary Contributory Superannuation Act 1948*.

2.2 The rationale for the establishment of the PCSS in 1948 has been stated by the Department of Finance as:

- entering Parliament often meant foregoing potential superannuation payouts from previous employers due to leaving that employer prior to retirement age;
- electoral and parliamentary demands reduced members' chances to re-establish careers when their parliamentary term was over; and
- the need to entice people to enter Parliament who would not otherwise come.¹

2.3 Since 1948, regulations determining the superannuation entitlements of federal Senators and Members have been amended on numerous occasions, the most recent being the enactment of the *Parliamentary Contributory Superannuation Amendment Act 2001*.

2.4 This Act provided that the payment of parliamentary pensions (including the option to commute part of that pension to a lump sum) for new Senators and Members elected at, or after, the 2001 general election be deferred until they reach age 55 years, become invalids, or die.

2.5 On 10 February 2004 the Leader of the Opposition, Mark Latham, announced that Labor, when elected to Government, would close down the PCSS and refer the matter of a replacement scheme to the Remuneration Tribunal.

2.6 The Government announced the latest changes to parliamentary superannuation on 12 February 2004. The Prime Minister, the Hon John Howard MP, stated:

1 Department of Finance, *Submission No. 46*, Attachment A, p.1 cited in Senate Select Committee on Superannuation, *The Parliamentary Contributory Superannuation Scheme and the Judges' Pension Scheme*, September 1997

...the Party Room has approved the Cabinet's decision to legislate immediately to close down the existing Commonwealth Parliamentary superannuation scheme to people elected at the next parliament and it will be replaced by a scheme that attracts a government contribution of nine per cent which is the community standard.²

Current arrangements³

2.7 The PCSS is administered under the direction of the Parliamentary Retiring Allowances Trust which consists of five trustees – the Minister for Finance and Administration (or a Minister authorised by the Minister for Finance and Administration), plus two Senators and two Members of the House of Representatives. The day to day administration of the PCSS is administered by the Department of Finance and Administration.

2.8 The PCSS is a defined benefits superannuation scheme. The scheme is unfunded. Member contributions are paid to the Commonwealth, and the Commonwealth meets the full cost of benefits when they are paid.

2.9 Member contributions are a fixed percentage of parliamentary salary (including any additional salary for service as an office holder of the Parliament). The contribution rate is related to length of service, being 11.5% of parliamentary salary until 18 years of service are completed, and 5.75% from then on.

2.10 Eligibility for a retiring allowance (parliamentary pension) is linked to length of service. For voluntary retirement, 12 years of service (equated to four parliamentary terms) is required for entitlement to a retiring allowance, while for involuntary retirement the requirement is eight years (equated to three parliamentary terms).

2.11 The rate of retiring allowance is also linked to length of service. The minimum retiring allowance for eligible Senators and Members is 50 per cent of parliamentary salary, increasing with each additional day's service to a maximum of 75 per cent for 18 years of service or more. Additional pension is payable for any Ministerial or other salaried parliamentary offices held, up to a maximum of 75 per cent of the highest paying office held. Retiring allowances are indexed in line with increases in parliamentary salaries. Benefits may be reduced in circumstances where the recipient holds an office of profit under the Crown.

2.12 Up to 50 per cent of a retiring allowance (other than an invalidity pension) may be commuted to a lump sum. The lump sum is derived as the annual amount of

2 The Hon John Howard MP, Prime Minister, Press Conference Transcript, Parliament House, Canberra, 12 February 2004

3 This overview is from Department of Finance and Administration, *Parliamentary Contributory Superannuation Scheme, A Quick Reference Guide to the Main Provisions*, May 2003, and Department of Finance and Administration, *Parliamentary Contributory Superannuation Scheme Handbook*, August 2001

retiring allowance commuted, multiplied by an age-dependent commutation factor (a multiple of 10 at age 65 years or less, reducing to zero at age 85 years or over).

2.13 Retiring Senators and Members who are not entitled to a retiring allowance are entitled to a lump sum comprising the higher of:

- A refund of contributions plus a supplement – for voluntary retirement the supplement is 1 1/6 times the contributions, for involuntary retirement it is 2 1/3 times the contributions;
- A lump sum representing the Superannuation Guarantee minimum.

2.14 The Superannuation Guarantee minimum amount is calculated on the following basis:

- the member's voluntary retirement benefit as at 30 June 1992, plus
- the member's own contributions from 30 June 1992, plus
- the minimum Superannuation Guarantee employer contributions from 30 June 1992, taken together and
- all accumulated with interest at the earning rate of the Public Sector Superannuation Scheme.

2.15 An annuity is payable to the eligible spouse or children of a Senator or Member who dies in service irrespective of the length of service, and to the eligible spouse or children of a former Senator or Member who dies while entitled to a pension.

2.16 In line with the standards that apply to superannuation generally, PCSS benefits are reduced to take account of the superannuation contributions surcharge. Superannuation rules requiring the preservation of lump sum benefits until age 55 years apply to lump sum benefits payable under the PCSS.

Changes made by the bills

2.17 According to the Minister's second reading speech to the Parliamentary Superannuation Bill, 2004:

...the changes proposed by the package of bills that will introduce the new superannuation arrangements, [aim to] deliver on the Prime Minister's commitment to more closely align parliamentary superannuation arrangements with those applying for the general community.⁴

2.18 If enacted, the bills will bring about a number of substantial changes to the superannuation arrangements for federal Senators and Members who enter the Federal Parliament at or after the next general election. These changes include:

4 Hon. Peter Slipper MP, Parliamentary Secretary to the Minister for Finance and Administration, House of Representatives, *Hansard*, 1 April 2004, p. 27933

- closing the PCSS to new members;
- setting up new superannuation arrangements which provide for employer contributions of nine per cent of a Senator's or Member's parliamentary salary, to be paid to a complying superannuation fund or retirement savings account chosen by the Senator or Member;
- providing for the Minister for Finance and Administration to nominate a default fund to receive contributions for Senators and Members who do not nominate a fund;
- providing for the suspension of any pensions being paid to former Senators and Members who are again elected to the Federal Parliament at, or after, the next general election, until they next leave the parliament; and
- allowing a limited salary sacrifice (up to 50 per cent of total parliamentary salary) as additional employer superannuation contributions, for Senators and Members covered under the new superannuation arrangements.

