



Economic and Budget Review Committee

Review and recommendations for
the Victorian Parliamentary
Superannuation Scheme; the Judges
Superannuation Schemes; the
Governor's Pension; and other special
Superannuation Schemes

October 1984

ECONOMIC AND BUDGET REVIEW COMMITTEE

REVIEW AND RECOMMENDATIONS FOR
THE VICTORIAN PARLIAMENTARY SUPERANNUATION SCHEME;
THE JUDGES SUPERANNUATION SCHEMES;
THE GOVERNOR'S PENSION;
AND
OTHER SPECIAL SUPERANNUATION SCHEMES

Ordered to be Printed

PREFACE

The Economic and Budget Review Committee is constituted under the Parliamentary Committees (Joint Investigatory Committees Act) 1982 to investigate and review matters referred to it under the following Terms of Reference:

- to inquire and report to the Parliament on any proposal, matter or thing connected with public sector or private sector finances or with the economic development of the State where the Committee is required or permitted to do so (by or under its Act).
- to inquire into, consider and report to the Parliament on any annual report or other document relevant to the functions of the Committee which is laid before either House of Parliament pursuant to a requirement imposed by or under an Act.
- to inquire into, consider and report to the Parliament on any matter arising out of the annual Estimates of Receipts and Payments of the Consolidated Fund or other Budget Papers.

TERMS OF REFERENCE OF THE INQUIRY INTO VICTORIAN PUBLIC SECTOR SUPERANNUATION SCHEMES

On 21 December 1982, the Governor-in-Council approved of the Terms of Reference of the Inquiry.

- A. The adequacy of present provisions for the management of all Victorian public sector superannuation schemes, including:
- (a) structure and management of schemes;
 - (b) representation of contributors;
 - (c) actuarial assessment and valuation;
 - (d) reporting to Government and contributors, and contributors' access to information; and
 - (e) auditing requirements.

in terms of the efficient operations of these funds and the protection of the interests of contributors and the Government.

- B. Whether uniform provisions for the management of schemes are feasible and desirable, and if so what these might be.
- C. Whether existing administration of schemes is efficient and administrative costs are reasonable.
- D. Whether the current organisational structure of superannuation schemes in the Victorian public sector is the most suitable having regard to:
 - (a) differences in the financial independence of various agencies and authorities involved;
 - (b) possible benefits from reduction of duplication and economies of scale; and
 - (c) any disadvantages from competition between schemes,

and whether a reduction in the number of separate schemes is feasible and desirable.

- E. Whether the terms and conditions governing eligibility for membership of various schemes are reasonable in comparison with other schemes in Australia and whether these terms and conditions are equitable between different employees.
- F. The appropriateness of the current benefits, having regard to:
 - (a) the needs of contributors, superannuants and beneficiaries;
 - (b) comparable benefits for public sector employees in other States and in the Commonwealth Government and those prevailing in the private sector, also having regard to any differences in salary packages and to the role of the superannuation in the recruitment and retention of Victorian Government employees; and
 - (c) vesting,

and including the reasonableness of provisions governing breaks in service, resignation, early retirement, ill health retirement, retrenchment or redundancy.

- G. The adequacy of portability and preservation arrangements between schemes, and between them and other Australian superannuation schemes.
- H. The suitability of the present basis of Government funding of the various schemes including the funding of administrative costs, and the future financial implications for Government of existing basis of funding.
- I. Whether the existing investment powers and pattern of investments of these schemes is optimal from the point of view of contributors and of the Government; and whether existing arrangements provide the most efficient mechanism for maximising the investment income of the schemes.
- J. Future options for public sector superannuation, including new relationships between public sector and private sector superannuation schemes.
- K. The adequacy of the existing legislative and regulatory framework for the operation of schemes and the appropriate legislative framework for any recommended changes in the structure and operation of schemes.

The Committee was required to report to Parliament by 31 December 1983 if Parliament was then sitting or if the Parliament was not then sitting within seven days after the next meeting of Parliament.

As this has not been possible, approval has been sought for an extension to 31 October 1984.

The Committee tabled its first reports, "A Review of Superannuation in the Victorian Public Sector" and "Summary of Victorian Public Sector Superannuation Schemes" on 18 April 1984 and its second report, "Final Recommendations and Options for the Future Reform of Victorian Public Sector Superannuation" on 13 September 1984.

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Inquiry into Victorian Public Sector Superannuation Schemes

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CHAIRMAN'S INTRODUCTION

This is the final report of the Economic and Budget Review Committee on Victorian public sector superannuation. The Committee has already released two reports on superannuation - "A Review of Superannuation in the Victorian Public Sector" and "Final Recommendations and Options for the Future Reform of Victorian Public Sector Superannuation".

This report provides a detailed study of the Victorian Parliamentary Contributory, Judges', Governor's Pension, and other special superannuation schemes. The report is divided into five major sections which consider:

- (a) the different schemes' functions or roles;
- (b) a detailed comparative study of these schemes' respective provisions;
- (c) major recommendations for the review and reform of the Victorian Parliamentary Contributory Superannuation scheme, the Judges' Superannuation scheme and the Governor's Pension scheme;
- (d) proposed changes for the removal of certain anomalies from the Victorian Parliamentary Contributory Superannuation scheme; and
- (e) further recommendations for change to the Supreme Court and County Court Associates schemes and other special superannuation schemes.

Given the unique nature of parliamentarians', Judges' and the Governors' careers, the Committee has restricted the comparative analysis to similar schemes in other States and the Commonwealth. This study has illustrated a number of anomalies particularly within the Victorian Parliamentary Contributory Superannuation scheme.

The Committee believes that it is inappropriate for Parliament, and in particular a Parliamentary Committee, to recommend major changes to the

Parliamentary Contributory Superannuation scheme.

The Committee's major concern throughout the report relates to the lack of a formal non-parliamentary (independent) mechanism for reviewing parliamentarian's superannuation as part of total remuneration. Decisions to review and recommend changes to the Parliamentary Contributory and other special superannuation schemes have largely been ad hoc in nature. Furthermore, the Committee has been concerned that despite the obvious fact that superannuation is an important component of the total remuneration package of parliamentarians, changes to superannuation are treated separately from salaries and allowances. In keeping with the earlier reports on superannuation, the Committee believes that parties to the negotiation and collective agreements and awards should view superannuation provisions and benefits in the context of the employee's total remuneration package. Consequently, the Committee believes that such procedures should apply to the parliamentarians' remuneration package.

The Committee therefore has not sought to make recommendations for major changes to parliamentary superannuation in isolation. Although this report outlines principles for change, the Committee's major recommendation is that the responsibilities of the Commonwealth Remuneration Tribunal should be widened to include superannuation and that the tribunal should make determinations on an annual basis for all States and the Commonwealth on parliamentarians' total remuneration.

The Committee believes the tribunal would provide an objective forum to review superannuation in the context of the given level of salaries and allowances. Uniform methods for determining total remuneration of parliamentarians should prevent leapfrogging of benefits, achieve cost savings and encourage consistency between the various States and the Commonwealth.

The Committee as a secondary recommendation also proposes that, if agreement is not forthcoming for widening the role of the Commonwealth Remuneration Tribunal, there should be established in Victoria an independent remuneration tribunal.

The Committee has also made a number of minor recommendations for the Victorian Parliamentary Contributory Superannuation scheme to remove anomalies and to formalise some established practices by the Trustees.

For the other special superannuation schemes, the Committee has recommended, in the case of Judges' and Governor's Superannuation schemes, occasional reviews of total remuneration by the Parliament of Victoria, and, in the case of the County Court Associates' and the Supreme Court Associates' Superannuation schemes, that they should be closed and new employees be allowed to join the proposed Victorian State Employees Superannuation Scheme.

As Chairman of the Committee, I wish to express my thanks to sub-Committee members and the staff of the Committee for their work on this report.

B.J. ROWE, M.P.,
Chairman

COMMITTEE'S RECOMMENDATIONS

A full list of the Committee's recommendations follows. The recommendations are in the order they appear in the text and should be considered in light of the discussion in the relevant chapter. The list begins with the recommendations of Chapter 3 as there are no recommendations arising from Chapters 1 and 2.

Recommendations of Chapter 3

The Remuneration Review Process and the Victorian Parliamentary Contributory, Judges' and Governor's Superannuation Schemes

- 3.1 That the responsibilities of the Commonwealth Remuneration Tribunal be widened to include superannuation and that this tribunal should make determinations on parliamentarians' total remuneration on an annual basis. (p.45)
- 3.2 That, if agreements are not forthcoming to widen the role of the Commonwealth Remuneration Tribunal, there be established in Victoria an independent remuneration tribunal. (p.46)
- 3.3 That the total remuneration of the Governor be reviewed by the Parliament of Victoria at the beginning of the term of each incumbent. (p.49)
- 3.4 That the remuneration of Judges of the Supreme Court and County Court be reviewed by the Parliament of Victoria from time to time as recommended by the Attorney-General. (p.49)

Recommendations of Chapter 4
Recommendations for Change to the Victorian
Parliamentary Contributory Superannuation Scheme

- 4.1 That the formula for calculating pensions be based on the basic Parliamentary salary current at the date of retirement and on adjustments to all increments received for higher duties according to the proportion which base salary at date of retirement bears to base salary during the tenure of higher office. (p.58)
- 4.2 That legislation be enacted to embody the scale of benefits recently adopted by the Trustees for dependent children. (p.59)
- 4.3 That calculations of notional credit for previous service in the State Superannuation scheme and other approved superannuation schemes be made uniformly and that the whole issue of the most appropriate portability arrangements be referred to the proposed remuneration tribunal. (p.61)
- 4.4 That the Parliamentary Salaries and Superannuation Act 1968 be amended so that a parliamentarian who has an aggregate period of at least eight years service and is not re-endorsed by his or her political party should be specifically considered as having met the minimum period of service to qualify for the pension benefit. (p.62)
- 4.5 That Paragraph 15(1)(c) of the Parliamentary Salaries and Superannuation Act 1968 be amended so that the number of Parliaments required is reduced from three to two and that the Paragraph should apply only to current parliamentarians. For new parliamentarians the appropriate form for Paragraph 15(1)(c) should be referred to the proposed remuneration tribunal. (p.62)
- 4.6 That there be six Trustees, of whom one must be the Treasurer as Chairperson, with others chosen to include representatives from each House of Parliament and from each Party. (p.64)

- 4.7 That the Trustees of the Parliamentary Contributory Superannuation scheme ensure that the scheme meets the standards of reporting as laid out in the Committee's Report entitled "Final Recommendations and Options for the Future Reform of Victorian Public Sector Superannuation". (p.65)
- 4.8 That the investment of funds of the Parliamentary Contributory Superannuation scheme be managed by the proposed Victorian Superannuation Investment Trust. (p.66)
- 4.9 That the Actuary should be required to assess the contribution rate required from the Consolidated Fund as the percentage of parliamentarians' salaries sufficient to fund benefit payments over the expected duration of parliamentarians' years of service. (p.66)

Recommendations of Chapter 5
Other Special Public Sector Superannuation Schemes

- 5.1 That the County Court Associates and the Supreme Court Associates Superannuation schemes be closed and that new associates should be allowed to join the proposed Victorian State Employees Superannuation Scheme. (p.69)
- 5.2 That no further special superannuation schemes be initiated without the express approval of the Treasurer. (p.71)

CHAPTER 1

THE ROLE OF SPECIAL SUPERANNUATION SCHEMES

SECTION 1.1 THE PARLIAMENTARY CONTRIBUTORY SUPERANNUATION SCHEME

1.1.1 The Origin of the Scheme

The origins of the present superannuation legislation are to be found in the 1946 Parliamentary Contributory Retirement Fund Act. This Act established a Parliamentary Contributory Retirement Fund into which were paid contributions deducted fortnightly from members' salaries. The major criticism of this legislation was that the fund it established was not actuarially sound. Benefits bore no relation to contributions, the contribution from the Consolidated Revenue was significantly less than other public sector schemes and fund income was not invested.(1)

In consequence, legislative changes led to the Parliamentary Contributory Superannuation Act 1962 which established a Parliamentary Contributory Superannuation Fund. In turn this fund was succeeded by a fund of the same name established by the Parliamentary Salaries and Superannuation Act 1968. There have been a number of subsequent amendments to this Act, the most recent being those of the Parliamentary Superannuation Act 1982.

While it is not the intention of the Committee to review, in detail, the evolution of the present parliamentary scheme, it might be noted that the present scheme is very much the end product of a process of ad hoc review and legislative change. Even so, the Committee accepts the need for a separate parliamentary scheme in Victoria - a situation which is accepted by other Australian Parliaments.

1.1.2 The Need for a Parliamentary Superannuation Scheme

The existence of a special parliamentary superannuation scheme is not unusual. Indeed, such schemes exist for all other parliamentary jurisdictions in Australia as well as for the majority of developed countries which follow the Westminster parliamentary model. The arguments for such schemes are well established and widely accepted. Entry to a parliamentary career is a risky undertaking; even if a person enters via a 'safe' seat, performance, future electoral redistributions and even failure to retain pre-selection through intra-party disputes means tenure is uncertain.

The decision to embark upon a parliamentary career is not lightly undertaken. Apart from the political risks involved, other considerations include the loss of career continuity, job tenure and seniority, and the uncertainty of being able to re-enter the workforce at one's previous salary and job position. Difficulties involved in labour force re-entry are recognised in a number of countries. In Canada, for example, unsuccessful candidates continue to receive the basic parliamentary salary for five months after the election in recognition of the difficulties and delays many former parliamentarians have in resuming previous careers or re-establishing themselves in the workforce.

Conceptually, the parliamentary superannuation package is divided into a retrenchment component and a provision for retirement component. This division reflects the special requirements of a scheme for parliamentarians.

