

## General Government Liability Management Fund Bill 2002

### Explanatory note

This explanatory note relates to this Bill as introduced into Parliament.

This Bill is cognate with the *Appropriation Bill 2002*.

### Overview of Bill

The object of this Bill is to establish the General Government Liability Management Fund and provide for its management.

### Outline of provisions

#### Part 1 Preliminary

**Clause 1** sets out the name (also called the short title) of the proposed Act.

**Clause 2** provides for the commencement of the proposed Act on assent.

**Clause 3** defines certain words and expressions used in the proposed Act.

#### Part 2 Government Liability Management Fund

**Clause 4** establishes the General Government Liability Management Fund (the ***Liability Management Fund*** or ***Fund***) in the Special Deposits Account in the Treasury.

**Clause 5** sets out what is to be paid into the Fund. The Fund is to be primarily funded by means of advances from the Crown Entity.

**Clause 6** sets out what may be paid out of the Fund. The Ministerial Corporation referred to clause 7 may direct that money be paid for the following purposes:

- (a) to pay employer contributions to the STC Fund on behalf of government agencies, in order to pay accruing or accrued superannuation liabilities of the STC Fund,
- (b) to pay pensions or superannuation benefits under the *Judges' Pensions Act 1953*,
- (c) to pay the superannuation contributions surcharge under the *Superannuation Contributions Tax Imposition Act 1997* of the Commonwealth on surchargeable contributions made under the *Judges' Pensions Act 1953*,
- (d) to reimburse the Attorney General's Department for payments made by the Department for the pensions, superannuation benefits and surcharge referred to in paragraphs (b) and (c),
- (e) subject to certain limitations, to pay borrowings raised by the Treasury Corporation.

Money must not be paid out of the fund to repay borrowings unless an actuarial report has been given to the Treasurer about the net liabilities of the STC Fund and the amount of money to be paid out is not greater than the amount (if any) in the Liability Management Fund that is in excess of the net liabilities of the STC Fund.

Money may also be paid out of the Liability Management Fund to pay for administrative expenses of the Fund and of the Ministerial Corporation. Money in the Liability Management Fund that is not immediately required for the purposes of the Fund may be invested in such manner as may be authorised by the *Public Authorities (Financial Arrangements) Act 1987*.

#### Part 3 Ministerial Corporation and Management Committee

**Clause 7** constitutes the Treasurer as corporation sole with the name "Liability Management Ministerial Corporation" to be responsible for the Liability Management Fund.

**Clause 8** provides for the management of the Ministerial Corporation by the Secretary of the Treasury with the assistance of a Management Committee referred to in clause 10.

**Clause 9** sets out provisions relating to the expenses, financial year and annual reports of the Ministerial Corporation.

**Clause 10** constitutes the Management Committee to assist the Treasurer in managing the Liability Management Fund.

**Clause 11** sets out the functions of the Management Committee. The Committee is give advice

relating to:

- (a) investment strategy, and
- (b) appointment of service providers such as asset custodians and consultants, and
- (c) monitoring and reviewing performance of assets, investments and service providers.

The Management Committee must review the long term fiscal target to eliminate total State sector unfunded superannuation liabilities by 30 June 2030.

**Clause 12** sets out the terms of office and remuneration of the members of the Management Committee.

#### **Part 4 Miscellaneous**

At present, the Crown Entity is required by various Acts and instruments to make recurring employer contributions to the STC Fund on behalf of agencies. These employer contributions are made from time to time as provided for in those Acts or instruments or as required by the trustee which administers the STC Fund. The STC Fund is an amalgamation of several superannuation funds to which employees of different government agencies belong.

**Clause 13** prohibits the STC from requiring the Crown Entity to pay employer contributions on behalf of agencies unless there is insufficient money in an employer reserve within the STC Fund to pay the employer-financed component of a benefit or other amount payable from the reserve. This allows money that would ordinarily be used to make periodic employer contributions to the STC Fund to instead be paid into, and accumulated in, the Liability Management Fund. Money in the Fund can later be used for the purposes of paying lump sum employer contributions to the STC Fund, repaying borrowings raised by the Treasury Corporation and paying judges' pensions, superannuation benefits and superannuation contributions surcharge.

**Clause 14** requires the Minister to review, and report on, the proposed Act after 5 years to determine whether its policy objectives are being achieved.

**Clause 15** provides a general regulation-making power.

**Clause 16** is a formal provision giving effect to the amendments to the *Public Finance and Audit Act 1983* and the *Public Authorities (Financial Arrangements) Regulation 2000* set out in Schedule 1.

#### **Schedule 1 Amendment of Acts and Instruments**

The amendment of the *Public Authorities (Financial Arrangements) Regulation 2000* has the effect of vesting the Ministerial Corporation with investment powers.

The amendment of the *Public Finance and Audit Act 1983* is to include the Ministerial Corporation as a statutory body for the purposes of general audit under that Act.