2.19 The bills make no changes to the current superannuation arrangements of sitting Senators and Members.

Parliamentary Superannuation Bill 2004

2.20 As noted in Chapter 1, this bill sets out the framework for the new superannuation arrangements which would apply to newly elected Senators and Members, and any former Senators and Members returning to the Parliament, at or after the next general election.

To whom the new arrangements apply

2.21 The term 'new scheme entry time' is defined in Part 1 of the bill (Clause 5). This term is defined by conditions which serve to relate the provisions of the bill to Senators and Members newly elected, or re-elected following a break in parliamentary service, at or after the next general election.

2.22 The bill specifies that sitting Senators or Members who resign from one House and are elected, within three months, in the other House will not be treated as new Senators or Members (Part 1, Subclauses 5 (2) and (3)). These Senators and Members would therefore retain their current superannuation arrangements as members of the PCSS.

Employer contributions

2.23 The new superannuation framework set out by the bill requires the Commonwealth to make superannuation contributions on behalf of the relevant Senators and Members (Part 2, Division 1 sets out these obligations). In particular, a Government contribution rate of nine per cent, which is the central arrangement of the new superannuation provisions, is specified in Subclause 8(2). This Subclause requires:

The amount of the contribution is to be 9% of the sum of the amount of parliamentary allowance (that is, basic salary), any salary payable because the person was a Minister of State and any allowance by way of salary payable because the person was an office holder for the month in question, provided these salaries count as salary under the Superannuation Guarantee legislation.⁵

2.24 In determining the amount that the nine per cent contribution would apply to, the bill specifies that:

- salary sacrifice arrangements which reduce Senators or Members parliamentary salaries will not affect their salaries for the purposes of calculating the Commonwealth contribution (Subclause 8(3));
- amounts not defined as salary or wages for the purpose of section 19 of the *Superannuation Guarantee (Administration) Act 1992* are to be excluded (Subclause 8(4)).

Choice of funds

2.25 The bill provides that the above employer contributions be paid into a complying superannuation fund or retirement savings account chosen by the Senator or Member. Provisions relating to the choice of fund are detailed in Part 2, Division 2.

2.26 The bill specifies that the type of fund that Senators or Members choose must be either a complying superannuation fund, other than a self managed fund, or a Retirement Savings Account (Subclause 11(2)). Only one fund may be chosen at any particular time (Subclause 11(3)).

2.27 Other particulars, relating to the time at which notice of the choice of fund could be given, the process for giving notification, the duration of a notice of choice, the process for varying a choice of fund and revoking a choice of fund are given in clauses 10 and 12-15.

2.28 Under the proposed arrangements 'the administering authority', defined as the Clerk of the Senate or of the House of Representatives as appropriate, would be required to notify eligible Senators or Members of their right to choose a fund to receive employer superannuation contributions, and that if no such choice is made the contributions will be paid to a default fund (Clause 16).

The default fund

2.29 Part 2, Division 3 of the bill provides for the Minister for Finance and Administration to nominate a default fund to receive contributions for Senators and Members who do not themselves nominate a fund of choice. The bills specifies that

5 *Explanatory Memorandum*, Parliamentary Superannuation Bill 2004, p. 6

the default fund must be 'a complying superannuation fund that is not a self managed fund',⁶ and there can only be one default fund at any particular time.

Parliamentary Superannuation and Other Entitlements Legislation Amendment Bill 2004

2.30 The amendments proposed in this bill close the current Parliamentary Contributory Superannuation Scheme (PCSS) to new members, enabling the new superannuation arrangements outlined above to come into effect.

Closing the PCSS to new members

2.31 Schedule 1 of the bill provides amendments to the *Parliamentary Contributory Superannuation Act 1948* to close off the PCSS to new members. Clause 2 of the proposed schedule would remove the entitlement of newly elected Senators and Members, and former Senators and Members returning to the Federal Parliament at or after the next general election, from making contributions to the PCSS. Clause 3 of the proposed schedule would prevent these Senators and Members from deriving benefits from the PCSS (subject to the proposed arrangements for preservation of suspended pensions outlined below).

2.32 Currently, former Senators and Members who return to the Federal Parliament after a break in service have the option of repaying any lump sum benefit received in order to have previous service recognised for future benefits. This option would be closed off for returning Senators and Members (Clause 15 of Division 3), preventing resumption of previous membership of the PCSS.

Suspension of pensions on re-election

2.33 While entitlement to PCSS benefits is closed off to specified Senators and Members under the proposed bill, Clauses 4 and 5 contain provisions to preserve any basic and additional retiring allowance payable to these Senators and Members. Taken together the effect of these amendments is to suspend a former Senator's or Member's existing retiring allowance should they be re-elected to the Federal Parliament.

Salary sacrifice

2.34 The bill also amends the *Remuneration and Allowances Act 1990* to allow a salary sacrifice facility for Senators and Members covered by the new superannuation arrangements.

2.35 The workings of the salary sacrifice arrangement are outlined in proposed Clause 1G:

... the amount of parliamentary allowance to be salary sacrificed must be deducted from the parliamentary allowance and the Commonwealth must

pay that amount foregone as additional employer superannuation contributions to the additional contributions fund.⁷

2.36 The bill specifies that eligible Senators and Members may select a complying superannuation fund (but not a self managed fund) or a Retirement Savings Account to receive the additional employer superannuation contributions (proposed Clause 1D). A maximum salary sacrifice of 50 per cent of the Senator's or Member's total Parliamentary salary is specified in the bill (proposed Subclause 1G(3)).

Financial Implications

2.37 The Government estimates that the financial impact of the changes made in the two bills will improve the fiscal balance but have a negative impact on underlying cash.

2.38 The Explanatory Memorandum accompanying each bills states:

The fiscal balance improvement is due to the reduction in accruing unfunded liabilities less the expense of funding the new arrangements and less the reduction in member contributions no longer received by the Australian Government.

