

SUPERANNUATION LEGISLATION AMENDMENT BILL (NO. 2) 1995

EXPLANATORY NOTE

GENERAL OUTLINE

Objective of the Legislation

The objective of the Bill is to amend the legislation governing the State Service, Police and Parliamentary superannuation schemes to provide an option to certain former members and married widows of former members to surrender their potential widow's pension coverage.

The legislation affected is -

- the *Parliamentary Contributory Superannuation Act 1970*;
- the *Police Superannuation Act 1968*;
- the *Police Superannuation Act 1974*;
- the *Public Service Superannuation Act 1958*; and
- the *State Service Superannuation Act 1972*.

Reasons for Bill

The purpose of this Bill is to introduce amendments to the legislation governing the superannuation schemes of former Queensland Government employees and Members of Parliament. The Bill will allow the payment of a surrender value of the potential widow's benefit coverage of

- former members of State Super and Police Super who retired or attained the age for retirement prior to 27 February 1984 (or 23 October 1983 in the case of Parliamentary) who opted for a lump sum retirement benefit for whole or part of their benefit; and
- widows of such former members who subsequently married before that date in respect of the coverage they retain should they again be widowed or become divorced.

Under the State Service, Police and Parliamentary Superannuation Schemes, benefits are payable to eligible spouses of the above former members upon the death of the former members. The retirement benefit in these schemes for which the former members contributed at that time recognised a dual entitlement—a benefit for the member at the time of retirement, and the residual spouse’s benefit where the former member died and left an eligible spouse.

For those members who retired before the above dates, the spouse’s benefit is payable irrespective of whether the former member selected a lump sum on retirement and is based on the late husband’s original pension entitlement, updated by CPI increases. The widow has the right to elect to take all or part as a lump sum, and the lump sum value is based on the widow’s age. There are approximately 2,300 members in this category who currently hold coverage of a spouse’s benefit entitlement.

The Bill is being proposed to provide an early payment of the benefit as these people have long retired and have a declining lifestyle. Currently, upon the death of the former member, the widow can become relatively wealthy, however this Bill will provide a surrender amount at an earlier date so it can improve the quality of life of both the former member and his wife.

The potential widow’s pension entitlement which relates or is in proportion to the member’s lump sum will be able to be surrendered, subject to the written agreement of the former member’s wife (or husband in the case of Parliamentary).

Widows of such members who ceased before the applicable dates but whose pensions are not currently in payment because they married after they became widowed are also to be offered the right to surrender their potential entitlement.

The surrender value will be 78 times the value of the fortnightly pension (to be determined on the same percentage of benefits that the former member received as a lump sum) the potential widow would receive if she became entitled to the pension at the date of the election (which is equivalent to 3 times the annual amount). The surrender value has been determined by the State Actuary after taking account of the age distribution of the former members, their average life expectancies, the average life expectancies of wives and the cost to the superannuation funds in making an early payment.

The election must be made within six months and the former member or married widow must supply any information or verification the Board of Trustees of the relevant scheme may require.

For those who make no election, the existing benefit structure will be maintained.

Estimated Cost for Government Implementation

The amendment proposed maintains the current benefit structure, but provides a surrender value to those who desire an early payout, or who do not wish to take a risk on the wife surviving the former member. The State Actuary has factored into the calculation, various items as indicated above and has determined the surrender value option can be accommodated by the existing funds' balances. Consequently there is no foreseen cost of the implementation of this proposal.

Consultation

Consultation has occurred via representations from former members and their spouses, the Police Retired Officers Association and a delegation of former members and their spouses. Consultation has also occurred with the Government Superannuation Office, State Actuary and the Parliamentary Counsel.

Notes on Provisions

PART 1—PRELIMINARY

Clause 1 specifies the short title of the Act.

PART 2—AMENDMENT OF PARLIAMENTARY CONTRIBUTORY SUPERANNUATION ACT 1970

Clause 2 cites the *Parliamentary Contributory Superannuation Act 1970* as the Act amended in this Part.

Clause 3 inserts sections 25C to 25I into the Act.

These proposed sections provide for a former member who ceased before 23 October 1983 (i.e. at the 1983 election or earlier), or a widow or widower of such a former member who subsequently married before that date, to elect to surrender their potential widow's coverage. A former member may surrender the potential widow's coverage in the same proportion as he or she took their retirement benefit as a lump sum and a married widow or widower may surrender his or her entitlement to the reinstatement of their benefit should he or she become divorced or again widowed.

The surrender value will be 3 times the value of the annual pension (to be determined on the same percentage of benefits that the former member received as a lump sum) the potential widow or widower in either case would receive if he or she became entitled to the pension at the date of the election.

An election to commute is to be made within six months of commencement of the provisions. However, the Trustees have been given a discretion to extend this period in limited circumstances.

The election must be accompanied by such information or verification as the Trustees require, and a former member is to provide the potential widow's consent.

Interest will be paid on the surrender amount from election day to date of payment at a rate determined by the Trustees under the Act. No future benefit will apply to the potential widow's coverage that is surrendered.

PART 3—AMENDMENT OF POLICE SUPERANNUATION ACT 1968

Clause 4 cites the *Police Superannuation Act 1968* as the Act amended in this Part.