1.1.2.1 Parliamentary Remuneration and Superannuation

The Commonwealth Remuneration Tribunal has noted that parliamentarians' salaries are falling behind the general benchmark used in making its determinations, that being the general salary range between Level 1 and Level 2 officers of the Second Division of the Commonwealth Public Service.⁽²⁾ At a base salary of \$41,302 per annum, Victorian parliamentarians are paid \$500 per annum less than their Commonwealth counterparts, and (in common with them) are expected to assume a heavy workload if they are to discharge adequately their parliamentary and electoral responsibilities. Unlike graduated or incremental salary scales common to many senior public and

private sector positions, parliamentarians are not rewarded for years of service by salary increments (and hence by increased superannuation contributions and benefits).

The Economic and Budget Review Committee's reports on superannuation have emphasised the wide acceptance of superannuation as an integral element of total remuneration. For senior private sector positions and for entry into, for example, the senior executive service of the Victorian public sector, superannuation (together with other allowances and benefits) is seen as an important and necessary part of any negotiated package. As job tenure is often expected to be of limited duration (a short-term contract) it is common practice for superannuation contributions and benefit provisions to be negotiated to reflect this.

As a corollary, in view of the unique nature of a parliamentary career, it is inappropriate to attempt to compare the superannuation provisions of a scheme such as the Victorian Parliamentary Contributory Superannuation scheme with standards established by public sector schemes.

Members of public sector schemes are typically in secure job positions and do not face the uncertainties attending a parliamentary career which result from elections and changes of government. Consequently, the criteria by which parliamentary schemes are to be judged are quite different to those commonly used to assess broad based public and private sector schemes.

Sir Henry Bolte, as Premier of Victoria, made clear the special needs of parliamentarians in introducing the second reading of the Parliamentary Salaries and Superannuation Bill 1968:

"I have already made reference to the views of the committee of inquiry concerning the need for Parliamentary salaries and allowances to provide an adequate remuneration so that persons may enter Parliament without the need to rely on private means. It is of the utmost importance to arrange matters so as to preserve the integrity of members, and, in my view, it is essential that a superannuation scheme which has proper regard to the peculiarities and special features of Parliamentary service should be devised."⁽³⁾

1.1.2.2 Career Choices, Membership Characteristics and Job Tenure

The experience and characteristics of parliamentarians in any jurisdiction will reflect the varying political circumstances and historical developments in that jurisdiction (e.g., the dominance of one political party or the influence of minority parties), but it is important to consider some specific attributes to illustrate the basis for special superannuation provisions. These attributes include age at election, years of service and age at exit.

Table 1.1 shows the age distribution at the date of election of a sample of most current members of the Victorian Parliament and most members who retired since 1972. The most significant feature of this table is the dispersion of age at entry of current parliamentarians. Unlike the majority of superannuation schemes where members would be expected to enter at a relatively early age (as is the case for the Victorian public sector superannuation schemes) entry to the Victorian Parliamentary Contributory Superannuation scheme has occurred with roughly equal probability between the ages of thirty and fifty years. Indeed 57.7% of this sample of current and retired parliamentarians were over forty years of age at entry to the scheme, with only 9% entering at thirty years of age or less.

TABLE 1.1

VICTORIAN PARLIAMENTARY SUPERANNUATION SCHEME AGE AT ELECTION

Years of Age	Current Parliamentarians		Retired Parliamentarians		Total	
	No.	%	No.	%	No.	%
25 or less	4	3.4	--	--	4	2.0
26-30	8	6.8	6	7.1	14	7.0
31-35	21	17.9	12	14.3	33	16.4
36-40	20	17.1	14	16.7	34	16.9
41-45	28	23.9	17	20.2	45	22.4
46-50	23	19.7	16	19.0	39	19.4
51-55	11	9.4	14	16.7	25	12.4
56-60	2	1.7	5	6.0	7	3.5
Over 60	--	--	--	--	--	--
	117	100.0	84	100.0	201	100.0

Election for the majority of Victorian parliamentarians therefore means a significant break in (or on the threshold of) a peak earning period. For those who must either cash in or preserve any existing superannuation cover, entry into a new scheme can be costly as they are unable to capitalise upon the period of scheme coverage in which returns accrue at the highest rate.

Moving on from age at entry, it is important to examine years of service, for both defeated parliamentarians and those retiring voluntarily. These distributions are given in Table 1.2. Average service for defeated parliamentarians is eleven years - significantly less than the nineteen years reported for other retired parliamentarians. Care should be taken however in emphasising unduly the estimates of average years of scheme membership.

TABLE 1.2

VICTORIAN PARLIAMENTARY SUPERANNUATION SCHEME
YEARS OF SERVICE - RETIRED PARLIAMENTARIANS

Years of Service	Defeated Parliamentarians		Other Retired Parliamentarians		Total	
	No.	%	No.	%	No.	%
0-3	1	2.3	--	--	1	1.2
4-6	9	20.9	1	2.4	10	11.9
7-9	7	16.3	1	2.4	8	9.5
10-12	11	25.6	3	7.3	14	16.7
13-15	4	9.3	3	7.3	7	8.3
16-18	7	16.3	10	24.4	17	20.2
19-21	1	2.3	10	24.4	11	13.1
Over 21	3	7.0	13	31.7	16	19.0
	43	100.0	41	100.0	84	100.0
Average:	11 years		19 years		15 years	

The most notable feature of this table is the wide variation in years of service for both defeated and retired parliamentarians. Indeed, in the case of defeated parliamentarians- the group which is most 'at risk' (and which

constitute more than 50% of the total retired parliamentarians' group) - a simple average of years of service is quite misleading. The distribution of years of service for this group is much more dispersed than for those retiring voluntarily, with almost one quarter reporting less than six years service and a further 41.9% serving 7 to 12 years. For both defeated and 'other retired' parliamentarians those in the more exposed (or marginal) seats will have a lower expectation of tenure than those in safer seats.

A final characteristic to consider is age at exit from the Parliamentary scheme. In the case of defeated parliamentarians (Table 1.3), 37.2% were fifty years or younger on leaving the scheme. The corresponding figure for retiring parliamentarians is 7.2%. It should also be noted that, unlike other public sector superannuation schemes the majority leave involuntarily (51.2%).

TABLE 1.3
VICTORIAN PARLIAMENTARY SUPERANNUATION SCHEME
AGE AT EXIT

Years of Age	Defeated Parliamentarians		Other Retired Parliamentarians		Total	
	No.	%	No.	%	No.	%
25 or less	--	--	--	--	--	--
26-30	--	--	--	--	--	--
31-35	1	2.3	--	--	1	1.2
36-40	--	--	1	2.4	1	1.2
41-45	6	14.0	1	2.4	7	8.3
46-50	9	20.9	1	2.4	10	11.9
51-55	7	16.3	5	12.2	12	14.3
56-60	7	16.3	6	14.6	13	15.5
Over 60	13	30.2	27	65.9	40	47.6
	43	100.0	41	100.0	84	100.0

The above tables are based on a specific period in the history of the Victorian Parliament - a period which was characterised by the uninterrupted

administration of one party - and is, therefore, one of relative stability. If, however, this period of stability were to be replaced by one of high volatility this would mean anticipated years of parliamentary tenure would be less, there would be greater uncertainty of maintaining one's seat (with an increased number of marginal seats) and average age of scheme exit would be less. In short, both current and prospective members of the Parliamentary Contributory Superannuation scheme would experience greater uncertainty of tenure, and the scheme itself would experience greater volatility or turnover in membership. Furthermore, there would be substantial changes in the total remuneration (including superannuation) accruing to individual members who remained in Parliament but who might change from being a Minister in one Parliament to a shadow spokesperson or backbencher in the next.

SECTION 1.2 SUPREME AND COUNTY COURT JUDGES' SUPERANNUATION SCHEMES

1.2.1 The Origins of the Schemes

The superannuation schemes for Victorian Supreme Court and County Court Judges are essentially identical and unlike those for the parliamentarians, are non-contributory and are financed on a pay-as-you-go basis.

The provision of a non-contributory pension as part of the total remuneration package for Judges has a long history. In Victoria, provision was made for Judges' pensions in the first Constitution Act 1854 establishing representative government. That Act allocated 4000 pounds per annum for the payment of pensions to retired Judges of the Supreme Court in accordance with regulations framed by the Governor in Council. An Order in Council of 12 February 1857 provided a pension for any Judge of the Supreme Court who had served for fifteen years or retired on account of ill-health. The amount was one half of his salary at the time of his retirement (free and clear of all taxes and deductions whatsoever). Judges received non-contributory superannuation prior to the establishment of the first public sector contributory superannuation scheme.

Following the recommendations of the 1980 Grimwade Board of Review, the Judges' Salaries and Pensions Act 1980 updated the legislation outlining the retirement provisions for Supreme Court and County Court Judges. The benefits were upgraded considerably by increasing the retirement benefits from a pension of 50% to 60% of salary, improving the spouse benefit and adding a benefit for the (eligible) children of a deceased Judge. The scheme remained non-contributory - as do schemes of the Commonwealth and other States except Tasmania.

1.2.2 Membership Characteristics, Career Choices and Forgone Earnings

Appointment as a Supreme Court or County Court Judge does not involve the uncertainty of job tenure characterising election to the Victorian Parliament.

The position of Judge is one of fundamental importance in the administration of the State as a Judge is charged with making all the decisions on disputed matters under existing legislation. As such, the position of Judge has the highest status in the legal profession. A Judge is required to decide between alternative arguments put up by barristers and it is from barristers that Judges are chosen.

As a consequence, the role that a Judge is expected to play in the community, both in activities and in expressed attitudes, implies a certain loss of personal freedom. There is also a considerable loss of financial earning power, from accepting the role after having been a barrister. While leading Queen's Counsel are understood to earn in the order of \$200,000 p.a. or more, a Judge's salary is of the order of \$70,000-\$80,000 which, while generous by community standards, means that the individual who chooses to accept the invitation to become a Judge incurs a considerable financial sacrifice for the status acquired.

The Victorian Solicitor-General, Mr. H.C. Berkeley, reinforced this opinion in giving evidence to the Committee:

"I think judges have always been regarded in a special position so far as this type of benefit is concerned. One takes them from a very high earning group at a time of life when they are at their peak ... Most people who take on the job feel obligations of service to the community, but also they are entitled to be realistic so far as their families are concerned and in the past it has been thought appropriate in the special circumstances and in view of their special position in the community they should be offered non-contributory pensions."⁽⁴⁾

Judges are generally appointed in their mid-forties (see Table 1.4) and are not required to retire until seventy-two, although the schemes allow for full benefits after reaching the age of sixty with at least ten years of service. However, as Table 1.5 illustrates, a significant proportion of current Judges have already served more than ten years, and only occasionally is a Judge known to cease service before reaching the age of seventy-two.

TABLE 1.4
 SUPREME AND COUNTY COURT JUDGES' SUPERANNUATION SCHEMES
AGE AT APPOINTMENT - CURRENT JUDGES

Age (yrs)	Supreme Court No.	County Court No.	Total No.	Total %
31-35	--	1	1	1.7
36-40	--	3	3	5.1
41-45	2	6	8	13.6
46-50	12	16	28	47.5
51-55	2	8	10	16.9
56-60	3	2	5	8.5
Not Known	2	2	4	6.8
	21	38	59	100.0
Average	50 years	47 years		
Range	42-60 years	32-60 years		

TABLE 1.5
 SUPREME AND COUNTY COURT JUDGES' SUPERANNUATION SCHEMES
YEARS OF SERVICE TO DATE - CURRENT JUDGES

Years	Supreme Court No.	County Court No.	Total No.	Total %
1- 5	5	11	16	27.1
6-10	8	8	16	27.1
11-15	5	6	11	18.6
16-20	3	7	10	16.9
21-25	-	4	4	6.8
26-30	-	2	2	3.4
	21	38	59	100.0

Since the average age at appointment of the current Judges is forty-seven to fifty, this would imply some twenty years of service before retirement, coupled with a consequently shorter expectation of pension receipt, especially compared to a public servant who may, and generally does, retire at sixty or even take early retirement at fifty-five.

As at June 1983 in Victoria, there were fifty-seven Judges and thirty-nine former Judges receiving pensions. The total cost of the scheme for that year was \$1.228 million, illustrating that the total cost of the scheme is relatively small.

1.2.3 The County Court Associates and the Supreme Court Associates Superannuation Schemes

These schemes are identical, the Supreme Court Associates' scheme having been established in 1957 and the County Court Associates' scheme in 1979. The schemes are voluntary, lump sum, funded schemes, and are administered by the Public Trustee. The lump sum benefit is payable after ten years service and being aged sixty, or on reaching the age of seventy-two. Funds are managed and invested by the Public Trustee through the Public Trustee's Common Fund A but individual benefit records are maintained.

A Judge's associate is to all intents and purposes a Judge's valet/secretary. People who become associates to Judges are usually either retired people aged in their fifties who may or may not have legal training, or young, newly qualified lawyers who see a year or so being associated with a Judge as being beneficial to their experience and career. In neither case is this job seen as a 'career'. Indeed, it is a one-to-one relationship which may carry on till the associate's Judge retires, in which case the associate may look to become attached to another Judge. However, this is not easy, as each Judge has only one associate, so the Judge's retirement may also be the end of the job for the associate. Recently, the number of Judges and associates has been increasing, but the number of associates in the schemes has declined. At June 1983, there were fifty-seven associates but only thirty-two were in the schemes, whereas in June 1980, there were fifty-three associates and forty-three were in the schemes. Total funds administered by the Public Trustee under the two

schemes in June 1983 was \$0.227 million. These figures indicate that the schemes are very small and declining in popularity.

