

APPENDIX I:

PRIME MINISTER'S LETTER TO STATE PREMIERS



PRIME MINISTER

CANBERRA

The Hon John Fahey, MP
Premier of New South Wales
Premier's Wing
State Office Block
Macquarie Street
SYDNEY NSW 2000

30 SEP 1993

SUPERANNUATION INDUSTRY (SUPERVISION) BILL [SIS BILL]

My dear Premier

I am writing in response to communications from several States concerning coverage of State superannuation schemes by the SIS Bill, and have written in similar terms to all Premiers and Chief Ministers.

The SIS Bill has three objectives: fair and equal treatment of contributors and beneficiaries; ensuring that superannuation is used for retirement income; and ensuring the security of retirement savings through appropriate prudential supervision.

While it is desirable that all superannuation funds comply with the legislation, there is a case for exempting public sector schemes which are totally unfunded or backed by an explicit government guarantee. In this regard, while the Commonwealth's main schemes will be required to comply in full, only the main operative provisions, such as vesting, preservation and disclosure, will apply to the Governor-General, Parliamentarians and Judges schemes.

In relation to State/Territory schemes, I propose that compliance with the SIS legislation be automatically required unless an exemption has been granted. Exemptions for individual schemes would be available, provided the relevant State/Territory government undertook to:

- guarantee the liabilities of the scheme by ranking the accrued liabilities of the scheme equally with State/Territory bonds; and
- ensure compliance with the main operative provisions of the SIS legislation (vesting, preservation, disclosure and, where applicable, prudent investment).

In order to ensure public confidence is maintained, these undertakings would need to be included in the annual reports of schemes exempt from the SIS legislation. Appropriate legislative arrangements would be put in place to ensure that exempt schemes can be used as vehicles to satisfy the requirements of the Superannuation Guarantee legislation.

If you are in broad agreement with this approach, the details could be settled by relevant Ministers - in the Commonwealth's case, the Treasurer, Mr John Dawkins - and officials.

Yours sincerely

(Sgd) P J KEATING

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