# Senate Finance and Public Administration Legislation Committee

## Parliamentary Superannuation Bill 2004

## Parliamentary Superannuation and Other Entitlements Legislation Amendment Bill 2004

**Submitted by:** **Department of Finance and Administration**
**May 2004**

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# 1. GLOSSARY OF TERMS USED

| | |
|---|---|
| **Member** | Member of Parliament (including Senator) |
| **Parliamentary Allowance** | The basic salary payable to a Member |
| **PCS Act** | *Parliamentary Contributory Superannuation Act 1948* |
| **PCSS** | Parliamentary Contributory Superannuation Scheme provided for in the PCS Act |
| **PS Bill** | Parliamentary Superannuation Bill 2004 |
| **Superannuation and Other Entitlements Bill** | Parliamentary Superannuation and Other Entitlements Legislation Amendment Bill 2004 |
| **PSS** | Public Sector Superannuation Scheme provided for under the Superannuation Act 1990 |
| **SG** | Superannuation Guarantee |
| **SG Legislation** | *Superannuation Guarantee (Administration) Act 1992* |
| **SIS Legislation** | *Superannuation Industry (Supervision) Act 1993* and the regulations under that Act |

# 2. INTRODUCTION

This submission is provided in response to the Committee's letter of 17 May 2004 inviting the Department to make a submission to its inquiry into the Parliamentary Superannuation Bill 2004 (the PS Bill) and the Parliamentary Superannuation and Other Entitlements Legislation Amendment Bill 2004 (the Superannuation and Other Entitlements Bill).

2. These Bills were introduced into the House of Representatives on 1 April 2004 and were passed by the House of Representatives on 12 May 2004. The Senate referred the Bills to the Finance and Public Administration Legislation Committee on 12 May 2004 with the following terms of reference:

a. To examine the provisions of the bill relating to the superannuation entitlements of the new Members of Parliament and ability to attract quality MPs;

b. To consider the impact of the legislation on existing Parliamentarians and the implications of having three different superannuation arrangements for MPs;

c. To compare this legislation with similar changes being made to the Commonwealth Public Service and State and Territory Parliaments;

d. To consider the Australian Labor Party proposal to cap the additional retiring allowance for Ministers and other office holders.

3. The Bills form a legislation package designed to close the Parliamentary Contributory Superannuation Scheme (PCSS) to persons who are not sitting Members immediately before the next general Federal election and replace the PCSS with a 9% accumulation arrangement.

4. This submission provides a summary of the proposed operation of the new superannuation arrangements and discusses how they impact on sitting Members. The submission outlines the superannuation arrangements for the Australian Public Service and provides some details of State and Territory Parliamentary superannuation arrangements. Finally, it provides some brief comments on the proposed operation of the proposal to cap the additional retiring allowance for Ministers and other office holders.

# 3. A SUMMARY OF THE PROVISIONS OF THE BILLS

5. The Bills constitute a package of Bills to close the Parliamentary Contributory Superannuation Scheme (PCSS) and make new superannuation accumulation arrangements for persons who first become members of the Australian Parliament, or return to the Parliament after a previous period in Parliament, from the next general election.

## Parliamentary Superannuation Bill 2004

6. This Bill provides the framework for the new accumulation arrangements. The new arrangements will apply to Members who join the Parliament on or after the first general election after the Act receives Royal Assent and former Members who return to the Parliament after an absence. The Bill proposes that sitting Members who are re-elected at the next general election will remain members of the PCSS.

7. An existing Member who ceases as a member of the House of Representatives on dissolution of that House or resigns from the Senate to stand for election to the other House and who is elected to that other House within 3 months will also remain a member of the PCSS. The 3 month period is taken from the date of dissolution of the House of Representatives or resignation from the Senate, whichever is appropriate, to the date of the polling day, notwithstanding that the person may not take their place in the Parliament until a later time.

*Contributions under the new arrangements*

8. The amount of the Government contribution will be 9% of the person's total parliamentary salaries. This includes parliamentary allowance, 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 in the Parliament, to the extent that they count as salary under the Superannuation Guarantee (SG) legislation. The 9% contributions will only be paid if permitted to be paid by the SIS legislation. The restriction on what salary is counted under the SG legislation and the effect of the SIS legislation is to prevent a contribution being made to a fund for any person who is age 70 or over, which is a community standard.