1.2.4 Governor's Pension

The Victorian Constitution Act 1854 established the role and position of Governor - the Queen's appointed representative in Victoria. The Act also describes the salary and employment conditions of the Governor. The most recent amendments to the Constitution Act in relation to the Governor's remuneration were made by the Judges' Salaries and Pensions Act 1980 which altered the annual pensions payable to former governors or their widows. The provisions are modelled on those of the Judges' schemes. The cost of the scheme in the year ended June 1983 was \$64,000 and there were three pensioners.

NOTES

- (1) Victoria, Legislative Assembly, Parliamentary Debates, 5 December 1962, p.2265.
- (2) Remuneration Tribunal, 1982 Review, p.18-24 and 1984 Review. p.14-18, Commonwealth Government Publishing Service.
- (3) Victoria, Legislative Assembly, Parliamentary Debates, 5 December 1968, p.1815
- (4) Mr. H.C. Berkeley, Solicitor-General of Victoria, Transcript of Evidence, 29 July 1983, p.2,

CHAPTER 2

EXPERIENCE WITH PARLIAMENTARY AND OTHER SPECIAL SUPERANNUATION SCHEMES

SECTION 2.1 COMMONWEALTH AND STATE PARLIAMENTARY SUPERANNUATION SCHEMES - A COMPARATIVE ANALYSIS

Historically, Victoria has served as the model for parliamentary superannuation schemes in Australia, but this is less true now as the various schemes have been successively modified to reflect local views and needs. Even so, Victoria is not in an overall sense significantly out of line in its benefit provisions from those offered by the other States and the Commonwealth.

Table 2.1 summarises the major features of the various Commonwealth and State parliamentary superannuation scheme legislation.

2.1.1 Eligibility and Contributions

Elected members of Commonwealth and State parliaments are all required to join their respective schemes. The only exception is the Queensland scheme. Where significant changes to superannuation schemes occur as a result of legislation as in Victoria, 1962 and 1968 or Queensland, 1984, parliamentarians may opt to remain in the previous scheme.

Victoria's parliamentarians, as a member, Minister or office holder, contribute to the Victorian Parliamentary Contributory Superannuation scheme at a rate of 11.5% of gross salary. This contribution rate is standard for virtually all other parliamentary schemes in Australia, the exceptions being contribution rates of 12.0% in Tasmania and 12.5% in New South Wales.

TABLE 2.1

AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES
COMPARATIVE SUMMARY OF PARLIAMENTARY SUPERANNUATION SCHEME LEGISLATION:
CONTRIBUTIONS, BENEFITS, MANAGEMENT, FINANCING & INVESTMENT

Scheme	Victoria	Commonwealth	N.S.W.	Queensland	S.A.	W.A.	Tasmania	N.T.
1. Contributions								
- employee (% of salary)	11.5%	11.5%	12.5%	11.5%	11.5%	11.5%	12.0%	11.5%
- employer (% of salary)	Actuary determines	-	Actuary determines	21.4% (i.e. 65 this of contributions) plus actuary's determination	11.5% plus actuary's determination	23.0% plus actuary's determination	Actuary determines	Actuary determines
2. Benefits								
(a) Full Benefits								
- unqualified service eligibility	15 years	12 years	7 years	11 years	15 years	15 years	15 years	15 years
- unqualified condition eligibility	8 years and non-election OR 6 years and 3 Parlimts and over 60 years	8 years and 3 Parlimts and non-election OR 8 years and over 60 OR 4 Parlimts	-	8 years and non-election	13 years and 5 Parlimts OR 6 years and non-election OR 6 years and aged 60 years	7 years and non-election OR 7 years and aged 55 years	8 years and non-election OR 8 years and aged 65 years	10 years/ 3 full terms and non-election
- Pension Benefits								
• minimum years & salary %	8 yrs - 50%	8 yrs - 50%	7 yrs - 48.8%	8 yrs - 41.2%	6 yrs - 41.2%	7 yrs - 30.8%	8 yrs - 41.2%	10 yrs - 46%
• maximum years & salary %	20½ yrs - 75%	18 yrs - 75%	20 yrs - 80%	20 yrs - 70%	22 yrs 1 mth. - 75%	20 yrs - 70%	20 yrs - 70%	20 yrs - 70%
- indexation basis	MP's salaries	MP's salaries	MP's salaries	Brisbane CPI (annually)	Adelaide CPI (annually)	Perth CPI (annually)	MP's salaries	MP's salaries
- % commutable to lump sum	100%	50%	75% at 45 yrs reducing to 50% at 70 yrs	100%	75% at 45 yrs reducing to 30% at 60 yrs	100% at 45 yrs reducing to 50% at 65 yrs (40% if 20 yrs service)	Nil	100%
(b) Benefits if Service Less Than Minimum								
- Involuntary Resignation	Contributions + 233%	Contributions + 233%	Contributions + 233%	Contributions + 31% (5% compound for new members from 10/83)	Contributions + 3%	Contributions + 100%	Contributions only	Contributions plus interest
- Voluntary Resignation	Contributions + 117%	Contributions + 117%	Contributions + 117%	Contributions for new members from 10/83)	Contributions of service, less one	Contributions plus interest	Contributions only	Contributions plus interest

TABLE 2.1 (CONTINUED)

Scheme	Victoria	Commonwealth	N.S.W.	Queensland	S.A.	W.A.	Tasmania	N.T.
(c) Death Benefits								
• spouse (above min. service)	67% pension OR 40% current salary	82.5% pension	75% pension OR 45% current salary	62.5/67% pension OR 40% current salary	75% pension OR 40% current salary	67% pension	62.5% pension OR 40% current salary	62.5% pension OR 40% current salary
• spouse (below min. service)	40% current salary	82.5% pension	45% current salary	40% current salary	75% pension OR 40% current salary	67% pension	40% current salary	40% current salary
• does commutation to lump sum affect calculation of spouse benefit?	No	Yes	No	Yes	Yes	No	N.A.	No
• children (spouse alive)	Nil	Nil	5% current salary	Nil	See Appendix 1	3% current salary	5% member's pension	Nil
• children (no spouse alive)	As Trustees think fit	25% spouse's pension	10% current salary	As Trustees think fit	45% members' pension for first child, less for subsequent children	6% current salary	20% member's pension	25% spouse's pension
3. <u>Management Administration</u>								
• No. of Trustees	6	5	8	3	3	5	3	4
• Who are Trustees?	Treasurer President Speaker 1 Council 2 Assembly	Min. for Finance 2 Senate 2 House of Rep.	2 Council 5 Assembly Secretary & Comptroller of Accounts, Treasury	Premier Speaker Leader of Op.	President Speaker Under-Treasurer	Treasurer 2 Council 2 Assembly	President Speaker Under-Treasurer	Speaker 2 Assembly Head, Treasury Dept.
• Basis of selecting Trustees who are mt office-holders	Appointed by Governor-in-Council	Elected by respective Houses	Elected by respective Houses	N.A.	N.A.	Elected by respective Houses	N.A.	Speaker appoints one each on recomm. of Chief Minister & Leader of Opp.
Actuary Responsible	Appointed by Trustees	No provision	Appointed by Trustees	Appointed by Trustees	Public Actuary	Government Actuary	Appointed by Trustees	Appointed by Trustees
Actuarial Investigation	3 years	No provision	3 years	3 years	3 years	3 years	3 years	3 years

TABLE 2.1 (CONTINUED)

Scheme	Victoria	Commonwealth	N.S.W.	Queensland	S.A.	W.A.	Tasmania	N.T.
4. <u>Financing and Investment</u>								
Scheme Type	Funded	Unfunded	Funded	Funded	Funded	Funded	Funded	Funded
Restrictions on Investment	None on Trustees but investment to be done & managed by State Super. Board	N.A.	C/wealth securities, local authority loans, N.S.W. mortgages, trustee investments	At least 30% invested in C/wealth or State securities	None	Trustees investments	Trustee investments	None

Source: Table A1, Appendix A.

In all cases (except the unfunded Commonwealth Parliamentary Contributory Superannuation scheme), the employer's i.e., government's, contribution is determined by an actuary. Three States (Queensland, South Australia and Western Australia) stipulate an amount to be contributed by the government even before the actuary makes a recommendation.

The Commonwealth Parliamentary Contributory Superannuation scheme provides for a reduction in parliamentarians' contributions to 5.75% of salary after eighteen years' parliamentary service, and the Western Australian scheme to 5% after twenty years.

2.1.2 Benefits Structure

2.1.2.1 Benefits on Ceasing to be a Parliamentarian

In five States (including Victoria) a pension is available without qualification after fifteen years' service. The eligibility provisions of the New South Wales scheme are the most generous with unqualified benefits available after seven years, with corresponding figures of eleven years in Queensland and twelve years in the Commonwealth scheme.

While pensions are also available upon non-re-election after at least six years and up to ten years service, the actual conditions for benefit eligibility vary widely in terms of the number of parliaments served in and age of contributor. The Victorian Parliamentary Contribution Superannuation scheme is less generous than most other schemes. It requires parliamentarians to have served eight years before non-re-election or to have served six years in three parliaments and be over sixty years of age before a pension is payable.

In all Australian parliamentary schemes, pensions are expressed as a percentage of current parliamentary salaries, but again there is some variation in the percentage of salary and the number of years of service necessary to achieve it.

Victoria is in line with other schemes in providing a minimum pension of 50% of salary after eight years' membership. The maximum Victorian pension is

75% of salary after twenty years' membership. These provisions are similar to those provided by the Commonwealth scheme.

A comparison of pensions in terms of the percentage of salary payable by each of the parliamentary schemes at each year of service is given in Table 2.2. From this table it can be seen that the benefits payable in Victoria are, with minor exceptions, slightly inferior to those of the Commonwealth and New South Wales schemes where benefits are equal. The benefits payable in the other State schemes are inferior to those for Victoria.

TABLE 2.2

AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES
PENSION AS A PERCENTAGE OF BASIC SALARY

Years Service	Vic %	C/wlth %	NSW %	Qld %	SA %	WA %	Tas %	NT %
6	--	--	--	--	41.2	--	--	--
7	--	--	48.8	--	43.6	38.8	--	--
8	50.0	50.0	51.2	41.2	46.0	41.2	41.2	--
9	52.0	52.5	53.6	43.6	48.4	43.6	45.4	--
10	54.0	55.0	56.0	46.0	50.8	46.0	49.6	46.0
11	56.0	57.5	58.4	48.4	53.2	48.4	53.8	48.4
12	58.0	60.0	60.8	50.8	55.6	50.8	58.0	50.8
13	60.0	62.5	63.2	53.2	58.0	53.2	59.5	53.2
14	62.0	65.0	65.6	55.6	60.4	55.6	61.0	55.6
15	64.0	67.5	68.0	58.0	62.8	58.0	62.5	58.0
16	66.0	70.0	70.4	60.4	65.2	60.4	64.0	60.4
17	68.0	72.5	72.8	62.8	67.6	62.8	65.5	62.8
18	70.0	75.0	75.2	65.2	70.0	65.2	67.0	65.2
19	72.0	75.0	77.6	67.6	72.4	67.6	68.5	67.6
20	74.0	75.0	80.0	70.0	75.0	70.0	70.0	70.0
21	75.0*	75.0	80.0	70.0	75.0	70.0	70.0	70.0
22	75.0	75.0	80.0	70.0	75.0**	70.0	70.0	70.0

* Strictly the maximum of 75% is achieved at 20 years 6 months of service.

** Strictly the maximum of 75% is achieved at 22 years 1 month of service.

2.1.2.2 Pensions for Office Holders

Members of the various parliamentary schemes who have received a salary above the basic parliamentary salary receive a higher pension. In all States except South Australia, the pension for such persons is calculated by multiplying the pension based on years of service and basic parliamentary salary, by the ratio of total salary received during the period of total service, including additional salary as a minister or officer holder, over total salary he/she would have received as a parliamentarian without office in the same period.

The South Australian scheme differs mainly in the use of a ratio which is calculated by dividing the aggregate basic and additional salary earned during the six years of highest offices held by an amount of six times the salary applicable to the member on the date of her/his retirement. Other factors come into play in the calculations, but one of the most important features is that the calculation of basic and additional salary is at the rates applicable at the time of retirement.

This feature overcomes a problem inherent in the other parliamentary schemes, including the Victorian Parliamentary Contributory Superannuation scheme, whereby the effects of salary inflation (noted in the previous section) would mean that parliamentarians who leave office at the same time, and have the same length of service, may qualify for different pensions simply because they hold higher positions (for the same duration) at different times of their political career.

An example of this situation is presented in Table 2.3 which shows the various possible pension payouts for a Premier depending on years of service and when this service took place. The three cases all assume a parliamentary term of service of fifteen years and are as follows:

- (a) CASE A compares the pension payable to a parliamentarian who was Premier for three years in years 4, 5 and 6 against that payable if the period as Premier was in years 10,11 and 12 of service;

- (b) CASE B compares the pension payable to a parliamentarian who was Premier for three years in years 1, 2 and 3 against that payable if the period as Premier was in years 13, 14 and 15 of service; and
- (c) CASE C compares the pension payable to a parliamentarian who was Premier for six years in years 1 to 6 against that payable if the period as Premier was in years 10 to 15 of service.

Table 2.3 also indicates in the last column the pension payable if current rates of remuneration (or inflation effects) are used in this calculation. The impact of this change would be to provide equity between parliamentarians whenever they served in an office, though it can be seen that parliamentarians who are office holders late in their career would receive lower pensions than they would under the current provisions. Conversely parliamentarians who are office holders early in their career would receive larger pensions.

