

# SUPERANNUATION BILL

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## EXPLANATORY MEMORANDUM.

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The main provisions of the Bill are—

1. A basic pension on retirement for ill health or at age 65 of 70 per cent. of salary at retirement.
2. On age retirement before age 65 but after age 60 the pension will reduce pro rata to  $66\frac{2}{3}$  per cent. of salary at age 60.
3. Officers' contributions to be limited to a maximum of 9 per cent. of salary. Officers at present contributing more than 9 per cent. of salary will have their contributions reduced to 9 per cent.
4. Widows' pensions, including present widows' pensions, to be increased from five-eighths to two-thirds of officers' pensions.
5. The existing rights to convert part of the pension into a lump sum will be retained.
6. Married women to be eligible to elect to be contributors to the superannuation scheme.
7. Railway officers who previously elected to limit their superannuation entitlement to a maximum of six units, or to forego superannuation altogether, to have the right to reinstate their situation.

### *Revision of main benefit and contribution provisions.*

All units to which officers who contribute on the new basis become entitled on or after 1 July 1975 will automatically be taken up on the basis of a retiring age of 65 but contributions will after that date be limited to 9 per cent. of salary. Irrespective of whether the contributor has previously elected for retirement at age 60 or 65, all units (other than optional units which had not been taken up at 1 February 1975) will carry a pension value of \$86.68 per annum at age 60 increasing by \$0.72 for each complete month of service after age 60 to a maximum of \$91 per annum. This will enable retirement to occur at age 60 on a pension of  $66\frac{2}{3}$  per cent. of salary rising to 70 per cent. at age 65 since contributors under the revised scheme basis will become entitled to one unit for each \$130 of annual salary.

Since under certain conditions a contributor under the present scheme could, if sufficiently high contributions were paid, obtain a pension of \$91 per unit at age 60, contributors under the 60 schedule are to be required to elect to become revised scheme contributors as are other contributors who have in the past voluntarily elected to limit their entitlement. All other contributors will automatically come under the revised scheme. Where a contributor has optional units at 1 February 1975 which he has not taken up, an amount of \$130 is allocated in respect of each such unit and the total amount is deducted from his annual salary before the 9 per cent. is applied for the purpose of determining his maximum contribution. Optional units are then contributed for, if so decided, on the existing contribution basis as are any units granted to female and railway officers in respect of past service with the exception that the contributions in respect of any concessional units mentioned in Parts II. and III. are included in the 9 per cent. contribution limitation.

### *New Schedule of Contribution Rates.*

At present there are eight schedules of contribution rates and units are only required to be taken up in respect of salary increases if the contributor is under age 30. In future all units becoming available to contributors under the revised scheme will be compulsory and one schedule of contribution rates (on

a basis of retirement at age 65) will apply to all contributors irrespective of sex or proposed age of retirement. This will simplify administrative procedures but the scale of contributions will need to be altered from time to time to allow for the effect of the combined contributor experience and the new benefits now proposed. Accordingly provision has been made to alter the schedule by Regulation. However, the existing schedules need to be retained since they will apply to optional units which are taken up in the future.

#### *Spouse Pensions.*

Provision has been made to pay a pension of  $66\frac{2}{3}$  per cent. of deceased contributor's (or pensioner's) pension, instead of  $62\frac{1}{2}$  per cent., for all existing widow pensions, future widows and widowers. Pension payments to widowers of deceased married women officers are, however, limited to those who were formerly dependent on their deceased wives.

#### *Pensions to De facto Spouses.*

It has been provided that a Judge of the County Court shall determine whether a dependent de facto spouse of three year's standing has a claim of up to 50 per cent. of the pension payable to an existing widow or up to 100 per cent. if there is no widow. This provision will operate only where there was a legal barrier to the marriage.

#### *Marriage after retirement.*

Pensions to spouses which become payable on or after 1 July 1975 have been extended to include spouses where the marriage took place after retirement provided the marriage occurred five years or more before the death of the pensioner. This condition will not apply in the case of ill health pensioners who marry before age 60. Also where the spouse is more than five years younger than the pensioner, the pension is to be actuarially determined.

#### *Married Women.*

It is proposed that married women officers will be eligible to contribute to the Superannuation Fund. Their right to remain in or join the Married Women's Superannuation Fund will be unaltered. They will be subject to medical examination on entry to the Superannuation Fund (and subsequent classification of their benefit status according to the results of such examination), will be accorded recognition of immediately prior continuous service in determining unit entitlement and will be granted a concessional contribution basis if they have attained their 54th birthday.

A pension benefit to a spouse and/or children's allowances on death will be provided as is now the case on the death of a male officer under the Superannuation Act ; however, the benefit in respect of the spouse will only be payable where the Board is satisfied that the beneficiary was wholly or mainly dependent on the deceased at her death. A contributor to the Married Women's Superannuation Fund who elects to transfer to the Superannuation Fund will have her equity in the former Fund transferred to the Superannuation Fund for the purchase of fully paid-up units of her entitlement. Any amount in excess of that required for this purpose will be paid to the contributor. Her equity will relate to the contributions she has previously made and interest thereon.