9. In most cases, the mandatory employer contribution provided for in the SG legislation is 9% of ordinary time earnings (OTE). OTE as defined in the SG legislation would include a Member's electorate allowance. Basing the 9% contribution on Parliamentary salary alone and not including electorate allowance will ensure that the superannuation salary base is the same for both the PCSS and the new accumulation 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 SG legislation based on OTE.

10. Members will be able to arrange for additional contributions through salary sacrifice. This is provided for in the Superannuation and Other Entitlements Bill. Salary sacrifice will not affect the amount of the 9% contribution to be paid for the Member.

11. No provision is made in the Bill in relation to other superannuation payments such as voluntary member contributions or death and disability premiums as these are matters that will depend upon the rules of the fund chosen by the Member to receive the 9% contribution.

*Choice of fund*

12. The Government contribution must be made either to a complying superannuation fund or Retirement Savings Account (RSA) chosen by the Member or to a default fund in the event the Member does not make a choice. However, the fund must not be a self managed superannuation fund. A default fund will be nominated by the Minister for Finance and Administration to receive contributions.

13. A complying superannuation fund is a superannuation fund or scheme that is eligible for concessional tax treatment if it satisfies certain conditions specified in the SIS legislation. Such schemes are generally regulated superannuation funds under the SIS legislation. RSAs are offered by financial institutions like banks, building societies, credit unions and life insurance companies and are intended to provide a simple, low cost and low risk savings product which employers can use to make SG contributions. RSAs are treated in a similar manner to complying superannuation funds in respect of taxation and prudential supervision.

14. A Member may choose a fund when they become entitled to receive parliamentary allowance. In the case of a Senator-elect or person appointed to fill a casual vacancy in the Senate who is not yet receiving parliamentary allowance the choice can be made before that time. A Member must provide evidence that their chosen fund or RSA will accept the contributions. A Member may vary or revoke any declaration they have made to choose a fund or RSA. However, there may be only one chosen fund or RSA at any particular time.

*Administrative arrangements*

15. These new arrangements will be administered by the Clerk of the Senate or of the House of Representatives, as appropriate, in accordance with the provisions contained in the Bill. The relevant Clerk must make arrangements for a Member or future Senator to be notified of their right to choose a fund or RSA to receive the 9% contributions to be paid for them and that if they do not do so those contributions will be paid to the default fund nominated by the Minister for Finance and Administration. The notification must be given to the person within 28 days after a person becomes eligible to choose a fund or RSA.

## Parliamentary Superannuation and Other Entitlements Legislation Amendment Bill 2004

16. This Bill includes amendments to the *Parliamentary Contributory Superannuation Act 1948* (the PCS Act), to close off the PCSS, and the *Remuneration and Allowances Act 1990* (the R&A Act) to introduce salary sacrifice.

*Closing off the PCSS*

17. The amendments to the PCS Act will close the PCSS to new Members, including former Members who return to the Parliament and former State Parliamentarians who join the Australian Parliament. These arrangements will also apply in the event that a currently sitting Member ceases parliamentary service, becomes entitled to a retiring allowance and is then re-elected at some future time. These Members will join the new accumulation arrangements detailed above and any retiring allowance being paid to them under the PCSS will be suspended for the duration of their time in Parliament.

18. Payment of the suspended retiring allowance will recommence once the Member leaves the Parliament again provided the Member is not under age 55, in which case payment will be deferred until that age. The retiring allowance will be paid at the updated rate on the

basis of the then current parliamentary allowance and, where appropriate, additional salaries payable to sitting members from time to time. Also, salary sacrifice by a Member of any part of their parliamentary allowance will not affect the rate of retiring allowance payable to the retired Member.

19. The suspended retiring allowance may need to be adjusted to take account of any surcharge assessments that arise during the period of suspension. These surcharge assessments must relate only to a previous period in the Parliament when the person was a contributor to, and accrued a benefit under, the PCSS. This surcharge reduction is calculated in the same way as it would have been calculated under the existing provisions of the PCS Act. Also, the arrangements under the PCS Act whereby a former Member is able to commute a part of their retiring allowance to meet a surcharge assessment received after retirement will continue to operate.