TABLE 2.3

PENSION PAYABLE FOR A **PARLIAMENTARIAN WITH 15 YEARS OF SERVICE**
INCLUDING VARIOUS YEARS AND TIMES AS PREMIER OF VICTORIA¹

Type of Service	Backbencher Salary Plus Additional Salary for 15 Years Service	Annual Pension Payable	% of Basic Pension of Backbencher	Pension if Inflation is Accounted for in the Formula
	\$	\$		\$
Backbencher for 15 years	334,669	25,600	100	25,600
CASE A:				
(i) Backbencher for 3 years, Premier for 3 years then backbencher for 9 years; and	381,075	29,150	114	30,720
(ii) Backbencher for 9 years, Premier for 3 years then backbencher for 3 years.	416,880	31,889	125	30,720
CASE B:				
(i) Premier for 3 years then backbencher for 12 years; and	369,534	28,267	110	30,720
(ii) Backbencher for 12 years then Premier for 3 years.	444,091	33,970	133	30,720
CASE C:				
(i) Premier for 6 years then backbencher for 9 years; and	415,940	31,817	124	35,840
(ii) Backbencher for 9 years then Premier for 6 years.	526,302	40,259	157	35,840

1. Assumes a current basic salary of \$40,000 p.a. and salary inflation throughout of 10% p.a.

2.1.2.3 Benefits for Shorter Service

Benefits for shorter service are in effect the 'retrenchment' component of the Parliamentary schemes, and therefore they are an important element of the total remuneration of parliamentarians. If a parliamentarian's service is less than that required to qualify for a pension, the Victorian, New South Wales and the Commonwealth schemes specify identical lump sum benefits for the separate categories of voluntary and involuntary resignation. In the former category, the lump sum benefit is a return of contributions plus 117%; in the latter, contributions plus 233%. Of the other States, only Western Australia approaches this level of benefit, with contributions plus 100% plus interest. Benefits in the other States are much poorer, offering just contributions or contributions plus interest or contributions with a percentage for each year of office.

2.1.2.4 Indexation

Indexation of parliamentary pensions occurs in two ways. In most cases, including Victoria, pensions are indexed by parliamentary salaries. In Victoria basic parliamentary salaries are directly tied to Commonwealth Parliamentarian's salaries (i.e., Commonwealth less \$500) which are determined by the Commonwealth Remuneration Tribunal. There is therefore a mechanism for regular adjustments. However, such a mechanism may be disrupted if the Commonwealth Government fails to introduce the recommendations of the Tribunal, or delays doing so. The other approach to indexation, adopted by Western Australia, South Australia and Queensland, is to adjust annually the pension for changes in the CPI in the particular State.

2.1.2.5 Returning Parliamentarians

If a former member of the Victorian Parliament is re-elected and had previously qualified for a pension, that pension ceases, but former service in Parliament is recognised for the purpose of determining future benefits. Thus if a person becomes a parliamentarian and after a period of service retires with a pension, that pension is payable up until they are re-elected. The

pension stops during the subsequent period of service, but it resumes upon leaving office for the second time at a rate which reflects total service.

However, if in the first instance the member had commuted part of his/her pension to a lump sum entitlement, upon his/her retirement next time round the annual pension is reduced according to Section 20 of the Parliamentary Salaries and Superannuation Act 1968. The reduction is equal to 10% of the amount by which the total amount of pension and lump sum commutation benefit paid in respect of the previous period of service exceeded the total amount of pension that would have been received had he/she not commuted. The Commonwealth Parliamentary Contributory Superannuation scheme includes the same provisions.

To illustrate the effect of this provision an example is presented in Table 2.4. In the example the parliamentarian serves eight years before losing office. This qualifies him/her for a pension of 50% of the basic salary which equals \$20,000 p.a. (basic salary is \$40,000 p.a.). However, the decision is made to commute half of the pension giving a lump sum payment at the start of year nine of \$100,000 and a pension of \$10,000 p.a. After six years, the person decides to re-enter political life and is successful at the polls for a further seven years before again losing office. Total parliamentary service is now used as the basis of benefit calculation. Fifteen years service would ordinarily qualify a person for a pension of 64% of basic salary which is \$25,600, however in this case the Section 20 provision is exercised because of the break in service when part of the benefit was commuted.

In the previous period of 'retirement', the person received a total payout of \$160,000 (i.e., lump sum of \$100,000 plus a pension of \$10,000 p.a. for six years). This benefit is \$40,000 more than if that person had decided not to commute the pension in which case the total payout for the period would have been \$120,000 (i.e. six years at \$20,000 p.a.). Upon this person's subsequent retirement, the Act specifies that the pension shall be decreased by 10% of the extra amount received in the previous period(s) of 'retirement', i.e. 10% of \$40,000 or \$4,000 p.a. This would leave the person with a pension of \$21,600 upon their retirement at the end of year twenty two. If capitalised by the commutation factor of 10 which is applicable for retiring members less than 66 years old, the pension reduction of \$4,000 is equivalent to a lump sum of

\$40,000. Thus if the person commuted the pension in full they would lose the same amount as the windfall gain that they had received in the first period of 'retirement'.

The provision is designed to prevent returning parliamentarians from benefiting excessively from the scheme by deducting from the ultimate benefits any extra payments members were paid as a result of their prior decision to commute part of the pension. However, the formula appears to cope poorly with both the time value of money (i.e. interest) and salary inflation.

TABLE 2.4
AN EXAMPLE OF THE ADJUSTMENT TO PENSION FOR
RETURNING PARLIAMENTARIANS

Year	Salary (\$)	Pension (\$)	Lump Sum (\$)
1	40,000		
2	"		
3	"		
4	"		
5	"		
6	"		
7	"		
8	40,000		
9		10,000	100,000
10		10,000	
11		10,000	
12		10,000	
13		10,000	
14		10,000	
15	40,000		
16	"		
17	"		
18	"		
19	"		
20	"		
21	40,000		
22		21,600	(25,600)

Assumptions:

- 1) No inflation
- 2) First period of service 8 years, then 6 years out of office and then a further 7 years in service.
- 3) Basic Salary \$40,000

2.1.2.6 Commutation

Pension benefits are commutable to a lump sum, in whole or in part, in all States except Tasmania. Four States, Victoria, Queensland, Western Australia and the Northern Territory, allow 100% commutation. Table 2.5 shows the range of existing commutation percentages by age of parliamentarians. It may be noted that the Commonwealth reduced the maximum commutation percentage from 100% to 50% in 1983.

TABLE 2.5

AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES
MAXIMUM COMMUTABLE PERCENTAGE OF PENSION

Age	Scheme							
	Vic	C/wlth	NSW	Qld	SA	WA	Tas	NT
45	100.0	50.0	75.0	100.0	75.0	100.0	---	100.0
50	100.0	50.0	70.0	100.0	60.0	87.5	---	100.0
55	100.0	50.0	65.0	100.0	45.0	75.0	---	100.0
60	100.0	50.0	60.0	100.0	30.0*	62.5	---	100.0
65	100.0	50.0	55.0	100.0	30.0*	50.0	---	100.0

* 40% applicable if member has served for 20 years.

Commutation factors applying to pension entitlements at various ages are shown in Table 2.6. A commutation factor of 10 is common for all States allowing commutation to age sixty-six years, but some States and the Commonwealth reduce this factor fractionally for parliamentarian's retiring over this age. In Victoria the commutation factor of 10 to age sixty-six years is reduced by subtracting the ratio of $X/24$, where X is the number of months over age sixty-five years, for parliamentarians retiring over this age. However these provisions are subject to extensions allowed under Section 16(2A) of the Parliamentary Salaries and Superannuation Act 1968.

TABLE 2.6

AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES
PENSION COMMUTATION FACTORS

Scheme	Factor*
Victoria	To age sixty-six, 10 times. Over age sixty-six, $10 - X/24$ where X is the number of months over age sixty-five.
Commonwealth	As for Victoria.
New South Wales	10 times.
Queensland	To age sixty-six, 10 times. Over age sixty-six, $10 - \frac{1}{2}(Y - 65)$ where Y is age at retirement in years.**
South Australia	10 times.
Western Australia	As for Queensland.
Tasmania	No provision.
Northern Territory	As for Queensland.

* Lump sum benefit expressed as a number of times the annual pension benefit.

** Does not differ significantly from the Victorian provision in its effect.

In Victoria, of those retired parliamentarians eligible for a pension, 55.7% fully commuted to a lump sum benefit, 32.9% partly commuted to a lump sum and 11.4% took the full pension. The percentage fully commuting appears to be increasing and the percentages are not significantly affected by the reason for retirement. In the Parliamentary Salaries and Superannuation Act 1968, sub-section 16(2), paragraphs (a) and (b) specify the commutation arrangements.

2.1.2.7 Benefits on Death of a Parliamentarian or Former Parliamentarian

On the death of a parliamentarian or former parliamentarian, all schemes have some provisions for spouse and/or children. The Commonwealth Parliamentary Contributory Superannuation scheme's spouse benefit, on death of a parliamentarian in service, is well in excess of that offered by the States, in that a pension of 5/6ths of the parliamentarian's pension is granted irrespective of whether or not the minimum service requirement has been met. The Victorian Parliamentary Contributory Superannuation scheme fits into the middle of the range of benefits provided for spouses by the State schemes. It provides a spouse pension of 2/3rds of the pension that would have been payable to the parliamentarian or former parliamentarian but for his/her death, or 40% of the current parliamentary basic salary, whichever is the greater.

There are also differences in the payment of spouse benefits upon death of a former parliamentarian. Some schemes (Commonwealth, Queensland and South Australia) reduce the spouse benefit by the proportion which has been commuted to a lump sum. All others, including the Victorian Parliamentary Contributory Superannuation scheme, make no such adjustment to spouse benefit, though it is noted that a Bill to amend this situation is currently on the Legislative Assembly notice paper in the Victorian Parliament.

It is difficult to actuarially determine the costs of such spouse benefit provisions and the savings that might result from such amendments. This is because of the differing ages of parliamentarians and the uncertainty of their various marital situations and the numbers involved.

With regard to benefits for children, when there is no surviving spouse most schemes specify a benefit either as a percentage of the parliamentarian's salary or of the spouse's pension. The Victorian and Queensland schemes however, leave the decision to the Trustees, but the total amount of allowances paid to the child or children may not exceed the pension that would have been payable to the spouse.

Where the spouse is alive, four schemes have a separate benefit for children and four do not. No allowances are payable to a child if there is a surviving

spouse under the Victorian Parliamentary Contributory Superannuation scheme.

In the period since the latest Victorian scheme was introduced in 1968 there has been only one case where the Trustees of the scheme have had to exercise their discretion on the matter of the children's allowance. As a result the Trustees decided on a general benefit scale for different numbers of dependent children. They decided that, as a percentage of the spouse's pension, the benefit should be as follows:

- | | | |
|-----|---------------------------|---|
| (a) | for one child | 45%; |
| (b) | for two children | 45% each; |
| (c) | for three children | 30% each; and |
| (d) | for four or more children | the spouse benefit divided by the number of children. |

In the case under consideration, three dependent children were involved. These benefits are structured in a similar way to those offered by the South Australian scheme. Nevertheless, the Committee feels that the benefits should be defined in the Act.

2.1.2.8 Comparison of Contributions and Benefits

Table 2.7 indicates the returns available to members of the Victorian Parliamentary Contributory Superannuation scheme after various lengths of service up to the present based on the assumptions given. Although the assumed base salary is marginally less than that presently received by parliamentarians, the salary multiples computed are still relevant. Thus, for a retiring parliamentarian with five years service the lump sum benefit of \$64,000 is equivalent to 2.37 times the contributions plus notional interest of \$27,000 or 1.6 times the assumed current basic salary of \$40,000. After 20 years service a pension of 75% of basic salary is payable (\$30,000 per annum) or a lump sum of \$300,000, equivalent to 2.7 times contributions plus notional interest or 7.5 times annual salary.

It should be emphasised, however, that the majority of scheme members (on present experience) spend considerably less than twenty years as a parliamentarian. Indeed, as Table 2.1 shows, of all retired parliamentarians, 67.8% spent eighteen years or less in service and 65.1% of defeated parliamentarians were less than twelve years in service.

TABLE 2.7

VICTORIAN PARLIAMENTARY SUPERANNUATION SCHEME
COMPARISON OF CONTRIBUTIONS AND BENEFITS

Years of Service	Contributions (1)	Contributions Plus Notional Interest (2)	Pension Benefit (p.a.)	Lump Sum Benefit	Lump Sum Benefits As a multiple of	Contributions Plus Interest	Final Salary
	\$	\$	\$	\$			
5	19,000	27,000	--	64,000	2.37		1.6
10	31,000	56,000	21,600	216,000	3.86		5.4
15	38,000	83,000	25,600	256,000	3.08		6.4
20	43,000	111,000	30,000	300,000	2.70		7.5

1. Assuming a current basic salary of \$40,000, contributions of 11.5% of salary, no office held and 10% p.a. salary inflation throughout the last twenty years.
2. Assuming contributions could have been invested at 12% p.a. compound free of tax.
3. Calculations are to the nearest thousand dollars.

Table 2.7 illustrates that for longer service the proportion of the lump sum benefit financed by the parliamentarian's contributions and interest could be quite substantial.

2.1.3 Scheme Management

Table 2.1 shows that the number of Trustees for most parliamentary schemes varies from three to five, with Victoria (six) and New South Wales (eight) being out of line with the others. In each scheme, holders of certain positions are named as being Trustees. In Victoria, the Parliamentary Salaries and Superannuation Act 1968 specifies that the Treasurer, the President and the Speaker shall be trustees and that the Treasurer shall also be Chairman. Where there is provision for appointing ordinary parliamentarians as Trustees, in three cases (Commonwealth, New South Wales and Western Australia) these Trustees are elected by the Parliament. In the cases of Victoria and the Northern Territory, these Trustees are appointed outside the parliamentary process. In Victoria the custom is to appoint the Leader of the Opposition, the Leader of the Third Party and the Leader of the Government in the Upper House as the three other Trustees.

