

1989

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

SUPERANNUATION AND OTHER BENEFITS LEGISLATION

AMENDMENT BILL 1989

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Finance,
Senator the Hon Peter Walsh)

OUTLINE

The purpose of this Bill is to amend the Defence Force Retirement and Death Benefits Act 1973, the Defence Forces Retirement Benefits Act 1948, the Superannuation Act 1922, the Superannuation Act 1976 and the Papua New Guinea (Staffing Assistance) (Superannuation) Regulations to restore pensions payable under that legislation to the rates at which they would have been payable had they not been discounted from 10 October 1986.

Pensions payable under the abovementioned legislation are increased in July each year in accordance with the relevant provisions of the legislation, ie, Part XA of the Defence Force Retirement and Death Benefits Act 1973, Part VID of the Defence Forces Retirement Benefits Act 1948, Part XI of the Superannuation Act 1922, Part X of the Superannuation Act 1976 and Part XA of the Papua New Guinea (Staffing Assistance) (Superannuation) Regulations.

Generally, the increase is based on the increase during the 12 months to the previous March quarter in the weighted average of the all groups Consumer Price Index for the 8 capital cities first published by the Australian Statistician. Pensions payable on 30 June 1986 were increased in July 1986 on the basis of the 9.2% increase in the all groups Consumer Price Index (then based on the 6 State capital cities) between the March quarter 1985 and the March quarter 1986. In accordance with amendments to the abovementioned legislation contained in the Superannuation and Other Benefits Legislation Amendment Act 1986 these pensions were reduced, from and including 10 October 1986, to the rates that would have applied had the increase in the all groups Consumer Price Index between the March quarter 1985 and the March quarter 1986 been 7.2% instead of 9.2%.

The Bill provides for the rates of all pensions payable under the legislation referred to above which were, directly or indirectly, affected by the October 1986 reduction to be increased, from and including the first pension pay-day occurring after 20 October 1989, to the rates that would have applied had the Superannuation and Other Benefits Legislation Amendment Act 1986 not been enacted.

FINANCIAL IMPACT

Government outlays on pensions under the Defence Force Retirement and Death Benefits Act 1973 and the Defence Forces Retirement Benefits Act 1948 are expected to be increased as a result of the proposed amendments by approximately \$4.7 million for 1989/90, \$7.6 million for 1990/91 and \$7.9 million for 1991/92.

Total costs for the increase in pensions under the Superannuation Acts 1922 and 1976 are expected to be of the order of \$12.1 million for 1989/90, \$19.9 million for 1990/91 and \$19.5 million for 1991/92. Increases in outlays effects are estimated at \$7.2 million in 1989/90, \$12.0 million in 1990/91 and \$11.7 million in 1991/92. The remaining part of the increases, an estimated \$4.9 million in 1989/90, \$7.9 million in 1990-91 and \$7.8 million in 1991/92, are classified as (below the line) financing transaction effects.

Increases in outlays for pensions under the Papua New Guinea (Staffing Assistance) (Superannuation) Regulations are expected to be of the order of \$0.2 million for 1989/90, \$0.2 million for 1990/91 and \$0.2 million for 1991/92.

NOTES ON CLAUSES

PART 1 - PRELIMINARY

Clauses 1 and 2 : Short Title and Commencement

These clauses provide for the short title and the commencement of the legislation.

2. The Bill will come into operation, or shall be taken to have come into operation, as the case requires, on 20 October 1989, the first day of the first fortnightly pension pay period in respect of which the amendments are to apply.

PART 2 - AMENDMENTS OF THE DEFENCE FORCE RETIREMENT AND DEATH BENEFITS ACT 1973

Clause 3: Principal Act

3. This clause defines the "Principal Act" for the purposes of this Part to be the Defence Force Retirement and Death Benefits Act 1973.

Clause 4: Pension benefits payable on or after 20 October 1989 - variation of rate

4. This clause inserts a new section 98GB into the Principal Act.

5. Subsection 98GB(1) provides that the rates of pensions which were affected by the pension discount implemented on 10 October 1986 will be restored, with effect from 20 October 1989, to the rates that would have applied had the 9.2% increase in the Consumer Price Index from the March quarter 1985 to the March quarter 1986 not been notionally reduced to 7.2%.