The negative underlying cash impact reflects the Government contributions to the new accumulation arrangements and the member contributions that will no longer be received by the Government.⁸

7 *Explanatory Memorandum*, Parliamentary Superannuation and Other Entitlements Legislation Amendment Bill 2004, p. 12

8 *Explanatory Memorandum*, Parliamentary Superannuation Bill 2004, p. 3

Chapter 3

Issues and recommendations

3.1 The majority of submissions to the Committee supported the introduction of new parliamentary superannuation arrangements, particularly the rationale of moving parliamentarians' superannuation to be more in line with community standards. While the Committee did not receive any submissions opposed to the bills, a number of issues emerged in evidence to the Committee. This chapter considers the following main issues put before the Committee:

- the coverage of the proposed arrangements;
- an 'opt in' model;
- the concept of 'community standards'; and
- the need for a review of parliamentarians' total entitlement package.

3.2 The chapter also looks at a number of additional issues referred to the Committee, and sets out the Committee's conclusions and recommendations.

Coverage: to whom the new arrangements apply

3.3 A variety of views were put before the Committee in relation to the coverage of the bills. One view was that the proposed superannuation arrangements should be *limited* to only new Senators and Members entering federal parliament for the first time. That is, Senators and Members re-entering parliament should not be covered by the new measures. Alternatively, other submitters argued that coverage of the proposed arrangements should be *extended* to include currently sitting Senators and Members.

3.4 The Association of Former Members of the Parliament of Australia (AFMPA) submitted to the Committee that the new arrangements should apply only to new Senators and Members elected at or after the next general election, and should exclude former Senators and Members returning to the parliament. Mr Lamb of AFMPA stated this case, positing:

...clause 15 of the Amendment Bill is a denial of the right of former Members and Senators to exercise an option to **resume** membership of the current Parliamentary Superannuation Scheme on their return to Parliament...¹

3.5 The Committee heard from Mr Lamb that in the AFMPA's view, the option to resume membership of the PCSS is a part of a former members' original employment contract:

1 Submission 1, p.1, original emphasis

...that is a contract of your employment. It is an understanding that you have. It is an agreement that you entered into.²

3.6 The AFMPA submitted that while few former members return to Parliament, the principle of non-retrospectivity is important.³ Among the Senators and Members of the current Parliament, only nine have at some point served non-consecutive terms in office.⁴

3.7 In contrast, other submitters proposed that the new superannuation arrangements provided for in the bills should be extended to cover all Senators and Members after the next general election. The Democrat Senators put this case, arguing:

We believe it is hypocritical for current MPs to impose lesser entitlements on future MP's whilst maintaining and increasing their own excessively generous superannuation entitlements.⁵

3.8 As such, the Democrat Senators proposed that from the next election all parliamentarians be covered by the proposed nine per cent employer contribution arrangements. The Democrat Senators also proposed:

To ensure fairness, all benefits under the old superannuation scheme would be grandfathered. Transitional rules would ensure those MPs that were likely to qualify for the retiring allowance will do so.⁶

3.9 Specifically, the Democrat Senators proposed that current members with less than eight years of service could continue as members of the PCSS until they have completed eight years of service (or lose office) but all subsequent service would then be under the new superannuation arrangements.⁷

3.10 The Democrat Senators argued that while this proposal extends the coverage of the proposed arrangements to currently sitting Senators and Members, it does not take away contractual entitlements. The Democrat Senators made this case on two grounds:

1. Any entitlement that has accrued to a current politician will be maintained, ie we are not taking away what they have already 'earned'; and

2 Finance and Public Administration Legislation Committee, *Committee Hansard* Monday, 31 May 2004 (hereafter *Hansard*) p. 16

3 Submission 1, p. 3

4 Data supplied by the Parliamentary Library

5 Submission 3, p. 1

6 Submission 3, p. 5

7 Submission 3, p. 2

2. It is their decision to recontest their seat in the 2004 election which constitutes a new 'contract of employment' with the Australian people. If they lose, they remain entitled to their existing entitlement. If they win, they will keep their existing entitlement up to 2004 plus 9% of their salary after 2004.⁸

3.11 The Committee, however, is concerned that expanding coverage of the proposed arrangements to current parliamentarians may be at odds with the principle of non-retrospectivity.

3.12 When introducing the bills, the Government made clear its opposition to extending the coverage of the proposed superannuation arrangements to current Senators and Members, on the basis of non-retrospectivity. In the Second Reading debate to the *Parliamentary Superannuation Bill 2004*, the Hon. Mr Slipper MP stated:

The government does not support retrospective changes to accrued superannuation. Of course, retrospectivity in most circumstances is a most undesirable thing. Such changes would not be in line with the superannuation arrangements applying generally in the community, which protect accrued superannuation entitlements. Existing senators and members will have made financial arrangements and commitments based on the expectation of continued membership of the current scheme. It would be unfair and inequitable to reduce their entitlements retrospectively.⁹

3.13 A further concern is that extending the new arrangements to all current parliamentarians would effectively mean closing the current PCSS to existing members. This would appear to be an unusual move. Although the Committee heard that numerous defined benefit superannuation schemes have been closed across the private and public sectors, the Committee received no evidence of any precedent where funds had been closed to existing members.¹⁰

'Opt in' model

3.14 As an alternative to mandating that current parliamentarians move to the new arrangements, both Mr Andren and the Democrat Senators proposed a voluntary arrangement in the form of an 'opt in' model for current sitting members. Mr Andren put this case to the committee:

I am seeking the right to opt out and to have in this case the Remuneration Tribunal make a determination, as it did in Western Australia, to transfer an amount to the new scheme, alongside new members, so that I and anybody

8 Submission 3, p. 6

9 Hon. Peter Slipper MP, Parliamentary Secretary to the Minister for Finance and Administration, House of Representatives, *Hansard*, 12 May 2004, p. 28334

10 *Hansard*, p. 3

else who wants to opt out of this scheme can continue for as long as they choose, without being compromised by the scheme as it exists.¹¹

3.15 By making the arrangement optional, Mr Andren argued that the model:

...will negate the need for just compensation and the natural justice argument that members cannot be forced to accept a retirement scheme that is less than the one they currently have.¹²

3.16 The Committee heard a similar 'opt in' proposal from the Democrat Senators, who submitted:

An optional scheme would allow every parliamentarian the opportunity to 'grandfather' their existing entitlements and move to the new 9% accumulation scheme.¹³

3.17 This proposal was put forward by the Democrat Senators as a less preferable alternative if their primary proposal (i.e. extending the proposed superannuation arrangements to cover all Senators and Members) were to be rejected.