In Victoria, as in most schemes, the Trustees have the power to appoint an actuary of their choice and all schemes (except the Commonwealth) require a three-yearly actuarial report.

2.1.4 Investment

In most cases, Trustees have unrestricted the investment powers. New South Wales is the major exception here and there are minor restrictions in Queensland and Tasmania. In Victoria, parliamentarians' contributions are paid into (and benefits paid from) a Trust Fund called the Parliamentary Contributory Superannuation Fund. Section 11 (1A) of the Act requires the Fund to be invested by the State Superannuation Board in accordance with the determinations of the Trustees. The Trustees effectively have unrestricted investment powers although in 1968 they delegated authority for investment to the State Superannuation Board. Since then investments have been made by the Board and have been confined to those investments within the scope of the Board's investment powers. The Trustees' action in delegating investment responsibility restricted the investment avenues and possibly the earning potential of the Fund. The Committee's report 'A Review of Public Sector Superannuation' demonstrated that the restrictions on investment powers

explain much of the relatively poor investment performance of the State Superannuation Fund.

2.1.5 Financing

Table 2.1 indicates that all schemes apart from the Commonwealth are funded. However, in Victoria and some other states, the legislation requires the actuary to certify the flat dollar amount to be paid into the fund by the government each year, for a twenty-five year period, to enable the fund to meet its liabilities. This is at variance with the normal actuarial practice of calculating the employer's contributions as a percentage of contributors' salaries. Furthermore, the data presented in Table 1.2 indicates that twenty-five years is much longer than a parliamentarian's expected term in office, and it is therefore an inappropriate basis for actuarial calculations. This basis will become even more inappropriate if there is an increase in the number of parliamentarians leaving the scheme.

Contributions required from the Consolidated Fund have increased from \$3.28 million in 1980-81 to \$4.9 million in 1981-82, an increase of 49%, while the comparative increase in the dollar amount of member contributions was only 17% and the number of parliamentarians was constant.

2.1.6 Supplementary Retirement Account

The Victorian Parliamentary Contributory Superannuation scheme includes a Supplementary Retirement Account into which members may pay up to 10% of their gross fortnightly salaries. Interest as determined by the Trustees on the advice of an actuary is credited to the account.

Where a parliamentarians has made regular fortnightly contributions to the Account for a period of not less than five years, all or part of the balance in the Account may be withdrawn. Once a withdrawal has been made, no further monies may be withdrawn until regular fortnightly contributions have been made to the account for a further period of five years.

This facility is not all that different from a provision in the Commonwealth Superannuation scheme (as distinct from the Commonwealth Parliamentary Contributory Superannuation scheme) which enables members to make additional contributions of up to 5% (taking the total to a maximum of 10%) of salary. As with the basic contribution, these are accumulated with interest and usually taken as a lump sum payout. However, only about 3% of contributors under that scheme avail themselves of this opportunity.

In Victoria this style of facility is even less popular and at the moment there is no money deposited in the Supplementary Retirement Account.

SECTION 2.2 SUPREME AND COUNTY COURT JUDGES' SUPERANNUATION SCHEMES

2.2.1 Benefits Structure

In Victoria, the Supreme and County Court Judges' schemes provide for a non-contributory pension of 60% of the current salary of the position held immediately prior to retirement. There is no commutation of pension to a lump sum.

If permanent incapacity occurs while in office, a judge (appointed before age 60) is entitled to a pension of 60% of salary. The spouse benefit payable on the death of a judge or retired judge is a pension of 37.5% of current salary. The children's benefit is a pension determined by dividing the spouse benefit by four or the number of eligible children, whichever is the greater.

These benefit levels were introduced in 1980 following the Government's acceptance of a number of the recommendations of the Grimwade Board of Review (1980). Thus, the Judges Salaries and Pensions Act 1980, embodied some substantial changes - specifically an increase of 10% of salary (from 50% to 60%) in the pension level, an improved spouse pension and the introduction of a children's benefit. Table 2.8 illustrates the historical levels of the major benefits of the County Court Judges' scheme.

Judges' and Judges' widow's pensions are currently adjusted proportionately in accordance with statutory adjustments to the sum of the salary and allowances of a serving Judge. Movements in the allowances are indexed to the Consumer Price Index (All Groups, Melbourne) and salary movements are linked to those of other senior public servants.

TABLE 2.8

COUNTY COURT JUDGES' SUPERANNUATION SCHEME
 VICTORIAN PENSION EXPERIENCE
 (PENSIONS AS A PERCENTAGE OF SALARY)

Year	Judge's Salary \$	Judge's Pension %	Spouse Pension %	Children's Pension %
1928	3,000	50.0(a)	--	--
1947	4,000	50.0	--	--
1954	6,700	40.0(b)	20.0	--
1960	9,600	40.0	20.0	--
1965	12,200	50.0(c)	25.0	--
1970	16,350	50.0	31.3	--
1975	34,400	50.0	31.3	--
1979	46,090	50.0	31.3	--
1983	64,500	60.0	37.5	16.6

As a result of legislative changes and applicable:

- (a) At age seventy-two years
- (b) After fifteen years' service
- (c) After ten years' service and reaching sixty years of age

The comparison of the major provisions of the various Judges' schemes in Table 2.9 shows that the benefits of the schemes offered to Victorian Supreme and County Court Judges are similar to those offered by the Judges' schemes of the Commonwealth and the other major States.

TABLE 2.9
COMPARATIVE SUMMARY OF JUDGES' PENSION SCHEME LEGISLATION

	VICTORIA	COMMONWEALTH	N.S.W.	QLD.
1. <u>Contributions</u> (% of salary)				
- Employee	--	--	--	--
- Employer	--	--	--	--
2. <u>Financing</u>	PAYG	PAYG	PAYG	PAYG
3. <u>Benefits</u>				
(a) Full pension benefit				
- Minimum years & % of salary	10 yrs' service and attained age 60 - 60% of salary	10 yrs' service and attained age 60 - 60% of salary	10 yrs' service and attained age 60 - 60% of salary	10 yrs' service & attained age 60 - 60% of salary (for retirements after 1984)
- Indexation basis	Salary movements	Salary movements	Salary movements	Salary movements
- % commutable to lump sum	--	--	--	--
(b) Benefits if service less than minimum	--	Pension is the lesser of 0.5% of salary per month of service or 60% of salary	If less than 10 yrs' service, 25% of salary plus 5% for each yr of service in excess of 5 plus proportion of incomplete years of service	--
(c) Disability benefit	Pension of 60% of salary	Pension of 60% of salary	Pension of 60% of salary	Disability pension, 75% of retirement pension and for each yr in excess of 5 yrs' service an additional 5% of pension. Max. pension 60% of salary
(d) Death benefit				
- Spouse benefit	Pension of 3/8ths of salary	Pension of 62.5% of Judges' pension	If less than 10 yrs' service, 25% of salary. If more than 10 yrs' service, 30% of salary	50% of pension if death post-retirement, otherwise 50% of disability pension
- Children's benefit	Determined by dividing spouse pension by the greater of 4 or no. of eligible children	In addition to spouse benefit - for 1 eligible child 12.5% of pension; 2 children 25% of pension; 3 or more children 37.5% of pension. If no spouse benefit payable - 1 child 45% of salary; 2 children 80% of salary; 3 children 90% of salary; 4 or more children 100% of salary	In addition to spouse benefit - pension of \$208 p.a. per child. If no spouse pension payable, children's pension is the greater of (a) \$520 p.a. each or (b) \$208 p.a. plus spouse pension divided by 4 or no. of children	\$10 per week per eligible child

TABLE 2.9 (CONT)
COMPARATIVE SUMMARY OF JUDGES' PENSION SCHEME LEGISLATION

	SOUTH AUSTRALIA	WESTERN AUSTRALIA	TASMANIA	NTHN TERRITORY
1. <u>Contributions</u> (% of salary)				
- Employee	--	--	5%	--
- Employer	--	--	--	--
2. <u>Financing</u>	PAYG	PAYG	Contributions paid to Consolidated Revenue and credited to Judges' Pension Fund. Benefits then financed PAYG	PAYG
3. <u>Benefits</u>				
(a) Full pension benefit				
- Minimum years & % of salary	10 yrs' service and attained age 60 - 40% of salary plus 1% for each 6 mths service in excess of 5 yrs. Max. of 60% of salary	10 yrs' service and attained age 60 - 50% of salary	15 yrs' service - 50% of salary	10 yrs' service and attained age 60 - 60% of salary
- Indexation basis	CPI Adelaide	CPI Perth	Salary movements	Salary movements
- % commutable to lump sum	--	--	--	--
(b) Benefits if service less than minimum	If appointed within 5 yrs of retirement, previous pension arrangements are maintained	--	Resignation benefit - return of contributions	--
(c) Disability benefit	Disability pension same as retirement pension	Disability pension - If less than 6 yrs' service, 40% of salary; otherwise 40% of salary plus 2% for each yr in excess of 5, up to a max. of 50%	Pension of 50% of salary	Pension of 60% of salary
(d) Death benefit				
- Spouse benefit	Pension of 2/3rds of retirement pension	If died during service spouse pension 5/8ths of disability pension. If died during retirement spouse pension 5/8ths of existing pension	Pension of 1/3rd of salary	On death of retired judge pension of 5/8ths of pension. Otherwise, pension of 5/8ths of disability pension
- Children's benefit	In addition to spouse pension 1 or 2 children receive pension of 1/9th judge's pension; 3 or more children 1/3rd of pension divided by no. of children. If no spouse pension payable - 1 child 45% of pension; 2 children 40% of pension each; 3 children 30% of pension each; 4 or more children receive judge's pension divided by no. of children	In addition to spouse pension \$8 per week per child. If no spouse pension then a pension which is the greater of (a) \$10 per wk; or (b) \$4 per wk plus spouse pension divided by the greater of 4 or no. of eligible children	No children's pension specified	In addition to spouse pension \$208 p.a. per eligible child. If no spouse pension the greater of (a) \$520 p.a. or (b) \$208 p.a. plus spouse pension divided by the greater of 4 or the no. of children

The Victorian legislation specifying the Judges' schemes is the Constitution Act. This is in contrast to the situation in other states where separate legislation describes the Superannuation benefits available to Judges. New South Wales, South Australia, Queensland and the Commonwealth have enacted Judges' Pensions Acts, whereas Western Australia introduced a Judges' Salaries and Pensions Act and in Tasmania the Judges' Contributory Pensions Act sets the contribution and benefit levels for Tasmanian Judges.

The Tasmanian Judges' scheme differs most notably from the provisions of the other States and the Commonwealth. Their scheme is contributory - all others are non-contributory. Tasmanian Judges are required to contribute 5% of salary towards their superannuation benefit which is a pension of 50% of salary after a minimum fifteen years' service with no children's benefit. Like the Western Australian Judges' scheme, which also offers a pension of 50% of salary, the Tasmanian scheme is less attractive.

With the exception of the scheme characteristics noted above, there is broad conformity in the retirement provisions of the Judges of the various State and Federal jurisdictions that have been examined. The Victorian Judges' package falls within the range of other Judges' schemes.

2.2.2 Scheme Management, Financing and Investment

As mentioned, identical schemes exist for Supreme Court and County Court Judges. The schemes are non-contributory and are financed on a pay-as-you-go basis from the Consolidated Fund, so there are no investment funds to be managed, administered or reported on.

There is no legal trust to administer these schemes; instead the Law Department advises the Department of Management and Budget (DMB) of the retirement of Judges and the DMB then makes arrangements through the State Superannuation Board for the appropriate benefit payments.

These schemes are identical, the Supreme Court Associates scheme having been established in 1957 and the County Court Associates scheme in 1979. They are voluntary, lump sum, accumulation schemes, administered by the Public Trustee. The lump sum is payable after ten years' service and being aged sixty, or on reaching the age of seventy-two. Investments are managed by the Public Trustee in the Public Trustee's Common Fund A, but individual benefit records are maintained.

Recently, the number of Judges and associates has been increasing, but the number of associates in the schemes has declined. At June 1983, there were fifty-seven associates but only thirty-two were in the schemes (56%), whereas in June 1980, there were fifty-three associates and forty-three were in the schemes (81%). Total funds administered by the Public Trustee under the two schemes in June 1983 was \$227,000. These figures indicate that the schemes are very small and declining in popularity.

The schemes provide lump sum benefits which, in the cases of death, disability or retirement, are equal to accumulated employee and employer contributions, plus investment earnings. With small employee and employer contributions of 2.5% and 6.25% respectively, benefits are commensurately small.

In the case of resignation, the employer's contributions (with interest) are vested in the employee, but only after ten years' service and then only if he/she has attained sixty years of age.

Due to their simplicity, these schemes have low administrative costs. The trust deed specifies that the Public Trustee's administrative charges shall be set at 2.5% of each member's fund, to be payable by the member or his/her legal representative at the time the member's accumulated benefit is paid or transferred.

SECTION 2.4 GOVERNOR'S PENSION

The Victorian Governor, on retirement after five years service, is provided with a non-contributory pension of 60% of the Chief Justice's annual salary. This benefit and the other provisions of the Governor's scheme are modelled on the Judges' schemes. The Governor's scheme however, has no children's benefit.

