

1996

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

**PARLIAMENTARY CONTRIBUTORY SUPERANNUATION
AMENDMENT BILL 1996**

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Finance,

the Honorable John Fahey, MP)



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GENERAL OUTLINE

This Bill proposes to amend the *Parliamentary Contributory Superannuation Act 1948* (the Principal Act) to ensure that the accrued benefits of pensioners and serving members are not decreased when parliamentary salaries are decreased.

2. The existing provisions of the Principal Act base retiring allowances (ie. parliamentary pensions) on the salaries payable from time to time for parliamentary service and in respect of offices held as Minister of State and other office holders in the Parliament.
3. The effect is that benefits are linked, at any point in time, directly to the salaries payable to serving members at that time. Where a parliamentary salary is reduced, as occurred to the salary payable to Ministers not in the Cabinet after the 2 March 1996 Election, the actual dollar amount paid to pensioners based on that salary also is reduced. Members who had previously held such offices and are still serving in the Parliament could also suffer a loss of accrued benefits on retirement.
4. This Bill proposes, where there is a reduction in any salary, to fix the salary used to determine retiring allowances at the level immediately prior to the reduction, until such time as the actual salary increases to at least the fixed pre-reduction salary.

FINANCIAL IMPACT STATEMENT

5. The reduction in salaries payable to Ministers not in the Cabinet would have had the effect of a minor reduction in the cost of the scheme. The reduction in costs in 1996-97 in relation to existing pensioners would have been approximately \$80,000, but this saving would have decreased over time as the salary payable to a non-Cabinet Minister increased to the pre-reduction level. The amendments included in the Bill will maintain the previous expenditure level.
6. There is no immediate financial impact in relation to preserving the accrued entitlements of serving members because any benefit from the proposed provisions would only be realised on retirement.

NOTES ON CLAUSES

Clause 1 - Short title

7. **Clause 1** provides for the short title of the Act to be the *Parliamentary Contributory Superannuation Amendment Act 1996*.

Clause 2 - Commencement

8. **Clause 2** provides for the commencement of the Act to be on the day the Act receives Royal Assent.

9. Schedule 1, which contains the detailed amendments to the Principal Act, is to be taken to have commenced on 2 March 1996.

Clause 3 - Schedule(s)

10. **Clause 3** provides that the Principal Act is amended as set out in the Schedule.

SCHEDULE 1 - Amendment of the Parliamentary Contributory Superannuation Act 1948

Items 1 - 4

11. These items insert notes to the relevant sections where benefit calculations are prescribed, to alert the reader that the provisions inserted by the following amendments may impact on those calculations.

Item 5 - After section 22S

12. This item would insert **new section 22T** in Part VI of the Principal Act to ensure that if there is a reduction in an underlying rate of a parliamentary salary payable to a member, Minister or office holder, which is used to calculate a retiring allowance, the retiring allowance payable to pensioners and the accrued benefits of serving members would not be reduced. Instead, those benefits would be fixed by reference to a preserved rate of salary. The preserved rate would remain the basis for calculating a retiring allowance payable now or in the future until such time as the actual rate increases to at least the preserved rate.

13. Subsection 22T(1) defines the salaries upon which retiring allowances payable after 2 March 1996 are based as **underlying payments** and the rate of underlying payment immediately prior to a decrease in that payment as the **preserved rate**. Whenever a rate of parliamentary allowance (ie. basic salary), salary payable to a Minister in respect of an office or allowance payable by way of salary to an office holder is reduced, and a member had been in receipt of such salary as a member, a Minister or office-holder at any time before the salary was reduced, the preserved rate comes into existence and is to be used for the purpose of calculating any retiring allowance payable to the person after the decrease.

14. Subsection 22T(1) has application to certain pensioners in receipt of a retiring allowance prior to the decrease in salary payable to a non-Cabinet Minister following the 2 March 1996 Election and to serving members who were in receipt of that salary at any time before the decrease and part of whose retiring allowance, when payable, will be fixed by reference to that salary. The salary used to calculate the benefit in all cases will be the preserved salary before the reduction.

15. Subsection 22T(2) provides that the preserved rate of salary is used for the purpose of determining retiring allowances until the actual rate of salary overtakes the preserved rate.

16. Subsection 22T(3) ensures that if there is a further decrease to a parliamentary salary, before the actual rate increases to at least, or overtakes, the preserved rate, the highest preserved rate continues to apply until such time as the actual rate increases to at least the highest preserved rate.

17. Subsection 22T(4) ensures that this new Section 22T does not apply to a member who receives an underlying payment of salary for the first time after the date of effect of a salary decrease, where the decrease applies with retrospective effect to a date before the underlying payment was first received. That is, these new provisions will have no effect in respect of current members who have held office as non-Cabinet Ministers for the first time since the 2 March 1996 Election, unless there is a future decrease in any parliamentary salaries.

Item 6 - Overpayments during retrospective period

This item ensures that any recoverable overpayments of pension made in the period prior to these amendments receiving Royal Assent can be offset against the extra amounts provided in accordance with these amendments.