3.18 Mr Andren argued that the Western Australian Parliament provided a precedent for the 'opt in' model. He noted that when the Western Australian parliamentary superannuation scheme was closed, current members were allowed the option to transfer to the new scheme.¹⁴ He also noted that:

...when the Commonwealth Superannuation Scheme (CSS) was closed in 1990, its members were given 12 months to elect to transfer an equivalent benefit from their scheme to the new Public Sector Superannuation Scheme (PSS).¹⁵

3.19 However, the Committee heard that under this proposal, the Remuneration Tribunal would need to determine a formula for moving current members' entitlements to the superannuation fund of their choice. Representatives from both the Department of Finance and Administration (DOFA), and Mercer Human Resource Consultancy Pty Ltd (the contracted actuary to the PCSS), indicated to the Committee that this would be possible but that a number of problems and complexities would arise. These include potential increased costs and issues related to equity for both the member involved and the taxpayer.¹⁶

11 *Hansard*, p. 8

12 Submission 2, *House Hansard* 12 May 2004 attachment, p. 28438

13 Submission 3, p. 6

14 Submission 2, *House Hansard*, 12 May 2004 attachment, p. 28438

15 Submission 2, p. 9

16 *Hansard*, pp. 24&27

The concept of 'community standards'

3.20 The concept of 'community standards', noted by the Government in its introduction of the bills, was raised in a number of submissions to the inquiry. Perspectives on the concept in relation to parliamentary superannuation varied.

3.21 Submissions by Mr Andren and the Democrat Senators supported the position that existing parliamentary superannuation entitlements are overly generous when compared with community standards. Mr Andren quoted the notional employer contribution to the PCSS as 69.4 per cent in 2000-2001, compared with around 23 per cent for the Commonwealth Superannuation Scheme and approximately 13 per cent for the Public Sector Superannuation Scheme.¹⁷

3.22 The AFMPA, on the other hand, submitted that the proposed nine per cent employer contribution is a low contribution rate, even when compared to community standards. Mr Lamb of the AFMPA stated in the submission:

...the proposed scheme with its 9% employer contribution ignores the fact that this is a minimum community standard and that many members of the community receive a multiple of 2 to 4 times the proposed 9%, as in the cases of the Public Service, Academia and the Defence Forces.¹⁸

3.23 DOFA provided evidence supporting the view that nine per cent is a minimum contribution level. DOFA's submission outlined that for Superannuation Guarantee purposes, the mandatory nine per cent employer contribution is usually based on Ordinary Time Earnings (OTE). As defined in the *Superannuation Guarantee (Administration) Act 1992*, OTE would include electorate allowances.¹⁹

3.24 However, in the proposed parliamentary superannuation arrangements employer contributions would be based on parliamentary salary alone, excluding electorate allowance. The Department explained that while this provision ensures consistency between the superannuation salary base for the PCSS and the proposed new superannuation arrangements, it will:

...provide most new Members with superannuation contributions that are less than the contributions an employer would be required to provide in accordance with the [Superannuation Guarantee] legislation based on OTE.²⁰

3.25 This explanation was further clarified in evidence provided to the Committee by witnesses from DOFA. The Committee heard that for the majority of members the proposed legislation would provide arrangements slightly lower than the community

17 Submission 2, p. 3

18 Submission 1, p. 3

19 Submission 4, p. 5

20 Submission 4, p. 5

standard, where the Superannuation Guarantee is taken to be the community standard.²¹

3.26 DOFA's submission also overviewed superannuation reforms in other relevant schemes and jurisdictions, providing context for the proposed arrangements. DOFA outlined changes to Australian Government employee's superannuation, noting that from 1 July 2005 new employees joining the Public Sector Superannuation Scheme (PSS) will join an accumulation plan, with employer contributions of 15.4 per cent.²²

3.27 The AFMPA submitted to the Committee that when considering community standards, parliamentary superannuation should not be considered in isolation from other factors, such as job security and separation benefits, which can be limited when compared with other occupations. Mr Lamb stated:

...when the unavoidable, the inevitable and the unthinkable happens—you are suddenly out, with no severance payment other than superannuation, no annual leave, ... and no grand handshake or payouts as we see with some high-level executives in corporations. It is purely superannuation.²³

3.28 Other witnesses also discussed the importance of examining parliamentary superannuation in the context of the total package of parliamentary entitlements. The next section looks at the case for reviewing parliamentary entitlements holistically.

Reviewing parliamentarians' entitlements in total

3.29 Evidence put to the Committee emphasised the limitations of reviewing parliamentary superannuation independently of other aspects of parliamentary remuneration. Three of the submissions to the Committee argued that it would be appropriate for the Remuneration Tribunal to review the total remuneration package of Senators and Members. Mr Andren argued for a separate debate and inquiry into parliamentary salaries, that should examine all current entitlements. He suggested that:

What we have tended to do is allow the other entitlements to grow as a compensation for what is regarded as an inadequate salary. I think we have to have a debate on why it is inadequate. We should put all of the long hours and all of that stuff on the table and work out a figure, but put everything on the table...²⁴

3.30 The AFMPA argued that there was a case for 'the whole matter of MPs' rewards, including salary and superannuation' being referred to the Remuneration Tribunal.²⁵

21 *Hansard*, p. 28

22 Submission 4, p. 10

23 *Hansard*, p. 18

24 *Hansard*, p. 4

25 Submission 1, p. 4

3.31 The Democrat Senators, likewise, argued for a holistic review of parliamentary entitlements. Their submission categorised parliamentary entitlements into three groups:

- the salary package
- other entitlements needed to do the job (e.g. electorate allowance and office expenses), and
- the 'retirement package'.²⁶