20. New Members whose retiring allowance has been suspended will not be able to commute any part of their suspended retiring allowance when the suspension is lifted (except to pay a post-retirement surcharge debt). The provisions in the PCS Act relating to spouse entitlements and payments to personal representatives on the death of a Member or retired Member will continue to apply.

*Salary sacrifice*

21. The R&A Act provides, amongst other things, for the parliamentary allowance paid to Members. This Bill will amend the R&A Act to extend a limited salary sacrifice facility to new Members who are to be entitled to superannuation under the new accumulation arrangements contained in the Parliamentary Superannuation Bill 2004. This will enable them to salary sacrifice from their parliamentary allowance an amount up to 50% of their total Parliamentary salaries, for the purpose of making additional employer superannuation contributions. The total Parliamentary salary is the sum of the amount of parliamentary allowance, 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 in the Parliament.

22. A new Member will be able to elect to salary sacrifice additional contributions to a complying superannuation fund or RSA in accordance with arrangements that are similar to the choice arrangements for the 9% contributions set out at paragraph 14 above. To be an effective salary sacrifice the election must be made before the salary being sacrificed is earned.

# 4. THE IMPACT OF THE BILLS ON EXISTING MEMBERS AND DIFFERENCE IN SUPERANNUATION ARRANGEMENTS BETWEEN MEMBERS

## Impact on Existing Members

23. Under the provisions of the Bills, Members who are sitting members of Parliament immediately before the next general election will not be affected by the new accumulation arrangements while they remain in Parliament. They will continue to be covered by the PCSS under the existing provisions of the PCS Act and they will not have an option to transfer to the new arrangements.

24. Similarly a sitting Member who ceases to be a member of Parliament to change from one House of Parliament to the other and is elected or appointed to that other House within three months will not be affected by the changes and will retain membership of the PCSS.

25. However, in all other circumstances where a currently sitting Member ceases to be a member of Parliament, the Member will receive superannuation for any later period of parliamentary service after the Bills are passed from the new accumulation arrangements contained in the PS Bill. If the re-elected Member was receiving a retiring allowance under the PCSS, that retiring allowance will be suspended during their period in the Parliament or until they reach age 55.

26. The suspension of retiring allowances for former Members who return to Parliament are provided for in the Superannuation and Other Entitlements Bill. The details of the arrangements for the suspension of retiring allowances are included in paragraphs 18-20 of this submission.

## The different superannuation arrangements that will apply to Members from the next general election

27. Provided the Bills are passed before the next general election, the superannuation arrangements that apply to a Member from that time will be one of the following:

a. Benefits under the PCSS. Within that scheme some members will receive different entitlements to others depending upon the Member's length of service and reason for leaving the Parliament. Also, some Members' retiring allowance entitlements will be preserved until age 55 while others are not subject to preservation. However, all Members receiving lump sum benefits will be subject to preservation to age 55 or later in accordance with the SIS legislation. A Quick Reference Guide to the PCSS is provided at Attachment A.

b. The new arrangements proposed by the PS Bill.

c. The new arrangements proposed by the PS Bill as well as the PCSS (because they have a suspended retiring allowance with that scheme).

28. This multiplicity of superannuation arrangements is not unusual in the public sector. Australian, State and Territory Government employees and members of the defence force can have different superannuation arrangements from their colleagues depending upon the time at which they commenced their employment or certain other circumstances. Similarly

in the Tasmanian and Western Australian Parliaments there are Members who are covered either by a defined benefit scheme or a lump sum accumulation scheme with different employer costs.

# 5. RECENT CHANGES TO OTHER SUPERANNUATION SCHEMES

## Australian Government employees

*Current arrangements*

29. Most Australian Government employees are members of the Public Sector Superannuation Scheme (PSS). The PSS currently provides for a defined benefit, which is based on a member's personal contribution rate to the scheme, their final average salary, years of scheme membership and, in some circumstances, age. The average employer cost for the PSS, calculated as at 30 June 2002, is 15.4% of PSS superannuation salaries[1].

30. Australian Government employees who are not members of the PSS will either be members of the closed Commonwealth Superannuation Scheme (CSS)[2] or will receive superannuation in accordance with the *Superannuation (Productivity Benefit) Act 1988.* That Act provides arrangements along the lines of those envisaged in the SG legislation. Contributions are paid to a superannuation fund chosen by the employee from a range of funds approved for the purposes of the Act or, if no fund is chosen, to the Australian Government Employees Superannuation Trust (AGEST).