Clause 5 omits the definition of medical practitioner as it is provided for in the *Acts Interpretation Act 1954*.

Clause 6 inserts sections 56 to 56F into the Act.

These proposed sections provide for a former male member who retired or attained the age for retirement before the passing of the *Superannuation Acts Amendment Act 1984* (27 February 1984), or a widow of such a former member who remarried before that date, to elect to surrender their potential widow's coverage. A former member may surrender the potential widow's coverage in the same proportion as he took his retirement benefit as a lump sum and a remarried widow may surrender her entitlement to the reinstatement of her benefit should she become divorced or again widowed.

The surrender value will be 78 times the value of the fortnightly pension (to be determined on the same percentage of benefits that the former member received as a lump sum) the potential widow would receive if she became entitled to the pension at the date of the election (which is equivalent to 3 times the annual amount).

An election to commute is to be made within six months of commencement of the provisions. However, the Trustees have been given a discretion to extend this period in limited circumstances.

The election must be accompanied by such information or verification as the Board requires, and a former member is to provide the potential widow's consent.

Interest will be paid on the surrender amount from election day to date of payment at the net earning rate of the fund compound. No future benefit will apply to the potential widow's coverage that is surrendered.

PART 4—AMENDMENT OF POLICE SUPERANNUATION ACT 1974

Clause 7 cites the *Police Superannuation Act 1974* as the Act amended in this Part.

Clause 8 inserts sections 47 to 47F into the Act.

These proposed sections provide for a former male member who retired or attained the age for retirement before the passing of the *Superannuation Acts Amendment Act 1984* (27 February 1984), or a relict (being in this case a legal widow) of such a former member who remarried before that date, to elect to surrender their potential relict's coverage. A former member may surrender the potential relict's coverage in the same proportion as he took his retirement benefit as a lump sum and a remarried relict may surrender her entitlement to the reinstatement of her benefit should she become divorced or again widowed.

The surrender value will be 78 times the value of the fortnightly pension (to be determined on the same percentage of benefits that the former member received as a lump sum) the potential widow would receive if she became entitled to the pension at the date of the election (which is equivalent to 3 times the annual amount).

An election to commute is to be made within six months of commencement of the provisions. However, under section 62 of the principal act, the Board has a general discretion to extend time periods in limited circumstances .

The election must be accompanied by such information or verification as the Board requires, and a former member is to provide the potential widow's consent.

Interest will be paid on the surrender amount from election day to date of payment at the net earning rate of the fund compound. No future benefit will apply to the potential widow's coverage that is surrendered.

PART 5—AMENDMENT OF PUBLIC SERVICE SUPERANNUATION ACT 1958

Clause 9 cites the *Public Service Superannuation Act 1958* as the Act amended in this Part.

Clause 10 inserts sections 48 to 48F into the Act.

These proposed sections provide for a former male member who retired or attained the age for retirement before the passing of the *Superannuation*

Acts Amendment Act 1984 (27 February 1984), or a widow of such a former member who subsequently married before that date, to elect to surrender their potential widow's coverage. A former member may surrender the potential widow's coverage in the same proportion as he took his retirement benefit as a lump sum and a married widow may surrender her entitlement to the reinstatement of her benefit should she become divorced or again widowed.

The surrender value will be 78 times the value of the fortnightly pension (to be determined on the same percentage of benefits that the former member received as a lump sum) the potential widow would receive if she became entitled to the pension at the date of the election (which is equivalent to 3 times the annual amount).

An election to commute is to be made within six months of commencement of the provisions. However, the Trustees have been given a discretion to extend this period in limited circumstances.

The election must be accompanied by such information or verification as the Board requires, and a former member is to provide the potential widow's consent.

Interest will be paid on the surrender amount from election day to date of payment at the net earning rate of the fund compound. No future benefit will apply to the potential widow's coverage that is surrendered.

PART 6—AMENDMENT OF STATE SERVICE SUPERANNUATION ACT 1972

Clause 11 cites the *State Service Superannuation Act 1972* as the Act amended in this Part.

Clause 12 inserts sections 48A to 48G into the Act.

These proposed sections provide for a former male member who retired or attained the age for retirement before the passing of the *Superannuation Acts Amendment Act 1984* (27 February 1984), or a relict of such a former member who subsequently married before that date, to elect to surrender their potential relict's coverage (in these cases, a relict is a legal wife or

eligible de facto wife). A former member may surrender the potential relict's coverage in the same proportion as he took his retirement benefit as a lump sum and a remarried relict may surrender her entitlement to the reinstatement of her benefit should she become divorced or again widowed.

The surrender value will be 78 times the value of the fortnightly pension (to be determined on the same percentage of benefits that the former member received as a lump sum) the potential widow would receive if she became entitled to the pension at the date of the election (which is equivalent to 3 times the annual amount).

An election to commute is to be made within six months of commencement of the provisions. However, under section 66 of the principal act, the Board has a general discretion to extend time periods in limited circumstances.

The election must be accompanied by such information or verification as the Board requires, and a former member is to provide the potential relict's consent.

Interest will be paid on the surrender amount from election day to date of payment at the net earning rate of the fund compound. No future benefit will apply to the potential relict's coverage that is surrendered.