3.32 The Democrat Senators' submission noted that while entitlements in the first two categories are essentially determined by the Remuneration Tribunal, the third is determined by Parliament. They argued that 'the Remuneration Tribunal should be involved in determining the three categories of entitlements from a holistic approach'.²⁷

3.33 The Committee notes that while the Remuneration Tribunal does not have the power to directly determine parliamentarians' base salary or superannuation arrangements, it has a defined role in providing advice to the Government. The Tribunal has stated:

...following enactment of the Government's public service reform legislation, the Tribunal has a formal role in advising the Minister for Finance and Administration on an appropriate base salary for Senators and Members of the Federal Parliament. The Tribunal cannot issue a determination on this matter – it can only provide advice, as it does on the additional salaries payable to Ministers. The Government can choose to accept or reject the Tribunal's advice on these matters and must undertake the necessary action to bring the Tribunal's recommendations into force.²⁸

Additional issues

3.34 In addition to the above issues raised in evidence before the Committee, the Committee was asked to do the following:

- to consider the impact of the legislation on existing Parliamentarians and the implications of having three different superannuation arrangements for MPs;
- to compare this legislation with similar changes being made to the Commonwealth Public Service and State and Territory Parliaments; and
- to consider the Labor proposal to cap the additional retiring allowance for Ministers and other office holders.

26 Submission 3, p. 7

27 Submission 3, p. 7

28 Remuneration Tribunal, *Report Number 1 of 1999, Report on Senators and Members of Parliament, Ministers and Holders of Parliamentary Office – Salaries and Allowances for Expenses of Office*, www.remtribunal.gov.au/determinationsReports/byYear/1999dets/1999-ReportMP.pdf

3.35 The next three sections look at each of these issues in turn.

Multiple schemes

3.36 If enacted, the provisions of the bills will result in three different arrangements for parliamentary superannuation running concurrently from the next general election. In evidence presented to the Committee, Senator Bartlett raised concerns about the equity and disparity issues associated with such an arrangement.²⁹ However, the Committee heard from DOFA that such circumstances are not unusual in the public sector, with multiple superannuation arrangements occurring in the Commonwealth, State and Territory public services, the defence forces and the Tasmanian and Western Australian Parliaments.³⁰

Developments in related jurisdictions

3.37 Several submitters and witnesses referred to superannuation reforms in other relevant schemes and jurisdictions, as context for the proposed changes.

Commonwealth public service

3.38 DOFA outlined in its submission that the superannuation arrangements of Australian government employees are currently covered by one of the following schemes:

- The Public Sector Superannuation Scheme (PSS) – a defined benefits scheme, with average employer costs as at 30 June 2002 of 15.4 per cent of members' salaries;
- The Commonwealth Superannuation Scheme – a combination of defined benefit and accumulation benefit scheme, which was closed to new members from 1 July 1990;
- The *Superannuation (Productivity Benefit) Act 1998* – under which contributions are paid to an employee's choice of fund, or to a default fund if no such choice is made.³¹

3.39 As previously noted, the Department outlined that from 1 July 2005 new employees joining the PSS will join an accumulation plan, with employer contributions of 15.4 per cent.³²

29 *Hansard*, p. 10

30 Submission 4, p. 8

31 Submission 4, p. 10

32 Submission 4, p. 10

State and Territory Parliaments

3.40 In relation to State and Territory Parliaments, DOFA indicated that while most provide defined benefit superannuation schemes, Tasmania closed its parliamentary superannuation scheme in 1999 and Western Australia closed its scheme in 2000.³³

3.41 DOFA outlined that since the closure of Tasmania's parliamentary scheme, new members either choose to join a private sector complying fund, or become members of the default Tasmanian Accumulation Scheme. The Department indicated that this is an accumulation fund, with employer contributions at the Superannuation Guarantee rate. Provisions are made for members to make voluntary contributions and salary sacrifice.³⁴

3.42 The Committee was informed that since the closure of the Western Australian scheme, superannuation arrangements for new parliamentarians have been determined by the Western Australian Salaries and Allowances Tribunal. DOFA explained that employer contributions are paid into an accumulation plan – either the default fund or a fund chosen by the member – at a rate determined by the Tribunal. This rate is currently 12.5 per cent. The Department said that this rate is above the minimum Superannuation Guarantee level, to compensate for the fact that electoral allowance is not included in parliamentary salary for superannuation purposes. The Committee heard that as with the Tasmanian arrangements, provisions are made for members to make voluntary contributions and salary sacrifice.³⁵

Cap on retirement benefits

3.43 In consideration of the detail of the *Parliamentary Superannuation and Other Entitlements legislation Amendment Bills 2004*, the Australian Labor Party moved an amendment to:

...cap the benefits received by office holders in the Parliamentary Contributory Superannuation Scheme to those of a minister in the cabinet.³⁶

3.44 Mr David Cox, Shadow Minister for Revenue and Assistant Shadow Treasurer, stated that the intended purpose of this amendment is to bring the benefits of higher office holders closer to the community standard than would otherwise be the case. 'Higher office holders' were defined by Mr Cox as including the Prime Minister and Deputy Prime Minister, the Leader of the Government in the Senate and Deputy

33 Submission 4, p. 11

34 Submission 4, p. 11

35 Submission 4, p. 12

36 Mr Cox MP, Member for Kingston, *House Hansard*, 12 May 2004, p. 28339

Leader of the Government in the Senate, the President of the Senate and the Speaker of the House of Representatives.³⁷

3.45 The Democrat Senators' submission to the Committee supported this proposal, but added that in their view all office holders should only be entitled to the proposed nine per cent superannuation arrangements.³⁸

3.46 DOFA's submission to the Committee indicated that, as drafted, the amendment does not cover all higher office holders as intended. DOFA detailed that the amendment uses terminology referring to a 'Minister of State'. Due to the definition of this term in the *Parliamentary Contributory Superannuation Act 1948*, DOFA indicated that the amendment would effectively exclude the Speaker of the House of Representatives and President of the Senate from the additional retiring allowance cap.³⁹

Conclusions and recommendations

3.47 The Committee acknowledges the generous provisions of the current PCSS for some parliamentarians compared with other superannuation schemes, and considers that the bills go some way in addressing this issue by closing the scheme to new members elected at, or after, the next general election.