*Recent Changes*

31. From 1 July 2005 new employees joining the PSS will join the accumulation plan of that scheme. This part of the PSS will provide fully funded accumulation benefits based on an employer contribution of 15.4% of PSS salary[3] or, if provided for in a certified agreement, Australian workplace agreement, remuneration determination or other agreement applying to the person, Ordinary Time Earnings (OTE)[4]. If superannuation salary is used to calculate contributions, employers must ensure that those contributions are no less than 9% of OTE.

32. Other major features of the PSS accumulation plan include:

a. Members may make voluntary contributions from after tax salary.

b. Members who are able to enter into salary sacrifice arrangements with their employer may have salary sacrificed amounts paid to their accounts with the PSS.

c. Employers may pay higher contributions for an employee than the 15.4% referred to in the preceding paragraph.

d. Basic death, permanent invalidity and income protection insurance cover will be provided with additional cover being available as an option. Members may opt out of basic income protection cover. Premiums will be met from members' accounts.

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[1] PSS and CSS Long Term Cost Report 2002, Mercer Human Resource Consulting Pty Ltd, Sydney.

[2] The CSS provides both a defined benefit, based on the scheme member's age, length of scheme membership, final salary, and an accumulation benefit. The scheme was closed to new members from 1 July 1990.

[3] PSS salary is the superannuation salary applying under the PSS defined benefit plan.

[4] Ordinary Time Earnings is defined in the *Superannuation Guarantee (Administration) Act 1992.*

e. Benefits will be in the form of a lump sum but the scheme trustee (the PSS Board) will arrange for optional retirement income products to be provided by external providers.

f. Benefits are fully portable on ceasing employment covered by the PSS. Amounts transferred to the PSS accumulation plan and member contributions paid to the plan can be transferred to another superannuation entity while the person is still in employment covered by the PSS.

g. Employers will meet administration charges.

33. The full details of the PSS accumulation plan are included in the 20th Amending Deed to the Trust Deed for the PSS which was signed by the Minister for Finance and Administration on 23 March 2004. Further details to those described above are included in Attachment B.

## State and Territory Parliaments

34. Responsibility for the superannuation arrangements for the various State and Territory Parliaments rests with those State and Territory Ministers and their Departments who have responsibility for that superannuation. However, the following general information about superannuation for State and Territory parliamentarians is provided to assist the Committee.

35. Most State and Territory Governments provide defined benefit superannuation schemes for their parliamentarians. There are some exceptions to this however.

*Tasmania*

36. Tasmania closed its parliamentary superannuation scheme in 1999. Persons first elected to the Tasmanian Parliament on or after 1 July 1999 become members of the Tasmanian Accumulation Scheme (TAS) if they do not choose to join a private sector complying superannuation fund.

37. TAS is an accumulation scheme requiring employer contributions at the Superannuation Guarantee (SG) rate. It provides for a basic level of death and disability cover calculated as a percentage of salary with options to increase or decrease this level of cover and premiums are deducted from members' accounts. TAS also provides superannuation for certain State employees, and statutory officers, judges and governors if they do not choose to join a private sector complying superannuation fund.

38. TAS can also accept voluntary member contributions from members and members are able to salary sacrifice their superannuation contributions and contribute to a spouse account. The default employee contribution rate is five per cent of salary, but an employee can elect to contribute at another rate or to make no contributions.

*Western Australia*

39. Western Australia (WA) closed its parliamentary scheme in 2000. Superannuation arrangements for new members of the Western Australian Parliament (MPs) from that time are determined by the WA Salaries and Allowances Tribunal (SAT).

40. All MPs elected since 10 October 2000 receive superannuation contributions paid by the State into an accumulation arrangement at a level that would ensure that SG

requirements are met. The SAT is charged with the responsibility of determining the level of contributions paid to MPs and is required under the WA legislation to ensure contributions under the new arrangements comply with the SG legislation.

41. When the new superannuation arrangements were introduced in October 2000 the level of State contributions for MPs was set at 9 per cent of parliamentary salary, which was above the minimum SG rate of 8 per cent applicable at the time. The WA legislation defines the salary for the purposes of determining superannuation contributions as the basic member salary plus any higher office allowance.