#### *Railway Officers.*

Railway officers who have elected to reduce their superannuation entitlement to a maximum number of six units and receive a Service Grant, or to lose all rights to superannuation and receive a Service Grant and an entitlement to a Retirement Gratuity, are to be given the option to elect to receive the normal pension entitlements subject to 30 years of continuous service or a reduced entitlement, subject to the following conditions :—

- (a) To receive the normal pension entitlement in respect of their continuous past and future service on repayment of all service grant payments received, spread evenly over a period of five years, by deduction from gross fortnightly salary ;

(b) A further option to reduce normal pension entitlement by  $\frac{1}{30}$ th, assuming 30 years or more total service, in consideration of the non-repayment of the Service Grant received in the year prior to 1 July 1975. This option to be extended if required to each complete year of Service Grant back to the twelve months ending 1 July 1962 with a corresponding reduction of  $\frac{1}{30}$ th of pension entitlement for each whole year's Service Grant that is not repaid. Similarly, where total service is less than 30 years, one year's service would be deducted for each whole year's service grant that is not repaid. In the event of a contributor who has elected to repay Service Grant dying or retiring (other than on account of ill health) before the repayments are complete, it will be provided that part of a pension will be automatically converted to a lump sum sufficient to repay the balance of the debt. The normal cash option provisions will then apply to the balance of the pension. Where an entitlement to a retiring gratuity exists, for each year in which it is elected that Service Grant will not be repaid, an entitlement to one year's gratuity will remain.

All applicants for improved superannuation benefits will be subject to a medical examination and subsequent classification of their benefit status according to the results of such examination. The benefit status of units up to six which exist at 30 June 1975 may be different from the benefit status of units on and from 1 July 1975.

Railway officers who have attained their 54th birthday will be granted a concessional contribution basis as is provided for married women.

It should be noted that this will inevitably involve substantial additional commitment in the future in respect of Railway pensions which it is not possible, at this stage, to determine.

#### Children's Pensions.

As from 1 July 1975 children's pensions will be altered from a basis of fixed amounts per annum, to percentages of the deceased contributor's (or pensioner's) pension entitlement. The following table sets out the position :—

Number of children.	Proportion of contributor's pension payable to each child.
	%
1	10
2	10 (20 per cent. in all)
3	10 (30 per cent. in all)
4	$\frac{30}{4}$ (30 per cent. in all)
5	$\frac{30}{5}$ (30 per cent. in all) and so on

For double orphans where there is no spouse eligible for a pension the benefit will be—

Number of children.	Proportion of contributor's pension payable to each child.
	%
1	45
2	40 (80 per cent. in all)
3	30 (90 per cent. in all)
4	$\frac{100}{4}$ (100 per cent. in all)
5	$\frac{100}{5}$ (100 per cent. in all) and so on

In all cases the benefits payable will not be less than the present benefits, i.e., \$312 per annum per child or \$624 per annum per child in respect of double orphans. Where both parents of double orphans were contributors or former contributors the benefit will be the higher benefit in relation to either contributor. The children of married women contributors will be entitled to children's pensions without regard to any dependency aspects.

*Membership of the Superannuation Board.*

Provision has been made to increase the membership of the Board from four to six by providing for the Government Statist and a representative of the teaching service to become members.

*Statutory transfers from one Government Authority to another.*

Two such transfers have recently been provided in Acts of Parliament—

(a) meat inspectors from Local Government Authorities to the Department of Agriculture;

(b) highway planning officers from the Board of Works to the Country Roads Board—

and in both instances the officers have a right to become contributors to the State Superannuation Fund.

Provision has been made to ensure that the equity in the previous Superannuation Fund of such employes which has accrued from the employer's participation in the Fund and which has been lost, is reinstated in the form of additional units on joining the State Superannuation Fund and also that a medical examination is not required if the contributor was previously entitled to full benefits on death or disablement.

*Adjustment of Contributions.*

Major administrative problems have resulted from the frequency of salary changes in recent years and the consequent adjustments required in superannuation contributions. To overcome these problems it has been provided that adjustment of entitlement and contributions will take place once a year on a day recommended by the Board to be declared by Order of the Governor in Council published in the *Government Gazette*. On death or retirement between such dates any additional pension entitlement will be effective on the date of either event.

*Leave without Pay.*

In 1970 an amendment to section 21 of the Principal Act specified the basis on which contributors under the age of 35 years remain members of the Fund during periods of leave without pay in excess of six months but made no statutory provision in respect of such contributors over that age.

The section will be extended to cover contributors of any age and, in particular, to reduce the entitlement for such contributors where the total period of actual service becomes less than the minimum required for a full pension entitlement. However it will be provided that no contribution will be required to be made to the Consolidated Fund by such contributors in the future.

*Ill health Pensioners.*

At present under section 46 of the Principal Act where such a pensioner is found to be medically fit to resume suitable duties but suitable employment is not available at an appropriate salary the Board may offer the pensioner a lump sum equivalent to five years' pension only if he is unmarried and is under the age of 40 years. It is now proposed to enable the Board to make such an offer to any ill health pensioner to enable him to rehabilitate himself.

*Limited Contributor Pensioners.*

When the concept of limited contributors was introduced in 1956 no provision was made for the review of persons retiring on such reduced ill health pensions. However it is now proposed that such reviews will be made in future.

*Table "D" Units.*

When these units were introduced in December, 1970 it was intended that an election under section 17B of the Principal Act to contribute for all future units on Table "D" rates would be irrevocable. The Board has been advised that this interpretation is open to question. It is proposed to make it irrevocable.

*Management of Land or Buildings.*

The Board's experience in regard to the purchase of 35 Spring-street reveals that it needs a wider authority in regard to such management, particularly with respect to the employment of such persons as it considers necessary for this purpose. The proposed amendment will enable the Board to do all things necessary and incidental to the management of buildings purchased or built.