3.48 The Committee notes the submissions and models presented for extending the coverage of the proposed new superannuation arrangements to current Senators and Members. However, such a move would be contrary to the important principle of non-retrospectivity and would also involve the unusual step of closing a defined benefit scheme to existing members. While the coverage of the arrangements proposed in the bills does not extend as far as some submitters hoped for, the Committee notes that the provisions of the bills provide a significant shift from the current situation.

3.49 With regard to implementing new parliamentary superannuation arrangements that are in line with community standards, the Committee notes that the proposed nine per cent employer contribution is a relatively low contribution level. The Committee also notes that arrangements for new Australian Public Service employees entering the PSS from July 2005 set the employer contribution rate at 15.4 per cent. The Committee believes there is merit in considering setting the employer contribution rate for the proposed parliamentary superannuation at a comparable level.

3.50 While enactment of these bills will provide immediate action in closing the PCSS to new members, the Committee considers that assessing parliamentary superannuation in isolation from the remainder of the parliamentary remuneration package has limitations. The Committee's view is that a holistic approach to

37 Mr Cox MP, Member for Kingston, *House Hansard*, 12 May 2004, p. 28339

38 Submission 3, p. 2

39 Submission 4, p. 13

parliamentarians' remuneration is required. To ensure that the approach is transparent and accountable in the eyes of the public, the Committee considers that there is a case for referring parliamentarians' remuneration as a whole to the Remuneration Tribunal for inquiry and report. It considers such a review should be conducted shortly after the start of the next parliament.

Recommendation 1

3.51 The Committee recommends that the Senate pass the bills.

Recommendation 2

3.52 The Committee recommends that early in the life of the new Parliament the Remuneration Tribunal be asked to review the complete package of parliamentary entitlements, including salary, other entitlements and retirement benefits. Any such review, and the recommendations that may flow from it, would need to conform to the principle of non-retrospectivity.

Senator Brett Mason

Chair

Senate Finance and Public Administration Committee

Inquiry into the Parliamentary Superannuation Bill 2004 and the Parliamentary Superannuation and Other Entitlements Legislation Amendment Bill 2004

Minority Report

Australian Democrats

Senator John Cherry

Executive Summary

The Australian Democrats support reform to the existing Parliamentary Superannuation Scheme. However, because the proposed changes outlined in the Bills only apply to future Members and Senators (MPs), the overly generous retirement pensions for existing MPs will continue to accrue superannuation entitlements based on the old rules.

We believe it is hypocritical for current MPs to impose lesser entitlements on future MP's whilst maintaining and increasing their own excessively generous superannuation entitlements. It was disappointing that not one of the 226 existing MPs defended these changes.

Only the Democrats and Independent MP, Peter Andren, have proposed alternatives that would see a change in the superannuation entitlements for all MPs applying from after the next election.

On the basis of the Senate Inquiry, the Australian Democrat Senators will continue to push for further changes to the Parliamentary Superannuation entitlements for all MPs.

Our amendments will:

- **Ensure that from the date of the next election, all MPs are only entitled to 9% employer sponsored superannuation contribution in relation to their future salary;**
- **An exception will be for current MPs that do not have 8 years service could continue to be members of the current scheme until they have completed 8 years service or lose office (whichever is earlier) at which time their entitlement shall be determined under the current scheme and all subsequent service should be under the new scheme;**
- **Permit in the alternative for current MPs to have the option of moving to the new parliamentary scheme after the next election. These MPs should be named in the scheme's annual report to allow electors to know which MPs are acting in accordance with community expectations; and**

- **Cap the additional retiring allowance for Senior Ministers.**

Additionally, we believe that the Remuneration Tribunal should have responsibility for determining all of a MPs remuneration package including salary, entitlements and retirement benefits. We recognise that the current piecemeal approach leads to absurdities such as the existing overly generous superannuation entitlements.

Comments on the existing parliamentary superannuation scheme

The Australian Democrat Senators consider that the existing parliamentary superannuation entitlements are overly generous and way beyond community expectations. We have been arguing for them to be changed for the past ten years.

The precise entitlement of an existing MP to a retirement pension (referred to in the legislation as a 'retiring allowance') depends on when they entered parliament, how long they have been in Parliament, whether they retired voluntarily or involuntarily, and their salary. Based on the existing rules, a backbencher in parliament for more than 8 years will retire with an indexed pension of at least 50% of their salary for life, accessible from age 55. Depending on when they entered Parliament, this means that they are entitled to \$51,380 or more a year, indexed for the rest of their life, or a substantial sum commuted to a lump sum.

An additional retirement allowance is payable for office holders, such as Ministers. This accrues at the rate of 6.25% of the additional salary for each year the office is held, up to a maximum of 75%. It means that senior members of the Government could retire this year with a pension of over \$110,000 a year for life.

Upon the death of a retired politician, their spouse is entitled to 5/6th of the retirement allowance/pension. The Democrats have long argued that the definition of a spouse should include those in genuine same-sex defacto relationships. This was supported by the evidence of Mr Antony Lamb, immediate Past President of the Association of Former Members of the Parliament of Australia.

The Democrats also note that retired politicians and their spouses receive generous travel entitlements.

The Democrats point out that most Australians receive employer superannuation contributions based on 9% of their salary, but, under the existing scheme, Mr Carl Stevenson from Mercer Human Resource Consulting Pty Ltd gave evidence that the existing scheme had a cost equivalent to 67.2% of the salary costs.

The Democrats discovered in a recent Senate Estimates Committee hearing that the unfunded liability for the existing Parliamentary superannuation scheme is \$551million.¹

This means that there are no assets that support the obligation to pay the politicians superannuation into the future. This means these obligations will be paid from consolidated revenue, that is, from future taxation revenue. To pay this superannuation commitment and

¹Senator Andrew Murray questioning of Mr Geoff Painton, Department of Finance and Administration, 11 November 2003

subsequent pensions to past politicians, it will have to be met by taxation revenue from future generations of Australian taxpayers.

