



NSW Legislative Council Hansard

Parliamentary Superannuation Legislation Amendment Bill

Extract from NSW Legislative Council Hansard and Papers Tuesday 29 November 2005.

Second Reading

The Hon. JOHN DELLA BOSCA (Special Minister of State, Minister for Commerce, Minister for Industrial Relations, Minister for Ageing, Minister for Disability Services, Assistant Treasurer, and Vice-President of the Executive Council) [3.40 p.m.]: I move:

That this bill be now read a second time.

As my remarks are lengthy and have been delivered in the other place, I seek leave to have them incorporated into *Hansard*.

Leave granted.

Today the Government introduces a bill that overhauls parliamentary superannuation in line with the former Premier's announcement to establish a 9 per cent scheme for future members of Parliament at the 2007 general election. The Parliamentary Superannuation Legislation Amendment Bill closes the Parliamentary Contributory Superannuation Fund to members first elected at the 2007 general election, together with former members who are re-elected at that time after a break of more than three months from the Parliament. For these members, the Government will pay contributions into First State Super or another complying accumulation superannuation fund of their own choice. I will shortly explain the new arrangements in more detail. In summary, they are similar to those available to the majority of New South Wales public sector employees recruited. They are also similar to recent changes to parliamentary superannuation in the Commonwealth and other jurisdictions.

The new parliamentary superannuation arrangements will be established by amendments to the Parliamentary Contributory Superannuation Act 1971, the Parliamentary Remuneration Act 1989 and the First State Superannuation Act 1992. Honourable members will be aware that, before amendments to the Parliamentary Contributory Superannuation Act 1971 can be passed in the Legislative Assembly, the Parliamentary Remuneration Tribunal must certify that the amendments are warranted. I am pleased to advise that, following his assessment, such certification has been provided by the Parliamentary Remuneration Tribunal, His Honour Judge Boland.

The Parliamentary Contributory Superannuation Fund will continue to provide the current superannuation arrangements for all sitting members who are re-elected at the 2007 general election. The fund will also continue to be available to sitting members who subsequently leave Parliament, but only if they re-enter Parliament within three months of leaving. New members elected at or after the 2007 general election and former members who are re-elected at or after that time will be covered by the new arrangements. As happens now, payment of a former member's parliamentary pension would cease for the duration of the new period of parliamentary service and recommence once that new period of service ends.

The Commonwealth Government closed its scheme for Federal parliamentarians at the October 2004 election and established new arrangements similar to those proposed in this bill. Under the Commonwealth legislation, New South Wales parliamentarians who transfer to the Federal Parliament will no longer be able to join the now closed Commonwealth Parliamentary Superannuation Scheme. This bill replicates the Commonwealth change. That is, this bill will prevent Commonwealth parliamentarians who transfer to this Parliament on or after the 2007 election from joining the Parliamentary Contributory Superannuation Fund. They will instead be covered by the same new arrangements applying to New South Wales parliamentarians who enter Parliament after that election.

The new parliamentary superannuation arrangements will be provided through First State Super, which covers the majority of New South Wales public sector employees. The legislation governing First State Super allows all employees to choose another complying superannuation fund instead of First State Super into which employer contributions are to be paid. This bill provides members of Parliament covered by the new arrangements with the same choice of superannuation fund, with First State Super being the default fund if no choice is made. The Government contributions will be at the rate of 9 per cent in accordance with the community standard. The bill includes a regulation-making power to enable the contribution rate to be changed in the future if that is required. For members who are not recognised office holders, the Government contributions will be based on current basic salary plus any allowances up to the maximum contribution base, as defined in the Commonwealth's superannuation guarantee legislation. This is the maximum amount of salary under the Commonwealth legislation on which an employer must pay superannuation guarantee contributions. The maximum contribution base is adjusted annually by the Commonwealth. For recognised office holders, the Government contributions

will be based on the current basic salary plus any additional salary payable to the member in accordance with the Parliamentary Remuneration Act 1989.

The bill includes a regulation-making power to enable a different salary basis to be used for calculating contributions if that is required in the future. Under the new arrangements, future members of Parliament will not be required to pay any contributions themselves unless they want to. A member will have the same option as public sector employees of paying the voluntary contributions from either their post-tax or pre-tax salary. The Parliamentary Remuneration Act 1989 is amended to allow future members to salary sacrifice up to 50 per cent of their base salary and any additional salary payable to them in accordance with that Act. This maximum percentage currently applies to New South Wales public sector employees but may change in the future. Again, the bill includes a regulation-making power to allow the percentage to be changed in the future if appropriate.

I now turn to other amendments to the Parliamentary Contributory Superannuation Act 1971. These amendments address some anomalies that have become apparent recently. The first anomaly flows from amendments made in 2002 that prevent members of the Parliamentary Contributory Superannuation Fund from accessing their benefits while still in office. Members aged 65 or over are therefore required to continue to pay contributions even though their entitlements may have stopped increasing in value. The bill allows members of the fund to cease paying contributions if they are at least 65 years of age and have at least 20 years of service. For members who choose to cease paying contributions, their entitlements will be deferred and calculated as if they had ceased to receive a parliamentary salary at the time of making that election.

The second anomaly arises from the current legislative requirement for members to make an election to commute a pension entitlement within three months of leaving Parliament. This is inappropriate for members who first entered Parliament after 6 December 1999 because their pension payments cannot commence before the age of 55, even if they leave Parliament many years before that age. The bill will allow these members to make an election to commute all or part of that pension to a lump sum within three months of the pension commencing to be paid. The third anomaly addressed by this bill relates to the reduction of benefits to meet Commonwealth surcharge liabilities accrued prior to 1 July 2005. Currently, the legislation allows the fund trustees to reduce benefits for this purpose except in the case of one type of spouse pension—that is, where the spouse pension is 45 per cent of the basic salary. The amendment in the bill will ensure that the trustees have the power to reduce this benefit in the same way as all the other benefits payable from the fund.

The bill addresses a fourth anomaly by ensuring that a continuing member of the fund who dies on polling day before the polls close is deemed to be a serving member at the time of death for the purposes of the Act. This will occur provided the person was contesting the election at that time, whether for the same or another seat or House of the Parliament. Honourable members will recall that the Parliamentary Electorates and Elections Act was also amended following the sad death of the late Jim Anderson on polling day at the 2003 election. The final anomaly being addressed by the bill ensures that certain pensions are correctly adjusted in the same manner as other pensions payable from the fund. The amendment brings the legislation into line with current practice and will not alter the value of benefits paid. I commend the bill to the House.