

PARLIAMENTARY SUPERANNUATION AMENDMENT BILL 2011

Receipt and First Reading

Bill received from the Assembly; and, on motion by **Hon Simon O'Brien (Minister for Finance)**, read a first time.

Second Reading

HON SIMON O'BRIEN (South Metropolitan — Minister for Finance) [10. 24 pm]: I move —

That the bill be now read a second time.

The principal purpose of the bill is to change the rules of the parliamentary pension scheme to remove a number of inequitable and discriminatory features of the existing spouse pension rules to bring the rules in this regard into line with contemporary superannuation standards. The bill will also implement changes to the membership structure of the Parliamentary Superannuation Board and incorporate a number of changes to improve the readability of the Parliamentary Superannuation Act 1970. These changes will increase Parliamentary Superannuation Board membership from five members to six members by the addition of a parliamentary pensioner representative; incorporate appropriate Salaries and Allowances Tribunal determinations into the act; and delete provisions in the act that no longer have effect.

Changes to spouse pension rules in the bill will address the longstanding inequitable and discriminatory aspects of these arrangements in the parliamentary pension scheme. Current scheme rules in this regard have a disproportionate negative impact on spouses whose relationship with a deceased former member commenced after the former member's retirement from Parliament. In these cases, the spouse is required to be at least 55 years of age to qualify for a reversionary spouse pension. This contrasts with relationships commencing before a member's retirement from Parliament, for which no minimum spouse pension qualification age applies.

The new spouse pension qualification rules in the bill to apply to relationships commencing after a former member's retirement from Parliament will remove reference to age for a spouse to qualify for a pension. Instead, pension qualification by a spouse will be based on the relationship circumstances of the spouse with the former member at the time of his or her death. In this regard, a spouse will automatically qualify for a pension if the relationship period with the former member at the time of death was at least five years, or there exists a dependant child of the relationship. When the relationship period is less than five years, the Parliamentary Superannuation Board will have discretion under the changes to pay a pension to a spouse if special circumstances exist—for example, in cases of financial hardship or financial dependency of the spouse on the former member. These new spouse pension qualification rules are modelled on those applying to relationships commencing after retirement by a contributor to the state pension scheme pursuant to the Superannuation and Family Benefits Act 1938.

Other spouse pension changes in the bill will remove penalties that apply under current rules when a spouse in receipt of a pension remarries or commences a de facto relationship. In the case of a spouse pensioner whose relationship with a deceased former member had commenced after the former member's retirement from Parliament, the penalty under the current rules for a spouse who remarries or commences a new relationship is permanent loss of their pension. Removal of spouse pension qualification age restrictions and remarriage penalties in the parliamentary pension scheme were amongst the recommendations contained in the "Report on Parliamentary and Judicial Superannuation Arrangements in Western Australia" of February 1998.

The other spouse pension changes in the bill will extend pension commutation rights to spouses whose pension arises from the death of a former member who was in receipt of a pension at the time of his or her death. Under current rules, only spouses whose pension arises from the death of a member in office have a right to commute their pension to a lump sum. Concurrent with extension of commutation rights to all spouses, the bill will increase the maximum amount of pension that is commutable to a lump sum from 50 per cent to 100 per cent of the pension. The new commutation arrangements will allow spouses to manage their financial affairs in a manner that best suits their requirements in the difficult circumstances that inevitably follow the death of a spouse. The financial impact on the state of these commutation changes is expected to be cost neutral in the longer term. In this regard, it is expected that some costs would be brought forward when commutation is exercised, but there will be a consequential reduction in future pension costs.

The new spouse pension qualification rules and commutation changes in the bill will apply to the death of a member or former member in receipt of a pension occurring after the enactment date of the bill. There is also no retrospective application of the commutation changes in the bill to spouse pensions in payments prior to the bill enactment date.

Beside the spouse pension changes in the bill, the other major change relates to the membership structure of the Parliamentary Superannuation Board. This change will increase board member representation from five members to six members. The new board member will be selected from former members who are recipients of a pension from the parliamentary pension scheme. The addition of a board member in this manner recognises the changing membership demographics of the parliamentary pension scheme since it was closed to new members in October 2000. The ratio of former members to current members contributing to the scheme has increased significantly as a result of new members elected to Parliament since the closure date not being eligible for scheme membership. This ratio will increase further as current contributory members of the scheme retire or leave the Parliament. Having a parliamentary pensioner representative on the Parliamentary Superannuation Board will enable the board to better represent the interests of all beneficiaries with superannuation entitlements under the Parliamentary Superannuation Act 1970.

The bill also incorporates appropriate determinations of the Salaries and Allowances Tribunal into the Parliamentary Superannuation Act 1970, so that the act will reflect the relevant rules of the parliamentary pension scheme. A significant number of scheme rules have been made through a determination by the tribunal, requiring the act to be read in conjunction with the associated tribunal determination. On this basis two current tribunal parliamentary superannuation determinations will be incorporated in the act—namely, the dependant child allowance payable in the event of the death of a member in the parliamentary pension scheme or a former member in receipt of a pension, and the minimum benefit payable from the parliamentary pension scheme for a member to meet minimum benefit requirements under the commonwealth's superannuation guarantee legislation.

The bill also removes the section of the act inserted in legislation changes in 2000 that provided certain eligible members the right to elect to withdraw from the parliamentary pension scheme, and to be paid a termination benefit upon making this election. As there are no members in the current Parliament who have made this election, this section will be deleted from the act because it no longer has any relevance.

Finally, the bill removes all gendered language from the act and replaces it with gender-neutral terms. This change is opportune given the amendment of the act as a result of the other changes in the bill.

I commend the bill to the house.

The PRESIDENT: Did you want to table an explanatory memorandum, minister?

Hon SIMON O'BRIEN: There seems to be a new custom starting to creep in from the Assembly. I do not think we ever traditionally did that in this house, but there is an explanatory memorandum —

The PRESIDENT: You did it with the last bill.

Hon SIMON O'BRIEN: I know. There are obviously changes occurring. No, I do not want to make it a tabled paper necessarily, Mr President.

Debate adjourned, pursuant to standing orders.

House adjourned at 10.30 pm