While Victoria and the Commonwealth have directly tied the Governor's pension to the salary levels and movements of their respective Chief Justices, this is not the case in the other States. Table 2.10 compares the pension arrangements of the Governors throughout the States and Commonwealth. The Northern Territory's equivalent of Governor - the Administrator - is also included in the comparison. There is considerable diversity in the methods of determining a Governor's retirement entitlements. New South Wales and Western Australia have no legislative provisions to specify any of the Governor's benefit and they are therefore negotiated at the time of each appointment. The other States provide a pension that is a fixed proportion of the Governor's salary - this is either specified by legislation or in South Australia the proportion is determined by the Treasurer within bounds specified by legislation.

The disability retirement and spouse pension entitlements provided by each State are specified in an analogous manner to their retirement benefits. For example, in Victoria the disability pension is set at 60% of the Chief Justice's salary and the spouse's pension is 37.5% of the Chief Justice's salary. None of the States' schemes examined provided a children's benefit for their Governor.

Most commonly, Governor's pensions are adjusted according to movements in salary of either the relevant Governor or Chief Justice, the exceptions being Queensland and South Australia. Adjustments to Queensland Judges' pensions made according to the Salaries and Allowances Tribunal flow on to the Queensland Governor. In South Australia, the Treasurer has the responsibility for specifying the adjustments to be made to the Governor's pension for what the Act calls "movements in the cost of living".

TABLE 2.10
COMPARATIVE SUMMARY OF LEGISLATION FOR GOVERNOR'S PENSION ARRANGEMENTS(1)

	VIC.	C/WLTH	QLD	S.A.	TAS.	N.T. 2
1. Contributions						
(a) Employee	--	--	--	--	--	--
(b) Employer	--	--	--	--	--	--
2. Financing	PAYG	PAYG	PAYG	PAYG	PAYG	PAYG
3. Benefits						
(a) Full benefits						
- Pension benefits minimum years & % of salary	5 yrs - Pension of 60% of salary of Chief Justice of Victoria	Pension of 60% of salary of Chief Justice of Australia	5 yrs - Pension of 50% of Governor's salary	4 yrs 6 mths (excluding furlough) - Pension specified by Treasurer's Order - max. of 50% of salary	5 yrs - Pension of 5/7ths of salary	5 yrs - Pension of 50% of base salary
- Indexation basis	Salary movements of Chief Justice of Victoria	Salary movements of Chief Justice of Australia	As per Judges Pension Act	Treasurer may adjust pension (by Order) for "movements in the cost of living"	Salary movements of Governor	Salary movements of Administrator
(b) Disability retirement benefit	Pension of 60% of salary of Chief Justice of Victoria	Pension of 60% of salary of Chief Justice of Australia	Pension of 50% of Governor's salary	Pension specified by Treasurer's Order - max. 50% of salary	Pension of 5/7ths of salary	Pension of 50% of base salary
(c) Death benefits						
- Spouse pension	Pension of 3/8ths of salary of Chief Justice of Victoria	Pension of 5/8ths of Governor's pension	Pension of 5/8ths Governor's pension or if dies while holding office a pension of 5/16ths Governor's salary at time of death	- If died pre-retirement, spouse pension 37.5% of salary. - If died post-retirement, spouse pension 75% of Governor's pension.	Pension of 3/7ths of salary	2/3rds of Administrator's pension
- Children's benefit	--	--	--	--	--	--

(1) There are no legislative provisions specifying the pension arrangements for the Governors of New South Wales and Western Australia.

(2) Northern Territory's equivalent to Governor is called Administrator.

Despite the considerable variation in the method of determination, the actual level of benefits derived are broadly comparable. The benefits of the Victorian Governor are consistent with this observed range.

CHAPTER 3

THE REMUNERATION REVIEW PROCESS AND THE VICTORIAN PARLIAMENTARY CONTRIBUTORY, JUDGES' AND GOVERNOR'S SUPERANNUATION SCHEMES

SECTION 3.1 REVIEW PROCEDURES FOR PARLIAMENTARY REMUNERATION

3.1.1 Superannuation and Salary Determination

Decisions to review and recommend change to the Parliamentary and other special superannuation schemes, as noted in this report, have been ad hoc in nature. Traditionally, in Victoria, the Government of the day has introduced legislation to deal with changes to the parliamentary superannuation scheme and these have been subsequently debated in both Houses of Parliament. For changes to salaries and allowances, the Victorian Government follows the recommendations of the Commonwealth Remuneration Tribunal. The Remuneration Tribunal's legislation, however, excludes specifically any consideration of superannuation as part of total remuneration. A separate Committee of selected parliamentarians chaired by the Minister of Finance, deals with Commonwealth parliamentarians' superannuation.

There is no formal non-parliamentary (or independent) review mechanism to deal with proposed changes to the Parliamentary Contributory Superannuation scheme, nor is there any procedure to consider the total remuneration package of parliamentarians. In other words, changes to superannuation are treated quite independently of salaries and allowances.

Superannuation is obviously an important component of the total remuneration of parliamentarians. As such, it might be expected that the determination of superannuation provisions would be seen as part of the procedures to determine salaries and allowances, but this is not the case. This situation mirrors practice in the public and private sector (other than the negotiation of

remuneration packages for relatively senior private sector executives), where superannuation has been separate from the normal processes of negotiation, conciliation and arbitration over wage and employment conditions. In the Committee's first report on superannuation, this separation was seen to reflect a variety of factors including the paternalistic origins of superannuation, High Court decisions regarding superannuation matters and, up until the 1970s, the concentration by unions on other, more immediate concerns such as wages and salaries and other employment conditions. In the case of the Parliamentary scheme, the ad hoc nature of the scheme's evolution has been the main factor militating against a full consideration of superannuation as an integral part of a parliamentary remuneration package.

Since the late 1970s in both public and private sectors, increasing attention has been directed towards superannuation provision as an element in employee remuneration and, as such, subject to traditional collective bargaining procedures. The Committee believes that this trend should be encouraged and that parties to the negotiation and resolution of collective agreements and awards should view superannuation provisions and benefits in the context of the employees' total remuneration package. Furthermore, such procedures should also apply to the parliamentarians' remuneration package.

3.1.2 A Parliamentary Remuneration Tribunal

The Committee is concerned about a range of matters dealing with parliamentary superannuation provisions. These cover the appropriate design of a parliamentary scheme, anomalies in the current scheme provisions, and the mechanisms for change which exist for the various parliamentary schemes in Australia (see Table 2.1).

It is also clear that the public has a poor opinion of parliamentary superannuation schemes stemming largely from inappropriate comparisons with other public and private sector schemes. A particular contributory factor is that parliamentarians are seen as having a free hand in the establishment of their own salaries, allowances and superannuation benefits.

The Committee believes that one way in which salary and superannuation reviews can be considered objectively is to move away from the system wherein superannuation is considered in isolation from salaries and allowances to one in which a tribunal exists to review and recommend, on an annual basis, changes deemed necessary to parliamentary remuneration. Rather than establishing a new tribunal, the Committee believes it more appropriate to expand the terms of reference of the Commonwealth Remuneration Tribunal to enable it to consider superannuation and, therefore, the total remuneration package of parliamentarians. The Commonwealth Remuneration Tribunal would thus be responsible for the determination of basic salary, additional salary, expense allowances, and the contribution and benefit provisions of the various parliamentary superannuation schemes. In its broader role, the tribunal should operate within the framework of the Conciliation and Arbitration Commission and should be established by Commonwealth and State legislation. The respective States and other interested parties should be able to make submissions to the tribunal.

RECOMMENDATION 3.1

THAT THE RESPONSIBILITIES OF THE COMMONWEALTH REMUNERATION TRIBUNAL BE WIDENED TO INCLUDE SUPERANNUATION AND THAT THIS TRIBUNAL SHOULD MAKE DETERMINATIONS ON PARLIAMENTARIANS' TOTAL REMUNERATION ON AN ANNUAL BASIS.

The Committee believes it is desirable to have a uniform method of determining the appropriate level of parliamentarians' total remuneration for the Commonwealth and across all States. This would assist in preventing leapfrogging of benefits. The Committee also believes that to minimise costs and to encourage consistency between the various States and the Commonwealth it is important not to duplicate efforts in this area. However, it is recognised that it may be difficult to gain the support of all governments and that it would be feasible, in the first instance, to simply involve Victoria and the Commonwealth in the proposed tribunal. This would still have the advantages of reducing duplication and encouraging a wider review of parliamentarians' total remuneration. If this is not feasible, the Committee proposes that the Victorian Government should establish a separate remuneration tribunal.

RECOMMENDATION 3.2

THAT, IF AGREEMENTS ARE NOT FORTHCOMING TO WIDEN THE ROLE OF THE COMMONWEALTH REMUNERATION TRIBUNAL, THERE BE ESTABLISHED IN VICTORIA AN INDEPENDENT REMUNERATION TRIBUNAL.

This recommendation is consistent with maintaining a stable relationship, such as that presently existing for salaries, between the total remuneration of Victorian parliamentarians and the total remuneration of Commonwealth parliamentarians.

SECTION 3.2 JUDGES' AND GOVERNOR'S REVIEW PROCEDURES

3.2.1 Superannuation and Salary Determination

Salary levels and allowances for the Judges of the Supreme and County Courts are described in the Constitution Act 1975 and the County Court Act 1958 respectively. The actual dollar amount or 'base' salary is specified, and both Acts use analogous procedures for indexation changes to this 'base' salary. Under these procedures, the Attorney-General is required to certify increases in Judges' salaries in line with movements in the salary of select senior public servants (those referred to in Part A of Schedule Two of the Public Service Act 1974). Judges' allowances are indexed annually by movements in the Consumer Price Index (CPI) for Melbourne.

The current salary levels of Judges have their origins with the 1980 Board of Review chaired by Sir Andrew Grimwade. This review was concerned with the terms and conditions of employment of Judges and provided the stimulus for the Judges Salaries and Pensions Act 1980. This Act specified an appropriate 'base' level of salary for the various Judges and provided for indexation according to National Wage Case decisions. Following the failure of the centralised wage fixation arrangements the Judges Salaries and Pensions Act 1982 introduced indexation linked to senior public servants' salaries and inserted new 'base' salaries which were based on the original Grimwade salaries updated by the CPI, i.e., the 'base' salaries were recalculated ignoring the previous indexation arrangements. Following this period of upheaval, the current procedures have gained general acceptance.

The retirement, disability and spouse pensions of the Judges' schemes are all specified as a percentage of salary so there is a direct link between the process that determines the level of Judges' salaries and the level of their pension benefits.

These procedures also impinge on the Governor's superannuation arrangements as the level of the Governor's pension is specified as a percentage of the salary of the Chief Justice of Victoria.

The Governor's salary is determined from time to time at the Government's initiative. Altering the Governor's salary requires an amendment to the Constitution Act 1975. The most recent change was initiated by the Constitution (Governor's Salary) Act 1982 which significantly increased the salary level. During the second reading speech, the Premier, the Hon. J. Cain, M.P., said that:

"The new salary for the Governor of Victoria is set at a level intended to obviate the need for any further legislation during the first three years of his term. It allows for current tax rates and an expected inflation rate of 10 per cent for each of the next three years."⁽¹⁾

Before this, the Governor's salary was last adjusted in 1968. Thus, the two major components of the Governor's remuneration are considered separately.

3.2.2 A Review Procedure for the Judges' and Governor's Pension Schemes

The pension benefits of the Judges of the Supreme and County Courts are linked to current judges' salaries. The Governor's pension is linked to the salary of the Chief Justice of Victoria. The Constitution Act 1975 and the County Court Act 1958 specify the salary levels for these Judges and include appropriate indexation arrangements. The effect of these indexation arrangements flows through to pensions.

It appears that while there is a link between salary movements and pensions there is no procedure to review the total remuneration package of either the Judges or the Governor. While it is considered appropriate for parliamentarians' remuneration to be considered annually, the indexation arrangements already in place for Judges' salaries and de facto for the Judges' and Governor's pension, imply that reviews would be needed less frequently. In the case of the Governor, it would be suitable for the total remuneration package to be reviewed by the Parliament of Victoria at the beginning of the term of each incumbent. This follows Commonwealth Government procedure, where the Governor-General's salary is fixed at the beginning of each term of office.

The Standing Committee of Commonwealth and State Attorneys-General currently monitor all aspects of the terms and conditions of employment of Judges of the various jurisdictions throughout Australia. Given that the current indexation arrangements are working satisfactorily, it is only over a period of time that relativities would change significantly. Therefore the issue of the overall level of Judges' remuneration could be considered by the Parliament of Victoria on the recommendation of the Victorian Attorney-General. In making such a recommendation, the Attorney-General should consider advice from the Chief Justice of Victoria.

RECOMMENDATION 3.3

THAT THE TOTAL REMUNERATION OF THE GOVERNOR BE REVIEWED BY THE PARLIAMENT OF VICTORIA AT THE BEGINNING OF THE TERM OF EACH INCUMBENT.

RECOMMENDATION 3.4

THAT THE REMUNERATION OF JUDGES OF THE SUPREME COURT AND COUNTY COURT BE REVIEWED BY THE PARLIAMENT OF VICTORIA FROM TIME TO TIME AS RECOMMENDED BY THE ATTORNEY-GENERAL.

NOTES

- (1) Victoria, Legislative Assembly, Parliamentary Debates, 26 May 1982, p.387.

CHAPTER 4

RECOMMENDATIONS FOR CHANGE TO THE VICTORIAN PARLIAMENTARY CONTRIBUTORY SUPERANNUATION SCHEME

SECTION 4.1 PRINCIPLES FOR CHANGE TO THE VICTORIAN PARLIAMENTARY CONTRIBUTORY SUPERANNUATION SCHEME

4.1.1 Changes in Scheme Design for New Members

After examining the Victorian Parliamentary Contributory Superannuation scheme, the Committee feels that a number of changes are required to ensure the scheme best fulfills the requirements dictated by parliamentary service, at the same time minimising cost to the State. In the following section, the Committee outlines principles for change which should be referred to an independent tribunal as proposed in Chapter 3 (Recommendations 3.1 and 3.2). The tribunal would need to consider the proposed recommendations to determine their appropriateness with regard to cost and parliamentarians' overall remuneration package.