42. From 1 July 2002, when the minimum SG rate rose to 9 per cent of salary, the Tribunal increased the contribution rate to 12.5 per cent of salary in order to ensure SG compliance. This is because the salary on which State contributions are based is less than the salary for contribution purposes that would normally be allowable under SG legislation. For example, electorate allowances would normally be included in the definition of salary for SG purposes. In this respect, the Tribunal felt that it was unreasonable to base contributions on this allowance given that it varies and is based on electoral demographics. Hence it decided to maintain the existing salary base for State contribution calculation purposes and increase the contribution rate to a level that would ensure that SG requirements are met.

43. The new arrangements now provide for employer contributions of 12.5% of basic salary and higher office allowance (excluding electorate allowance). These contributions are paid into WA's accumulation scheme for State employees and new MPs, West State Super, unless the Member chooses their own fund. Voluntary member contributions are accepted and members are able to salary sacrifice up to 50% of their total parliamentary salary to increase their superannuation. Certain sitting MPs with short service at the time of the commencement of the new arrangements were given the option to transfer to the new arrangements.

*Other States and the Northern Territory*

44. According to media reports following the Government's announcement of the closure of the PCSS on 12 February 2004, the New South Wales, Queensland, South Australian and Victorian Governments have indicated that similar changes are likely to be made to parliamentary superannuation arrangements in those States. At the time of writing this submission, no legislative changes had been introduced into State Parliaments.

45. The Northern Territory (NT) Government has been conducting a review of the Legislative Assembly Members Superannuation (LAMS) Fund since 2002 and on 17 February 2004 the Chief Minister, in a Ministerial Report to the Assembly on the review, called for submissions from Legislative Assembly members on appropriate superannuation arrangements. The Chief Minister also indicated that it is the intention of the NT Government that legislation is introduced in the second half of this calendar year in support of new superannuation arrangements for parliamentarians.

# 6. THE PROPOSAL TO CAP THE ADDITIONAL RETIRING ALLOWANCE FOR MINISTERS AND OTHER OFFICE HOLDERS

46. The Australian Labor Party (ALP) moved amendments to the Superannuation and Other Entitlements Bill in the House of Representatives to cap the additional retiring allowance payable under the PCSS to the Prime Minister, senior Ministers and senior office holders in the Parliament to the level of benefit payable to a Cabinet Minister. Under subsection 18(9) of the PCS Act, an additional retiring allowance is calculated as a certain percentage of the salary payable to a Minister or office holder in the Parliament (other than a Minister).

47. We understand from the Hansard record of the debate on the Bills in the House of Representatives on 12 May 2004 that the intended purpose of those amendments is to reduce the retiring allowance entitlements of the holders of the following offices:

- The Prime Minister
- The Deputy Prime Minister
- The Leader of the Government in the Senate
- The Treasurer
- The Leader of the Opposition
- The Speaker of the House of Representatives
- The President of the Senate
- The Leader of the House of Representatives

48. A similar limitation on salaries is not proposed for the purpose of the 9% Government contributions under the new accumulation arrangements contained in the Parliamentary Superannuation Bill 2004.

49. The ALP amendments, as drafted, would apply in relation to a person who serves as a Minister of State after the 40th Parliament (that is, the current Parliament). The cap would only apply, therefore, to Members who hold a relevant office after the next election and only in respect of any service in that office after the next election. Thus, the amendments may be considered to be prospective only.

50. By expressing the amendments to apply to Ministers of State, only the retiring allowance entitlements of the holders of the following senior Ministerial offices would be affected:

- The Prime Minister
- The Deputy Prime Minister
- The Leader of the Government in the Senate
- The Treasurer
- The Leader of the House of Representatives

51. Consequently, the entitlements of holders of the office of Leader of the Opposition, Speaker of the House of Representatives and President of the Senate would not be affected. This is because these non-Ministerial senior office holders are not defined as Ministers of State under the PCS Act. Subsection 18(9) and certain definitions in section 4 of the PCS Act distinguish between Ministers of State and office holders in the Parliament who are not Ministers.

52. Proposed paragraph 18(9)(c) as drafted provides that the rate of additional retiring allowance shall not exceed the rate set by the Remuneration Tribunal for a Minister in Cabinet other than the holders of the offices in paragraph 50 above (that is, "an other Minister in Cabinet" as defined in the proposed amendments). That paragraph should provide that the rate of Ministerial salary shall not exceed the rate of salary payable to an other Minister in Cabinet.