Evidence provided by the Department of Finance and Administration was that the changes:

“...will not reduce the unfunded liabilities. It may slow their growth, but it will not reduce them because current people are not being let out of the scheme”²

Recent amendment to the scheme

In 1997, following a Democrat reference, the Senate Select Committee on Superannuation reported on the *Parliamentary Contributory Superannuation Scheme and the Judge's Pension Scheme*. The Committee then concluded:

*"The Committee consider that change to the Parliamentary Contributory Superannuation Scheme is desirable. The scheme is out of step with superannuation practice in the wider community. There is convincing evidence that it is excessively generous to a small group of retiring politicians."*³

Unfortunately, the Committee could not reach agreement on reforms. The Coalition and Labor Senators recommended that super should be considered as part of the parliamentary remuneration determined by the Remuneration Tribunal rather than by the Parliament.

The Democrats went further and recommended that the scheme should be extensively overhauled, and that the level of public subsidy to the scheme was excessive and needed to be substantially reduced. It also recommended that any changes should apply to existing as well as new MPs in respect of future service.⁴

Following the report, as from July 1 1999, it required the preservation of future contributions to the superannuation scheme to be preserved until age 55, unless taken as a pension.

From the last election, further changes were introduced, picking up further recommendations from the 1997 report. The most important of these changes meant that for new MPs, super could not be accessed until the age of 55. They also limited the amount that could be taken as a lump sum. The Democrats proposed more significant amendments⁵ to the Scheme but Labor and the Coalition voted to ensure that no substantive change was made to the actual scheme payment amounts, and no change was made for politicians who entered parliament prior to the 2001 election.

The changes proposed by the Parliamentary Superannuation Bill 2004

The 2004 Bills close the existing Parliamentary superannuation scheme to new members. All new MPs would receive a 9% contribution towards an accumulation scheme. The change will not apply to existing MPs who will continue to accrue entitlements based on the old rules.

² Ms Sandra Wilson, Branch Manager Superannuation Policy Branch, Department of Finance and Administration, p. 26

³ Senate 1997 report p. 41

⁴ Senate 1997 report, Democrat remarks p. 3, 7

⁵ The Australian Democrats amendments would have allowed MPs to opt-out of the super scheme and reduce the benefits payable to those that didn't

Based on the young age of some current MPs, maintaining the existing system could mean its survival for at least another 50 years.

The Australian Democrats support reducing the contribution to 9% but believe the new scheme should apply to all MPs in respect of future service.

In February, Labor Leader, Mark Latham broke from a long and trenchant history of Labor defence of the Parliamentary superannuation scheme, and said he '*can't defend the current scheme*'. Yet in a breathless piece of hypocrisy and double standards, every Labor MP from Mark Latham down is set to vote to maintain their excessively generous super scheme while imposing changes only on future MPs.

It means that, should Mark Latham become our next Prime Minister and hold that office for a significant period of time, he, like his predecessor will still retire with an indexed pension of around \$200,000 a year.

We are concerned that the changes will mean that a newly elected MP will be paid 55% less than an existing MP.⁶ The Democrats hold the view that it is not acceptable in any employment situation for one worker to be paid 55% more than another worker for the same job.

The Australian Democrats proposals

The Democrats proposals would apply the 9% superannuation contribution rules to all MPs from the date of the next election.

To ensure fairness, all benefits under the old superannuation scheme would be grandfathered. Transitional rules would ensure that those MPs that were likely to qualify for the retiring allowance will do so. This rule, originally proposed by coalition backbench committee, was suggested to reduce backbench opposition to the changes and increase the number of MPs transferring to the new scheme. Around 80 MPs will have less than 8 years service as at December 2004.

Based on our best estimates, the existing scheme costs taxpayers about \$18 million a year for the existing 226 MPs.

If all members prospectively moved to a 9% accumulation scheme for all MPs, this would save at least \$15 million a year. If this proposal were to be accepted this saving could be redirected to funding the presently unfunded parliamentarians superannuation fund liability.

The proposed amendments in the Parliamentary Superannuation Bill 2004 will only save the taxpayer around \$2-3 million a year depending on the number of newly elected MPs⁷. If the Democrats reforms are not accepted by the Parliament, the unfunded liability of the PCSS will rise by at least \$45 million over the course of the next term, adding to the \$510 million existing unfunded liability.

⁶ A new MP will get the \$102,760 salary plus 9% super = \$112,008 package. The old MP package is \$102,760 plus 69% super = \$173,664. The old MP is \$61,656 (or 55%) a year better off. This is not adjusted for the income tax effects.

⁷ Around 30 MPs usually leave the Parliament at each election – a scheme cost saving of around \$2 million. If it is a landslide change of Government election, this number rises

To illustrate the inherent inequity in the current legislation, Mr Stevenson estimated that it would take new MPs roughly six times as long as existing MPs to achieve the same retirement pensions. Ms Wilson⁸ also agreed with Senator Cherry's proposition that the new arrangements, because they do not include the electoral allowance, are actually slightly lower than the community standard.

Potential difficulties with our proposal

Some commentators have questioned the constitutional legality of our proposal⁹. It has been suggested that section 51 (xxxix) that gives the Commonwealth the power to make laws with respect to '*the acquisition of property on just terms from any State or person for any purpose in respect of which the Parliament has the power to make laws*' could apply.

However, DOFA advised that there was a very low risk of any constitutional issues in respect of the proposed Bills. A politician does not have a 'contract of employment'. It is neither contractual or employment but rather a statutory engagement. As such, the changes recommended by the Democrats are not retrospective, and should be supported as ensuring all parliamentarians are on the same remuneration basis:

1. Any entitlement that has accrued to a current politician will be maintained, ie we are not taking away what they have already 'earned'; and
2. It is their decision to recontest their seat in the 2004 election which constitutes a new statutory engagement with the Australian people. If they lose, they remain entitled to their existing entitlement. If they win, they will keep their existing entitlement up to 2004 plus 9% of their salary after 2004. If MPs don't like these terms and conditions they do not have to apply for a new position.

While the parliament has the power to put in place retrospective legislative to change the scheme, retrospectivity is very rarely imposed and it is something that the Australian Democrats do not support. Although parliamentarians' superannuation has for many years been significantly out of step with standards across the rest of the community, we cannot support historical changes to these arrangements.