4.1.1.1 Lump Sum Scheme

In the Committee's recent report entitled "Final Recommendations and Options for the Future Reform of Victorian Public Sector Superannuation", the basis of the proposed Victorian State Employees Superannuation Scheme is a lump sum retirement benefit. In the context of the Victorian Parliamentary Contributory Superannuation scheme, this recommendation can be justified on the following basis:

- (a) a lump sum scheme will retain for retiring parliamentarians freedom of choice in retirement decisions. Up to the present time, pensions have been taxed more severely than lump sums. Recent changes have been directed at reducing this differential

between the taxation of lump sums and pensions, but the new Commonwealth tax rates of 15% on the first \$50,000 and 30% on the excess over \$50,000 apply only to benefits accrued after 1st July 1983 and not to that part representing the return of the member's own contribution. These changes also removed the 'double taxation' which previously applied to purchased annuities. This proposal would improve the availability of annuities for those who require them;

- (b) lump sums tend to be less costly for the employer to finance than indexed pensions which, in the case of parliamentary schemes, could be payable for many years. This is illustrated in Table 4.1 by some examples of parliamentarians who are expected to retire by the next session of Parliament. As at 30 June 1984, this group's potential lump sum payouts, pensions and present value of pensions given normal life expectation for persons of their age were as follows.

TABLE 4.1

COMPARISON OF THE COST OF LUMP SUM AND PENSION BENEFITS

Member of Parliament	Years of Service(a)	Lump Sum if Pension Commuted in Full \$	Pension Per Annum \$	Present Value of Pension(b) \$
A	11	230,580	23,058	486,316
B	14	256,770	25,677	352,725
C	17	407,190	40,719	514,077
D	20	421,680	42,168	678,019
E	14	257,430	25,743	368,331
F	8	206,710	20,671	370,404
G	8	206,510	20,651	422,272
H	22	343,960	34,396	512,156
Total		2,330,830		3,704,300

(a) Rounded to nearest year

(b) Based on normal life expectancies and on the assumption that future interest rates will exceed the rate of pension increase, which itself is linked directly to the basic parliamentary salary movements, by a margin of 1%

The savings to the State Government if these eight members all fully commute their pension would be about \$1,373,470, being the difference between the present value of the pensions and the lump sum if the pensions were commuted in full. Consequently, the Committee believes that substantial savings could be achieved by moving to a lump sum scheme in the longer term. The frequent early involuntary retirements from the parliamentary scheme reinforce this argument;

- (c) lump sum benefits would normally be payable to a member's estate to be disposed of according to individual requirements as evidenced by the member's will. Since a lump sum would provide benefits independently of marital status it is therefore non-discriminatory; and
- (d) the general popularity of this form of benefit. Most scheme members commute the full amount, that is, take the full benefit in the form of a lump sum.

Given these advantages, the Committee supports in principle the introduction of a lump sum only scheme for parliamentarians. This scheme would provide no option for indexed pensions but individuals could purchase annuities if they so desired. In addition, it may be appropriate to provide an optional spouse benefit.

4.1.2 Other Issues in the Redesign of the Scheme

In addition to the lump sum option, the Committee also considered a range of options for the redesign of the current parliamentary scheme which would not only reduce cost but also take account of parliamentary service experience. These issues included the possibility of increasing the value of the "retrenchment" component of the overall benefit, at least for those with less than eight years service, and reducing the overall value of the "superannuation" component. The Committee felt that actually or notionally dividing the benefit into these two components would give a more proper emphasis within the scheme to the risks associated with being elected to

Parliament, but would still provide a mechanism to ensure that those individuals who were longer serving received benefits in line with community standards.

The Committee did not consider the actual level of contributions and benefits that should flow from the introduction of a scheme along the above lines. It felt this was the responsibility of the tribunal. However, the Committee would emphasise the requirement that total remuneration be in line with community standards.

Other issues raised which could be considered by the tribunal include the following:

- (a) Should a parliamentary superannuation scheme be wholly or partly voluntary?
- (b) Should the periods of entitlement of fifteen years, eight years and six years provided in Sub-section 15(1), paragraphs (a), (b) and (c) of the Parliamentary Salaries and Superannuation Act 1968 be retained having regard to all relevant factors including the recently enacted four year terms for future Parliaments?
- (c) Should the superannuation or retirement benefit component of the scheme, as opposed to the "retrenchment" element, be provided on a guaranteed benefits basis or depend on the accumulations of an invested fund?
- (d) Does the present scheme structure provide the right balance of incentives and disincentives to parliamentary service by able and suitably experienced candidates and to the timely termination of such service?
- (e) Should the scheme structure take more account of age at entry and/or age of retirement, e.g., should the special risks taken by candidates in mid-career be recognised?
- (f) Should a new scheme be contributory or non-contributory (given a fixed level of total remuneration)?

SECTION 4.2 PROPOSED LEGISLATIVE CHANGES TO THE VICTORIAN PARLIAMENTARY SCHEME

Currently a Bill to amend Part II of the Parliamentary Salaries and Superannuation Act 1968 is before the Victorian Parliament. The Victorian Bill follows amendments recently made by the Commonwealth Government's Parliamentary Contributory Superannuation Amendment Act 1983. The issues covered by the Victorian Bill are considered below.

4.2.1 A Limit on the Proportion of Pension That May Be Commuted

Clause 2(a) of the Victorian Bill to amend the Parliamentary Salaries and Superannuation Act 1968 is an amendment to limit the amount of pension which may be converted to a lump sum to a maximum of 50% of the total pension for which a retiring member is eligible. This follows precisely the intention of the Commonwealth Government's Parliamentary Contributory Superannuation Amendment Act 1983 which was intended to reduce the amounts payable to former members (which have attracted adverse comment).

The explanation for this amendment was given by the Minister for Finance, the Hon. J.S. Dawkins, M.P., in introducing the corresponding Bill in the House of Representatives. He said that "the Government believes commutation of the whole retiring allowance conflicts with the basic purpose of the scheme which is to ensure income maintenance in retirement. Of course members who elect to commute in future will be affected by changes to the income tax arrangements..."(1)

Despite this, the Committee again wishes to express their support for the lump sum option and therefore the continuation of 100% commutation by parliamentarians (Section 4.1.1). This was argued on a range of factors including equity, cost, availability of annuities, and preferences of contributors. The Committee has already noted in Table 2.1 that, along with Victoria, the States of Queensland, Western Australia and the Northern Territory provide 100% commutation at age forty-five, while NSW and South Australia both provide 75% commutation at age forty-five. The

Commonwealth offers partial commutation (i.e. 50%) while Tasmania has no provision for commutation.

The Committee does not support the Commonwealth initiative or the Victorian Bill in this respect. In fact, the Committee believes the cost advantages in the longer term of providing lump sum benefits are such that the proposed Tribunal should be given a referral to consider the possibility of introducing a scheme for parliamentarians in which the retirement benefits are only in a lump sum (refer Section 4.1.1).

4.2.2 Reduction of Spouse Benefit

Clause 2(b) of the Victorian Bill to amend the Parliamentary Salaries and Superannuation Act 1968 provides that the spouse pension will be based on the pension which was actually payable to the deceased member and not, as at present, on the pension which would have been payable if no part of the member's pension had been converted to a lump sum. This clearly involves a significant reduction in the spouse's benefit. The explanation given by The Hon. J.S. Dawkins, M.P. in the corresponding Commonwealth situation was "... the Government considers that it is more appropriate to relate the spouse's annuity to the member's residual pension and not the pension that would have been payable had the member not commuted."(2)

There are however other issues to be considered. Mr. Dawkin's argument would be an adequate explanation if, when a member commuted a portion of his/her pension to a lump sum, the amount granted in commutation included full allowance for a corresponding portion of the benefit contingently payable to the member's spouse on his/her death. However, the Committee has received written advice from the Acting Government Statist and Actuary that states conclusively:

"... The commutation factor of 10 is essentially arbitrary, chosen to reflect the factor common in private sector schemes, and meeting certain other objectives of fairness between members of differing lengths of service. There is no allowance intended for any reduction of widows' pensions."(2)

The Acting Government Statist and Actuary makes a further statement that:

"... Given the arbitrary nature of the factor, a decision as to whether or not the factor should be deemed to allow for a reduction in widows' pensions must be made having regard to what an acceptable level of benefit is in the light of general community standards."⁽³⁾

The Committee would argue that there are no apparent reasons for reducing the spouse pension by the proportion commuted by the retired member except to reduce cost. The commutation factor however takes no explicit account of the widow's pension. The Committee also noted in Section 2.1.2.6 that a commutation factor of 10 is common to the Commonwealth and all States allowing commutation for persons up to age sixty-six years. The fact that some parliamentary schemes do reduce the spouse's pension and some do not emphasises the arbitrary nature of this provision. Hence the assumptions underlying the decision to reduce the spouse's pension are not established. Furthermore, the Committee notes that the Victorian Bill takes no account of accrued rights of spouse benefits.

SECTION 4.3 ANOMALIES IN THE PARLIAMENTARY CONTRIBUTORY
SUPERANNUATION SCHEME THAT REQUIRE IMMEDIATE
ACTION

As noted in Chapter 2, the Victorian Parliamentary Contributory Superannuation scheme is similar in most major respects to other parliamentary schemes in Australia. There are, however, a number of anomalies in scheme provisions which should be rectified.

4.3.1 Pension for Office Holders

It was explained in Section 2.1.2.2 that the pension for parliamentarians who held office and were therefore in receipt of a higher gross salary may be differently affected by salary inflation depending on just when they held office. For instance, a parliamentarian who held office early in his/her parliamentary career would receive a smaller pension than someone who held office later in their parliamentary career, all other things being equal. This situation is illustrated in Table 2.3, which indicates that under the present system the effect of inflation is to cause an additional cost to the Consolidated Fund.

The formula for determining the pension for office holders was conceived at a time when inflation was minimal and hence the treatment meted out was more or less equitable. The effects the formula have produced during more inflationary periods since is therefore unintended. The Committee believes that the current method of calculating the pension for office holders is not acceptable and that it should be based on current salary rates.

RECOMMENDATION 4.1

THAT THE FORMULA FOR CALCULATING PENSIONS BE BASED ON THE BASIC PARLIAMENTARY SALARY CURRENT AT THE DATE OF RETIREMENT AND ON ADJUSTMENTS TO ALL INCREMENTS RECEIVED FOR HIGHER DUTIES ACCORDING TO THE PROPORTION WHICH BASE

SALARY AT DATE OF RETIREMENT BEARS TO BASE SALARY DURING THE TENURE OF HIGHER OFFICE.

4.3.2 Children's Benefits

Under the existing provisions no children's allowances are payable if there is a surviving spouse, which the Committee thinks is appropriate. However, although an allowance or allowances are payable when there is no surviving spouse, the Victorian Parliamentary Contributory Superannuation scheme does not specify what the allowance(s) should be. In the only case where the Trustees have had to exercise their discretion on this matter they chose for the three children concerned allowances equal to 30% each of what the spouse's pension would have been. They also decided on a scale of allowances for different numbers of dependent children as was explained in Section 2.1.2.7.

This scale is virtually the same as that provided by the South Australian scheme, but because that scheme uses the member's pension as the basis, the Victorian allowances are somewhat inferior. Nonetheless, the benefit levels chosen by the Victorian Trustees are higher than most.

The Committee believes that members should have an explicit statement of the benefits available for children and this should not be left to the Trustees.

RECOMMENDATION 4.2

THAT LEGISLATION BE ENACTED TO EMBODY THE SCALE OF BENEFITS RECENTLY ADOPTED BY THE TRUSTEES FOR DEPENDENT CHILDREN.

4.3.3 Recognition of Previous Service in Another Scheme

Under section 19 of the Parliamentary Salaries and Superannuation Act 1968 recognition is given for previous service in the State Superannuation scheme and other superannuation schemes approved by the Trustees. This provision enables new parliamentarians to transfer amounts received from such schemes

to the Parliamentary Contributory Superannuation Fund on a voluntary basis and to receive a credit of a certain notional period of service as determined by the actuary. In the case of transfers from the State Superannuation scheme the actuary to the Parliamentary Contributory Superannuation scheme calculates a notional credit using as the basis an amount of $3\frac{1}{2}$ times the actual withdrawal benefit.

Advice from the Acting Government Statist and Actuary is that the amount of $3\frac{1}{2}$ times past contributions to the State Superannuation Fund is an approximation to the notional reserve comprising both employee and employer parts. In other words, some form of vesting occurs. From discussions with Fund representatives, it would appear that this provision was included in the Parliamentary Contributory Superannuation scheme to provide some form of security for persons transferring from the State Superannuation scheme.

In comparison to other individuals' rights of transfer to the Parliamentary Contributory Superannuation scheme, this is a generous and preferential arrangement. For other approved schemes, the basis is taken as an amount not exceeding the amount paid to that person from such approved superannuation schemes which, of course, may or may not include vesting.

The Committee has difficulty with the issue of transfer of superannuation rights to the Parliamentary Contributory Superannuation scheme. As stated previously, this scheme can be seen as having two elements: a retrenchment element and a superannuation element. For contributors with up to eight years service, a supplement on top of contributions is provided, reflecting the uncertainty of parliamentary service. The Committee feels it would be inappropriate for parliamentarians to be able to buy extra years of service and therefore receive greater benefits without serving those initial "risk" years. The Parliamentary Salaries and Superannuation Act 1968 currently prevents this. However, once a member has qualified for a pension benefit, a member who has been able to transfer previous superannuation entitlements is eligible to qualify for greater benefits depending on the years of service that the scheme's actuary credits them with. Given the high value of transfer benefits potentially available from the State Superannuation scheme, a member could be eligible for a substantial increase in final payout. Furthermore, members who do not become entitled to pensions may nevertheless become entitled to

tens of thousands of dollars extra after only a few months service following a by-election.