53. Under the Constitution, the individual salaries of Ministers are a matter for decision by the Government, subject to the total annual amount for these salaries being provided by Parliament. The *Ministers of State Act 1952* makes provision for an annual appropriation which is apportioned in annual salaries to the Prime Minister, Deputy Prime Minister, Treasurer, Leader of the Government in the Senate, Leader of the House, other Ministers and Parliamentary Secretaries. The Remuneration Tribunal is required to report annually to Government on the additional salaries payable to Ministers. The Tribunal has no power to determine those salaries.

## 7. ATTACHMENT A

# QUICK REFERENCE GUIDE TO PCSS

## MEMBERSHIP

Membership of the scheme is compulsory for all Senators and Members.

## CONTRIBUTIONS

Contributions are a fixed percentage of the parliamentary allowance (ie backbench salary) and any additional salary payable for service as an office holder of the parliament. These rates are:

- 11½ % of parliamentary allowance until the completion of 18 years service; and
- 5¾ % of parliamentary allowance after the completion of 18 years service.

These rates also apply to any additional salary.

## BENEFITS

If retirement is voluntary, a Senator or Member is entitled to a retiring allowance (ie parliamentary pension) after completing 12 or more years service or if he or she has ceased to be a member on 4 occasions. (An "occasion" occurs on the dissolution or expiration of the relevant House or the expiration of a Senator's or Member's term of office.)

If retirement is involuntary (eg due to the loss of preselection or loss at an election), a Senator or Member is entitled to a retiring allowance if he or she has 8 or more years' service or if he or she has ceased to be a member on 3 occasions.

(Senators who have 6 year terms achieve an "occasion" after the completion of 3 years of that term, as well as when the term expires.)

Senators and Members who do not qualify for a retiring allowance under these conditions may be entitled to a retiring allowance if the Parliamentary Retiring Allowances Trust (the Trust) is satisfied that the retirement is due to ill-health.

Where a Senator or Member does not become entitled to a retiring allowance he or she is 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, and where it is involuntary, the supplement is 2 1/3 times the contributions; or

- a lump sum representing the Superannuation Guarantee minimum.

Benefits are reduced to take account of the superannuation contributions surcharge.

## RATES OF RETIRING ALLOWANCE

| YEARS OF SERVICE | PERCENTAGE OF PARLIAMENTARY ALLOWANCE |
|---|---|
| 8 | 50 |
| 9 | 52.5 |
| 10 | 55 |
| 11 | 57.5 |
| 12 | 60 |
| 13 | 62.5 |
| 14 | 65 |
| 15 | 67.5 |
| 16 | 70 |
| 17 | 72.5 |
| 18 or more | 75 |

Between the completion of 8 and 18 years service each additional day's service attracts an additional retiring allowance of 0.00685% of the parliamentary allowance.

Additional retiring allowance in respect of office holder service accrues at the rate of 6.25% of the additional salary for each year the office is held, up to a maximum of 75% for the highest paying office held, ie each day as an office holder attracts a benefit of 0.0171% of additional salary.

Retiring allowances for Senators and Members elected on or after 10 November 2001 become payable at age 55 or on invalidity or death.

Retiring allowances are increased in line with increases in parliamentary salaries.

## COMMUTATION

Former Senators and Members who become entitled to a retiring allowance, except by reason of ill health, may commute up to 50 percent of the retiring allowance to a lump sum.

The lump sum is equal to the annual amount of retiring allowance commuted multiplied by the commutation factor. The commutation factor for ages up to and including 65 years is 10. The commutation factor reduces by 0.5 per year and reduces to zero at age 85. Examples of the commutation factor applicable at various ages are set out below:

| AGE | FACTOR |
|---|---|
| 65 or less | 10.0 |
| 70 | 7.5 |
| 75 | 5.0 |
| 80 | 2.5 |
| 85 or over | 0.0 |

## PRESERVATION

Superannuation rules requiring lump sum benefits to be preserved until at least age 55 apply to lump sum benefits payable under this Scheme.

## SPOUSE BENEFITS

An annuity is payable to the eligible spouse of a Senator or Member who dies in service irrespective of length of service.

