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STATE AUTHORITIES NON-CONTRIBUTORY SUPERANNUATION AMENDMENT BILL 2013

Second Reading

The Hon. MATTHEW MASON-COX (Parliamentary Secretary) [5.20 p.m.], on behalf of the Hon. Michael Gallacher: I move:

> That this bill be now read a second time.

I am pleased to introduce the State Authorities Non-contributory Superannuation Amendment Bill 2013. This bill is necessary to give effect to the recent Commonwealth Parliament's amendments to the Superannuation Guarantee Charge Act 1992 and the Superannuation Guarantee (Administration) Act 1992—the SGC Acts. These Commonwealth Acts increased the compulsory superannuation guarantee charge from 9 per cent to 12 per cent over the next six years. The first increase took effect on 1 July 2013, with the percentage of an employee's remuneration set aside for superannuation rising from 9 per cent to 9.25 per cent. In turn, this Commonwealth policy decision impacts on the New South Wales wages policy, which ensures that employee-related costs, including superannuation, do not increase by more than 2.5 per cent per annum. We had extensive debate in relation to this matter when the motion was moved by the Opposition to disallow the regulation in this respect.

As stated in the New South Wales wages policy that was introduced in 2007 under the former Government, "the net 2.5 per cent limit covers all employee-related expenses, including wages, allowances, superannuation and other conditions". It is important to note that whilst this bill is before the Parliament these amendments will not commence until a final outcome of the wages matters currently before the Industrial Relations Commission are concluded. This may include an appeal to the Court of Appeal, so the bill will stay in abeyance until that matter is clear. The wages policy is about maintaining real wages. The 2.5 per cent cap was selected as it is the average inflation rate for the Reserve Bank. Currently the Reserve Bank expects inflation to be lower than this—forecasting two per cent in December 2013.

The wages policy is fair for public sector employees and affordable for the State. That is the balance that this Government has struck. When the superannuation guarantee charge commenced in 1992 it was absorbed into wages growth, and this remains Federal Labor Government policy. This was recently confirmed in the 2013 annual wage review conducted by the Fair Work Commission, where the Federal Government advocated that increases to wages should take into account the superannuation guarantee charge increase. In its submission the Federal Government stated:

> In the whole economy, the Superannuation Guarantee increases are expected to be absorbed into future wages growth.

If the superannuation increases were not absorbed into the existing wages policy, New South Wales would have to shed up to 8,000 public sector jobs. The amendments contained in the State Authorities Non-contributory Superannuation Scheme Amendment Bill 2013 enable the 0.25 per cent increase in superannuation to be provided to members of defined benefit superannuation schemes as part of the 2.5 per cent cap. The bill ensures that members of these schemes are treated in exactly the same way as employees who are members of accumulation superannuation schemes, such as the First State Super Fund.

The bill requires relevant employers to pay the 0.25 per cent to the SAS Trustee Corporation [STC], which is the trustee for the State Authorities Non-contributory Superannuation Scheme and the other defined benefit superannuation schemes. The approach taken by the Government is consistent with the approach advocated by the Public Service Association, which stated that the way to treat the defined benefit members equitably would be to pay the 0.25 per cent superannuation rise into a separate account, such as the account that is to be established under the State Authorities Non-contributory Scheme account. SAS Trustee Corporation must establish a new account for each employee who is to receive the employer contribution of 0.25 per cent, allowing for the creation of an accumulation component in the State Authorities Non-contributory Scheme.

It is into these new accounts—to be called additional employer contributions accounts—that the employer contributions of 0.25 per cent will be paid. SAS Trustee Corporation has advised that there will be no administration fees charged for the 0.25 per cent employer contributions. This will mean that relevant employees will be saved the inconvenience of establishing a separate account for these contributions and avoid the costs associated with a separate account. If the contributions were to be paid to a separate account held with a different superannuation fund, the impact of the administration costs could be significant considering the relatively small amounts that are likely to be paid into such an account.

The current benefit in the State Authorities Non-contributory Scheme is commonly known as the basic benefit, which is a defined benefit. The value of a defined benefit is calculated using a formula linked to salary that is specified in the State Authorities Non-contributory Superannuation Act 1987. The basic benefit was introduced in 1988 as part of an award agreement that traded a salary increase in favour of superannuation contributions.

The Hon. Adam Searle: Take your time, but not that much time.

The Hon. MATTHEW MASON-COX: It is important to put history into perspective. The basic benefit is often called the three per cent benefit because that is the rate at which it accrues every year. The basic benefit is an additional defined benefit for members of the State's State Superannuation Scheme, Police Superannuation Scheme and State Authorities Superannuation Scheme. Clause 16A (4) of the bill, in the definition of "excluded employee", describes those employees who will not be entitled to receive the employer contribution. This clause also contains a regulation-making power to declare by regulation any specific groups that are not entitled to receive the 0.25 per cent contribution. This provision is directed to some classes of employees who already receive the 0.25 per cent contribution courtesy of the Superannuation Guarantee Charge Act 1992 and the Superannuation Guarantee (Administration) Act 1992 in addition to a 2.5 per cent wage increase because the award arrangements provided for increases to wages prior to the increased superannuation guarantee contribution coming into effect.

These employees will not receive the 0.25 per cent employer contribution into the additional employer contributions accounts as this would result in their total employee related costs—salary and superannuation—being increased by more than 2.5 per cent per annum for the life of their current industrial arrangements. These employees include police officers who were exempted from the 2011 Wages Regulation until 30 June 2014, ambulance officers whose current determination expires on 30 June 2014, rail employees whose agreement expires on 31 March 2014 and bus drivers whose award expires on 31 December 2014. Once the existing industrial arrangements have expired, relevant employees will receive the 0.25 per cent arrangements consistent with this bill as part of the wages policy requirement of increases to remuneration of 2.5 per cent per annum.

Those members employed outside the New South Wales public sector, such as university employees and employees in privatised agencies, will also be ineligible for the employer contribution. The bill also makes consequential amendments to the First State Superannuation Act 1992 to update the current reference in section 8 of the Act to 9 per cent as the rate at which employers must contribute for superannuation payments. This is necessary as the minimum Superannuation Guarantee rate has increased to 9.25 per cent from 1 July 2013. A specific regulation-making power is also included in the amendments to the First State Superannuation Act 1992 to enable the superannuation contribution rates to be amended in line with any changes to the Commonwealth Superannuation Guarantee (Administration) Act 1992 as they occur. I commend this bill to the House.
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