

WARNING:

This Digest was prepared for debate and should not be taken as a complete guide to the legislation which may reflect amendments.

Superannuation and Other Benefits Legislation Amendment Bill 1989

Date Introduced: 6 September 1989

House: House of Representatives

Portfolio: Finance

Digest of Bill

Purpose

To restore superannuation payments for Commonwealth and Defence Force employees to the position they would have been in but for the 2% discount effected in 1986.

Background

The Commonwealth Superannuation Scheme (CSS) covers the vast majority of Commonwealth employees, including permanent part-time workers. The CSS differs from most superannuation funds in that it is not fully funded, i.e. the fund does not have sufficient assets to cover its liabilities. Instead of the final pension being paid entirely out of the Superannuation Fund Investment Trust (which invests members contributions), there are no employer contributions to the fund, with the employers contribution being met from the consolidated revenue fund (CRF) as it becomes due. As a result, a reduction in the level of pensions will have a direct result on the call from the CRF and, assuming all else remains equal, the level of Commonwealth spending.

The rate of pension available under the CSS is indexed, with adjustments in July to compensate for movements in the CPI over the previous 12 months to the quarter ending on 31 March. In the June 1986 national wage case decision, wages were increased by 2.3%, a discount of 2% on the CPI movements in the period under consideration. Subsequently, in the 1986-87 Budget the Treasurer announced that the indexation of CSS and defence force retirement benefits would be discounted by 2%, so that the 9.2% increase awarded in June 1986 would be reduced to 7.2% by October of that year. The measure was estimated to save \$17.83 million in 1987-88.

Also in 1986, the indexation of pensions was postponed for six weeks. In the April 1989 economic statement, the Treasurer announced that the adjustment of pensions would be brought forward by 12 weeks and that the 2% discount on CSS and defence force retirement benefits would be restored from November 1989. The explanatory memorandum estimates that the changes to defence force retirement

benefits will cost \$4.7 million in 1989 - 90 and \$7.9 million in the next financial year. Increases in CSS benefits are estimated to be \$12.1 million in 1989 - 90 and \$19.9 million in 1990 - 91.

Main Provisions

The Bill will commence, or be deemed to have commenced, on 20 October 1989 (clause 2).

Clause 4 will insert a new section 98GB into the *Defence Force Retirement and Death Benefits Act 1973*. Under the proposed section, pensions payable on or after 20 October 1989 will be calculated as if the 2% discount had not occurred.

Similar amendment will be made to the *Defence Force Retirement Benefits Act 1948*, the *Superannuation Act 1922*, the *Superannuation Act 1922* and the Papua New Guinea (Staffing Assistance) (Superannuation) Regulations.

For further information, if required, contact the Education and Welfare Group.

18 September 1989

Bills Digest Service
Legislative Research Service

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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