An annuity is payable to the spouse of a former Senator or Member if the marital relationship commenced before retirement from the Parliament. An annuity is also payable where the marital relationship commenced after retirement from the Parliament provided that it commenced before the former member was aged 60 or at least 5 years before his or her death.

A spouse's annuity is 5/6 of a former member's retiring allowance. Where the annuity becomes payable to the spouse of a serving Member or Senator who died with less than 8 years service, the spouse's annuity is based on the benefit which would have been payable had 8 years service been completed.

## SPECIAL PROVISIONS APPLYING IN SOME CIRCUMSTANCES

Where former Senators and Members who are entitled to a retiring allowance or their spouses who receive an annuity hold an office of profit under the crown, their benefit may be reduced. The retiring allowance or annuity is reduced above a threshold of 20% of backbench salary at the rate of 50 cents in the dollar. A maximum reduction of 50% of the retiring allowance before commutation applies.

Special provisions also apply to former Senators and Members who are re-elected to the Commonwealth Parliament or are elected to State or Territory legislatures, and to current Senators and Members who have received, or are entitled to receive, lump sum benefits under other superannuation schemes (including State or Territory parliamentary schemes).

## ADMINISTRATION

The Department of Finance and Administration provides advice and assistance to the Parliamentary Retiring Allowances Trust (the Trust) and administers the Parliamentary Contributory Superannuation Scheme (PCSS).

## REVIEW OF DECISIONS

A person affected by a decision of the Trust may request within 30 days of being notified of that decision, or in whatever time the Trust considers reasonable, that the Trust reconsider the matter. Further recourse to the Administrative Appeals Tribunal is available.

## FURTHER INFORMATION

If you require further information please consult the Parliamentary Contributory Superannuation Scheme Handbook or telephone

Mr Chris Armstrong on (02) 6215 3675,
Mrs Heather Fitzpatrick on (02) 6215 3676, or
Mr John Clarke on (02) 6215 3685

or write to the Director, Parliamentary Superannuation Section, Department of Finance and Administration, King Edward Terrace, Parkes, ACT 2600.

# PARLIAMENTARY CONTRIBUTORY SUPERANNUATION SCHEME

## A QUICK REFERENCE GUIDE TO THE MAIN PROVISIONS

**The legislative basis for the Scheme is the *Parliamentary Contributory Superannuation Act 1948* (the Act); this pamphlet has no legal authority.**

*September 2003*

# 8. ATTACHMENT B

## Details of the PSS Accumulation Plan

### Introduction

1. On 17 October 2003 the Minister for Finance and Administration announced the Government's decision to convert the PSS to provide fully funded accumulation benefits for new employees from 1 July 2005.

2. The PSS is a regulated superannuation fund for the purposes of the *Superannuation Industry (Supervision) Act 1993* and associated regulations. These changes are not intended to affect the status of the PSS as a regulated superannuation fund.

## Key Features

### Commencement Date and Implementation

3. The new arrangements will commence on 1 July 2005. Amendments were made to the PSS Trust Deed and Rules by the 20th Amending Deed, which was signed by the Minister on 23 March 2004, to give effect to the new PSS arrangements.

### Benefit type

4. PSS members covered by the new arrangements will be provided with fully funded lump sum accumulation benefits.

### Membership

5. New employees who commence employment on or after 1 July 2005 with an employer who provides superannuation coverage to new employees through the PSS and become PSS members will be covered by the new arrangements unless they have an existing interest, including a preserved benefit, in the PSS (as at 30 June 2005) or the Commonwealth Superannuation Scheme (CSS).

### Effect on superannuation arrangements for existing and certain former employees

6. Arrangements for existing employees and people with an existing interest, including a deferred interest or preserved benefit, in the CSS or the PSS (as at 30 June 2005) will be unaffected by these changes. This means, for example, that no changes will be made to the categories of persons who have a right to, or who must, return to the CSS if they rejoin Australian Government employment.

7. The new arrangements will only apply to new employees from 1 July 2005. Members of the pre 1 July 2005 PSS (the PSS defined benefits plan) or the CSS will not be permitted to transfer to the new arrangements.

### Trustee and administrator

8. As the accumulation arrangements are being established as a new part of the PSS, the PSS Board will be the Trustee for the arrangements and ComSuper will continue to provide administration services to the Board.