6. Subsection 98GB(2) provides that widows', children's and orphans' pensions which commenced on the death of a pensioner after 10 October 1986, and were therefore derived from a pension which was affected by the 1986 discount, will be restored, with effect from 20 October 1989, to the rates applicable had the October 1986 discount not applied to the original pension.

7. Subsection 98GB(3) is a technical amendment which ensures that the substantive amendments apply notwithstanding temporary suspension of a pension.

PART 3 - AMENDMENTS OF THE DEFENCE FORCES RETIREMENT
BENEFITS ACT 1948

Clause 5: Principal Act

8. This clause defines the Principal Act for the purposes of this Part to be the Defence Forces Retirement Benefits Act 1948.

Clause 6: Pensions payable on or after 20 October 1989 -
variation of rate

9. This clause inserts a new section 84GA into the Principal Act.

10. Subsection 84GA(1) provides that the rates of pensions that were affected by the pension discount implemented on 10 October 1986 will be restored, with effect from 20 October 1989, to the rates that would have applied had the 9.2% increase in the Consumer Price Index from the March quarter 1985 to the March quarter 1986 not been notionally reduced to 7.2%.

11. Subsection 84GA(2) provides that widows', children's and orphans' pensions which commenced on the death of a pensioner after 10 October 1986, and were therefore derived from a pension which was affected by the 1986 discount, will be restored, with effect from 20 October 1989, to the rates applicable had the October 1986 discount not applied to the original pension.

12. Subsection 84GA(3) is a technical amendment which ensures that the substantive amendments apply notwithstanding the temporary suspension of a pension.

PART 4 - AMENDMENT OF THE SUPERANNUATION ACT 1922

Clause 7 : Principal Act

13. This clause defines the "Principal Act" for the purposes of this Part to be the Superannuation Act 1922.

Clause 8 : Pensions payable on or after 20 October 1989 -
variation of rate

14. This clause inserts a new section 128 into Part XI of the Principal Act. Subsection 128(1) provides for the rate of any pension payable on 20 October 1989 that was reduced in October 1986 to be increased to the rate that would have been payable had the reduction not occurred.

Subsection 128(2) applies a similar increase to a widow's or widower's pension that was based on a pension that had been affected by the reduction in October 1986.

PART 5 - AMENDMENT OF THE SUPERANNUATION ACT 1976

Clause 9 : Principal Act

15. This clause defines the "Principal Act" for the purposes of this Part to be the Superannuation Act 1976.

Clause 10 : Pensions payable on or after 20 October 1989 - variation of rate

16. This clause inserts a new section 153AAA into Part X of the Principal Act. Subsection 153AAA(1) provides for the rate of any pension payable on 20 October 1989 that was reduced in October 1986 to be increased to the rate that would have been payable had the reduction not occurred. Subsection 153AAA(2) applies a similar increase to a pension payable to a spouse or a child which was based on a pension that had been affected by the reduction in October 1986.

PART 6 - AMENDMENT OF THE PAPUA NEW GUINEA (STAFFING ASSISTANCE) (SUPERANNUATION) REGULATIONS

Clause 11 : Pensions payable on or after 20 October 1989 - variation of rate

17. This clause inserts a new regulation 111EB into Part XA of the Papua New Guinea (Staffing Assistance) (Superannuation) Regulations. Subregulation 111EB(1) provides for the rate of any pension payable on 20 October 1989 that was reduced in October 1986 to be increased to the rate that would have been payable had the reduction not occurred. Subregulation 111EB(2) applies a similar increase to a pension payable to a widow or widower which was based on a pension that had been affected by the reduction in October 1986.

Clause 12 : Future amendments etc

18. This clause includes in the Bill a provision to ensure that the amendments to the Regulations proposed to be made by the Bill will be capable of future amendment or repeal by way of Statutory Rules.

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