The alternative– an optional change

The optional change proposal takes on board the principles that are within the legislation proposed by Peter Andren MP, and avoids the complex web of constitutional issues. This proposal has been implemented by the West Australian State Government.

An optional scheme would allow every parliamentarian the opportunity to 'grandfather' their existing entitlements and move to the new 9% accumulation scheme.

The Remuneration Tribunal should look at the allowances and wages that are provided to parliamentarians. Currently they are not required to take into consideration individual superannuation in their calculations for increases in or creation of entitlements for parliamentarians. This would have to change under this proposal.

⁸ Page 27 of the evidence

⁹ Based on an interpretation of the High Court decision in *Smith v ANL Limited 2000 HCA 5*

Those parliamentarians that do not choose to move across into the new scheme would have their individual superannuation entitlements considered whenever salaries and allowances are reviewed by the Remuneration Tribunal. Options for the Remuneration Tribunal would be halting wage increases, electorate allowance increases and other entitlements determined by them.

Further, at the beginning of each new parliament the Minister should be required to table the current superannuation arrangements for all parliamentarians. This will show whether or not a parliamentarian has moved away from the existing excessive scheme.

Those that do choose to move across will not have their superannuation considered by the Remuneration Tribunal when it looks at entitlements and allowances. New parliamentarians will be moved into the Commonwealth PSS upon their entry into parliament. They will have available to them the same scheme that is on offer for all other commonwealth public servants.

Holistic Review also needed.

The *Members of Parliament (Life Gold Pass) Bill 2002* was recently considered by this Committee. The Australian Democrats made a number of remarks in our Additional Comments report that are useful with respect to this submission.

Senator Bartlett said in evidence to the inquiry:

“...that entitlements are seen to be excessively beyond what is justifiable and this undermines community respect for politics. I think it is a problem when community respect for the political process is significantly undermined because, without becoming too high and mighty and noble sounding about it, the democratic process and the rule of law that it underpins are fundamental. Respect for the whole process is integral to that. It is for that reason that we do not take the approach of suggesting that every entitlement that we have is unjustified or unnecessary. I recognise as much as everybody that there will always be a view among some people that politicians get paid too much. I do not want to inappropriately feed that, but there are some areas that we think are unjustified.”

The Democrats support recommendations for a holistic review of salary and entitlements to be made by the Remuneration Tribunal.¹⁰

Senator John Cherry
Australian Democrats

¹⁰ For instance, the Hansard debate of the 13th March 2002 – see Senator Murray and others

Inquiry into the provisions of the Parliamentary Superannuation Bill 2004 and the Parliamentary Superannuation and Other Entitlements Legislation Amendment Bill 2004

Additional Comments by Labor Senators

The Labor Senators approve the general findings of the report on the closure of the Parliamentary Contributory Superannuation Scheme (“the PCSS”) and its replacement with a scheme that is in line with the current community standards in relation to the Australian superannuation system.

The PCSS is an extremely generous scheme that was introduced in a different era to deal with a vastly different social environment. Over time the benefits of the scheme have shifted more away from those to which the general community were entitled. The introduction of the Superannuation Guarantee (“the SG”) with its standard 9% contributions, paid most often into an accumulation fund, has resulted in the benefits provided by the PCSS being even more inappropriate and out of line with what is now the community standard.

Labor believes that not only is this unfair, but also that it has contributed to an unhealthy cynicism about politicians in general and in particular their motivation for entering Parliamentary service.

Although Labor fully supports the closure of the PCSS to new members, it agrees with the report that there is no valid precedent to support retrospective closure or indeed the complete closure of the scheme.

Government has chosen as a replacement superannuation arrangement for the PCSS, the standard 9% SG contribution to be paid into a fund of the parliamentarian’s choice.

In February, prior to the Government’s announcement to close the PCSS, Labor stated that if its proposal to close the PCSS was implemented it believed the appropriate body to determine on the issue of what type of scheme ought to replace the PCSS was the Remuneration Tribunal.

With this in mind Labor fully supports the view taken in this report that the preferable approach to parliamentary remuneration is an holistic one, and agrees with the recommendation that a review of the complete package of parliamentary entitlements including salary, other entitlements and retirement benefits should be referred by the next new Parliament to the Remuneration Tribunal for consideration.

Labor departs from the findings and recommendations of the Committee on one very important point; the amount of parliamentary allowance that can be taken into account in the calculation of parliamentarian's retiring benefit.

It is recognised that even without the extra benefits provided the PCSS is a particularly generous scheme, a generous scheme funded out of the public purse. Labor believes that given the generosity of the basic benefit, the extra benefits are excessive and even further distanced from community standards.

Consequently, Labor believes that a cap ought to be placed on the amount of an office holder's allowance that can be taken into account in calculating a retiring member's benefit. Having reviewed the current allowances Labor believes that where a parliamentarian is entitled to an Office Holder's allowance that is higher than that of a Cabinet Minister, the maximum level of Office Holder's allowance that should be taken into account when calculating retirement benefits is that of a Cabinet Minister.

Senator the Hon. Nick Sherry

Appendix 1

Submissions Received

1. Association of Former Members of the Parliament of Australia
- 1a. Association of Former Members of the Parliament of Australia
(Supplementary Submission)
2. Mr Peter Andren, Federal Member for Calare
3. Australian Democrats Senators
4. Department of Finance and Administration
5. Mr Andrew Freeman

Appendix 2

Public Hearings

Monday, 31 May 2004 – Canberra

Mr Peter Andren, Federal Member for Calare (Private capacity)

Australian Democrats Senators

Senator Andrew Bartlett

Association of Formers Members of the Parliament of Australia

Mr Antony Lamb, Immediate Past President

Dr Robert Solomon, President

Mercer Human Resources Consulting Pty Ltd

Mr Carl Stevenson, Principal

Department of Finance and Administration

Mr Robert Dal Santo, Team Leader, Parliamentary Superannuation

Ms Karen Doran, Division Manager, Superannuation and Governance Division

Ms Sandra Wilson, Branch Manager, Superannuation Policy Branch