**Employer contributions**

9. All agencies will be required to pay contributions to the PSS Fund for new employees who become PSS members from 1 July 2005 at a minimum level of 15.4% of PSS salary or, if members and their employer agree, Ordinary Time Earnings (OTE). OTE is defined in the Superannuation Guarantee (Administration) Act 1992.

10. Consistent with current practice by Australian Government employers, employer contributions will be required to be made fortnightly or each time a salary payment is made to an employee not paid on a fortnightly basis.

11. Where the PSS salary is used to calculate the employer contributions referred to in paragraph 9, employers will also be required to ensure that the amount of superannuation paid each SG quarter is at least equivalent to the SG rate of 9% of OTE.

**Salary sacrifice and other additional employer contributions**

12. Salary sacrifice and other additional employer contributions will be accepted in the PSS accumulation plan in respect of members of that plan.

**Employee contributions**

13. Voluntary employee contributions will be accepted provided these are permitted by the SIS legislation. Employee contributions will only be accepted from accumulation plan members. People who have left Australian Government employment and preserved their benefit in the scheme will not be permitted to make employee contributions.

**Eligible spouse contributions**

14. The PSS accumulation plan will accept eligible spouse contributions made in respect of accumulation plan members in accordance with SIS.

**Investment of PSS Fund for accumulation plan members**

15. The PSS Board will continue to invest the PSS Fund in accordance with its obligations under the PSS Trust Deed and SIS. The crediting of earnings in the PSS accumulation plan will be positive or negative depending on the actual earnings of the relevant assets in the PSS Fund and the crediting rates set by the PSS Board.

16. The PSS Board will be able to offer member investment choice to members of the PSS accumulation plan and will be able to charge members for the costs associated with member investment choice.

**Portability and preservation of benefits**

17. Members covered by the new arrangements will be permitted to transfer other superannuation entitlements to the PSS accumulation plan. Upon ceasing employment covered by the PSS, former employees covered by these new arrangements will be permitted to preserve their benefit in the PSS or transfer their benefit from the PSS to another superannuation entity.

18. Accumulation plan members in continuing Australian Government employment will be permitted to transfer certain amounts to another superannuation entity whilst remaining a PSS member. This will enable members to transfer from the PSS any amounts

previously transferred into the PSS and the amount of any employee contributions made. There will be no scope for continuing members to transfer from the PSS any employer contributions made by an employer providing superannuation through the PSS.

**Insurance**

19. The PSS Board will arrange for all members to be covered for a basic level of death and invalidity insurance provided through external providers with premiums paid for from members' accounts in the Fund. Members will not be permitted to opt-out of basic insurance cover. Members will be able to take extra insurance covering death and invalidity with premiums paid for from their account in the Fund.

20. The PSS Board will arrange for all members to be covered for a basic level of income protection insurance to the extent permitted by the SIS legislation, provided through external providers with premiums paid for from members' accounts in the Fund. Members will be permitted to opt-out of basic income protection insurance cover or take extra cover for income protection with premiums paid for from their account in the Fund.

**Benefits**

21. The PSS accumulation plan will provide for lump sum benefits only. The PSS Board will arrange for access to pensions or other retirement income products through external products.

22. Death and permanent invalidity benefits will be a lump sum amount equal to the person's contributions held in the Fund plus any insured amount paid as a result of insurance coverage purchased by the member through the scheme. The PSS Rules will provide for binding member nominations, as provided for in the SIS legislation, to direct the PSS Board in relation to the payment of death benefits. In the absence of a binding member nomination the Board will have a discretion to pay the death benefit to a legal personal representative or to dependants. If no legal personal representative or dependant can be found the Board will have a discretion to pay the benefit to any other individual.

23. Income protection benefits for persons unable to work for health reasons for limited periods of time will be available to the extent permitted by the SIS legislation for members who have not chosen to opt out of insurance arranged by the PSS Board for providing income protection benefits.

**Early release of benefits**

24. Early release of benefits will be permitted on the grounds of financial hardship or on compassionate grounds within the limits specified in the SIS legislation.

**Administration charges**

25. There will be no changes to how administration charges are paid in the PSS apart from the any charges to scheme members resulting from member investment choice. Administration charges for the PSS will continue to be paid by employers and the cost of investing the amounts held in the PSS Fund will continue to be paid from the Fund.