The Committee believes that the matter of the appropriate portability arrangements for entry into the Parliamentary Contributory Superannuation scheme should be considered by the tribunal in the light of the Committee's earlier recommendations (3.1 and 3.2) and the issues raised above, but considers continuation of the present arrangements to be unfair.

The Committee also notes that the rights of members either to portability or to a pension on transfer or attempted transfer to a different seat or a different Parliament need further consideration.

RECOMMENDATION 4.3

THAT CALCULATIONS OF NOTIONAL CREDIT FOR PREVIOUS SERVICE IN THE STATE SUPERANNUATION SCHEME AND OTHER APPROVED SUPERANNUATION SCHEMES BE MADE UNIFORMLY AND THAT THE WHOLE ISSUE OF THE MOST APPROPRIATE PORTABILITY ARRANGEMENTS BE REFERRED TO THE PROPOSED REMUNERATION TRIBUNAL.

The Committee notes also that the interaction between this provision and the formula for calculating the pension under Section 15(1) is capable, on a literal interpretation, of causing a reduction instead of an increase in the pension entitlement. There are difficulties concerning the Trustees or the scheme's actuary ignoring the literal meaning of the Parliamentary Salaries and Superannuation Act 1968 and in the Committee's view amendments should be made to remove the problem of interpretation.

4.3.4 Qualification for Benefits

There are two areas of the Parliamentary Salaries and Superannuation Act 1968 which deal with qualifications for benefits that the Committee thinks require amendment.

Under the current Victorian Act, it is not clear that a member having at least eight years of service and who is not re-endorsed by his or her own political party would be considered to have met the minimum qualifying period of service for the pension. While the member could seek to satisfy the Trustees that there were valid grounds for resignation or not seeking re-election, and while the precedent is that the Trustees would accept this reason, it is an explicit reason in the legislation in several states.

RECOMMENDATION 4.4

THAT THE PARLIAMENTARY SALARIES AND SUPERANNUATION ACT 1968 BE AMENDED SO THAT A PARLIAMENTARIAN WHO HAS AN AGGREGATE PERIOD OF AT LEAST EIGHT YEARS SERVICE AND IS NOT RE-ENDORSED BY HIS OR HER POLITICAL PARTY SHOULD BE SPECIFICALLY CONSIDERED AS HAVING MET THE MINIMUM PERIOD OF SERVICE TO QUALIFY FOR THE PENSION BENEFIT.

The second area of concern relates to recent legislative changes to the Constitution Act 1975 and The Constitution Act Amendment Act 1958 to introduce four year terms for the Legislative Assembly and hence eight-year terms for the Legislative Council. This change has a bearing on Section 15(1)(c) of the Parliamentary Salaries and Superannuation Act 1968 which entitles a member to a pension if he/she has received salary as a member for six years or more, has served in not less than three Parliaments, is over the age of 60 and ceases to be a member as a result of not seeking re-election at a general election.

The Committee is opposed to the unqualified retention of this section but so as not to disadvantage any current members who may be affected by it and to accommodate four yearly Parliaments, the Committee makes the following recommendation.

RECOMMENDATION 4.5

THAT PARAGRAPH 15(1)(c) OF THE PARLIAMENTARY SALARIES AND SUPERANNUATION ACT 1968 BE AMENDED SO THAT THE NUMBER OF PARLIAMENTS REQUIRED IS REDUCED FROM THREE TO TWO AND THAT THE SECTION SHOULD APPLY ONLY TO CURRENT PARLIAMENTARIANS.

FOR NEW PARLIAMENTARIANS THE APPROPRIATE FORM FOR PARAGRAPH 15(1)(c) SHOULD BE REFERRED TO THE PROPOSED REMUNERATION TRIBUNAL.

SECTION 4.4 MANAGEMENT, INVESTMENT AND FINANCING OF THE
VICTORIAN PARLIAMENTARY CONTRIBUTORY
SUPERANNUATION SCHEME

4.4.1 Management

Currently none of the Trustees are elected by the members (i.e., Parliament, in this case) and three of the six are nominated office-holders. While in no way reflecting on the existing Trustees, the Committee considers that ordinary members ought to have a say in the appointment of Trustees (consistent with other parliamentary schemes and the recommendations for other public sector superannuation schemes). There is no reason why the Trustees should be office-holders apart from the Treasurer, whose departmental responsibility includes administration of the superannuation scheme and the payment of the major part of the cost.

RECOMMENDATION 4.6

THAT THERE BE SIX TRUSTEES, OF WHOM ONE MUST BE THE TREASURER AS CHAIRPERSON WITH OTHERS CHOSEN TO INCLUDE REPRESENTATIVES FROM EACH HOUSE OF PARLIAMENT AND FROM EACH PARTY.

4.4.2 Accounting and Reporting

The Committee's report, "A Review of Victorian Public Sector Superannuation", drew attention to the poor general state of reporting. In its final report on superannuation, "Final Recommendations and Options for the Future Reform of Victorian Public Sector Superannuation", the Committee has recommended that all public sector superannuation schemes be covered by the requirements of the Annual Reporting Act 1983. That recommendation is also appropriate for the Parliamentary Contributory Superannuation scheme.

The Committee notes that the 1982-83 report on the Parliamentary Contributory Superannuation scheme does not include all the desirable

characteristics which were covered by the Committee in its first report on superannuation and detailed in the consulting report of Mr. G. Hubbard, published separately by the Committee in "Management of Public Sector Superannuation Schemes", April 1984.

The initial findings covered the 1981-1982 annual report, however, the Committee noted that in 1982-1983 considerable improvements had been made but that further improvement was necessary. Mr. G. Hubbard's report for the Committee stated that the previous reports of the Parliamentary Contributory Superannuation scheme were the worst of those reviewed, producing only one report of the twelve "reports" required for "good" reporting practice.(4)

RECOMMENDATION 4.7

THAT THE TRUSTEES OF THE PARLIAMENTARY CONTRIBUTORY SUPERANNUATION SCHEME ENSURE THAT THE SCHEME MEETS THE STANDARDS OF REPORTING AS LAID OUT IN THE COMMITTEE'S REPORT ENTITLED "FINAL RECOMMENDATIONS AND OPTIONS FOR THE FUTURE REFORM OF VICTORIAN PUBLIC SECTOR SUPERANNUATION".

4.4.3 Investment

The investment results being achieved for the scheme by investment through the State Superannuation Board are well below reasonable expectations. Poor investment performance means that increased contributions from the Consolidated Fund are required to finance a given level of benefits. Attention should be given to increasing the efficiency of investment management by allowing more use to be made of the broad investment powers of the Trustees of the scheme.

In its report entitled "Final Recommendations and Options for the Future Reform of Victorian Public Sector Superannuation", the Committee proposed that a separate investment trust called the Victorian Superannuation Investment Trust (VICSIT) be established and that it should have wider powers than currently exist for the State Superannuation Board. VICSIT's proposed area of responsibility includes the State Superannuation Fund; it would be

managed by staff, and have a staffing structure reflecting the expertise required to administer a large fund with broad investment powers. VICSIT would be an appropriate vehicle for investment of the Parliamentary Contributory Superannuation scheme's funds.

RECOMMENDATION 4.8

THAT THE INVESTMENT OF FUNDS OF THE PARLIAMENTARY CONTRIBUTORY SUPERANNUATION SCHEME BE MANAGED BY THE PROPOSED VICTORIAN SUPERANNUATION INVESTMENT TRUST.

4.4.4 Financing

Currently, the actuary is required to assess the scheme and recommend a flat dollar amount sufficient to finance the cost of benefits over a twenty-five year period. This method results in a flat dollar Government contribution for three years which is likely to increase substantially when the next actuarial investigation is carried out. Since the average parliamentarian is in office for less than twenty-five years, it is inappropriate that benefits should be funded over such a long period. Information on parliamentarians' years of service presented in Table 1.2 suggests that the average period of service is more like fifteen years than twenty-five years.

RECOMMENDATION 4.9

THAT THE ACTUARY SHOULD BE REQUIRED TO ASSESS THE CONTRIBUTION RATE REQUIRED FROM THE CONSOLIDATED FUND AS THE PERCENTAGE OF PARLIAMENTARIANS' SALARIES SUFFICIENT TO FUND BENEFIT PAYMENTS OVER THE EXPECTED DURATION OF PARLIAMENTARIANS' YEARS OF SERVICE.

NOTES

- (1) Australia, House of Representatives, Parliamentary Debates 1983, 19 May 1983, p.816.
- (2) A.L. Truslove, Acting Government Statist and Actuary, Letter to the Economic and Budget Review Committee, 8 October 1984, p.2.
- (3) Ibid., p.2.
- (4) G. Hubbard, Uniform Provisions for the Management of Public Sector Superannuation Schemes, A Report for the Economic and Budget Review Committee, VGPS, Melbourne, February 1984, p.11.

CHAPTER 5

OTHER SPECIAL PUBLIC SECTOR SUPERANNUATION SCHEMES

SECTION 5.1 SUPREME AND COUNTY COURT JUDGES' SUPERANNUATION SCHEMES

The 1980 review of Judges' pensions carried out by the Grimwade Board of Review resulted in increases in the pension percentage of salary, a doubling of the spouse's pension and introduction of a child benefit. Since there are special factors associated with Judge's pensions, it is difficult to conclude that one particular level of benefits is clearly any more appropriate than another. The existence of a non-contributory scheme for Judges, and the provision of a pension only, is seen to be appropriate, given the historical precedents and the particular situation of Judges. The Committee therefore recommends no immediate changes to the Judges' schemes. In the longer term, the Committee has recommended, as in Chapter 3, Section 3.2, the establishment of a review procedure.

SECTION 5.2 SUPREME COURT ASSOCIATES AND COUNTY COURT ASSOCIATES SUPERANNUATION SCHEMES

Since the Committee is concerned to provide equitable benefits for all public sector employees, and as the Associates' schemes are very small, voluntary, declining in popularity and inequitable with respect to other schemes, it is recommended that the schemes be closed to new members. New associates should be allowed to contribute to the proposed Victorian State Employees Superannuation Scheme. This scheme offers a basic contribution rate of 2½% with the option to pay additional contributions for increased benefits. For a

full discussion of the new scheme refer to the Committee's report entitled "Final Recommendations and Options for the Future Reform of Victorian Public Sector Superannuation Schemes."

RECOMMENDATION 5.1

THAT THE COUNTY COURT ASSOCIATES AND THE SUPREME COURT ASSOCIATES SUPERANNUATION SCHEMES BE CLOSED AND THAT NEW ASSOCIATES SHOULD BE ALLOWED TO JOIN THE PROPOSED VICTORIAN STATE EMPLOYEES SUPERANNUATION SCHEME.

SECTION 5.3 GOVERNOR'S PENSION SCHEME

The Committee considers that the present arrangements for the Governor's pension scheme are satisfactory and therefore recommends no immediate changes. The Committee, however, recommends that a formal review of the total remuneration of the Governor's pension scheme should be instituted at the beginning of the term of each incumbent (Chapter 3, Section 3.2).

SECTION 5.4 OTHER SCHEMES

5.4.1 Chairman of General Sessions

In 1968, the Courts of General Sessions were abolished and their jurisdiction was vested in the County Court. The scheme for the Chairman of General Sessions was closed and is now incorporated in the County Court Judges' scheme. There remains one pensioner in the scheme and the cost in the year ended June 1983 was \$23,000. As the scheme is closed, no recommendations for change are appropriate.

5.4.2 Other Special Public Sector Scheme Arrangements

The Committee wrote to all Ministers of the Victorian Government, seeking information on any special or separate superannuation arrangements that may exist for chairpersons of statutory authorities, authority members or other senior officers under their control. At the time of writing, replies had been received from the following Departments:

Premier and Cabinet
Education and Educational Services
Industrial Affairs
Agriculture
Arts
Health
Employment and Training
Property and Services
Consumer Affairs
Ethnic Affairs
Youth, Sport and Recreation
Conservation, Forests and Lands
Police and Emergency Services
Office of the Ombudsman
Water Resources
Minerals and Energy.

Labour and Industry
Community Welfare Services
Transport

Only four schemes have emerged from these replies, namely those for:

Director of Royal Exhibition Building (one person);
Hairdressers' Registration Board (seven people);
President of the Metropolitan Fire Brigades' Board (one person); and
Victorian Institute of Marine Sciences Superannuation Fund (two persons).

The Committee will forward details of the schemes to the Treasurer and the Review Committee on Salaries and Allowances for Statutory Appointees.

While the provisions of these schemes seem reasonable, the Committee is concerned that special public sector superannuation schemes should not be allowed to proliferate and that their formation should be subject to the approval of the Treasurer.

RECOMMENDATION 5.2

THAT NO FURTHER SPECIAL SUPERANNUATION SCHEMES BE INITIATED WITHOUT THE EXPRESS APPROVAL OF THE TREASURER.

COMMITTEE ROOM, 22 OCTOBER 1984

APPENDIX 1
AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES

	Victoria	Commonwealth	New South Wales	Queensland	South Australia	Western Australia	Tasmania	Nthn. Territory
CURRENT ACT AND LATEST AMENDMENTS	Parliamentary & Super'n Act, 1966, amended by Acts Nos. 7800, 8047, 8086, 8118, 8530, 8663, 8687, 9117, 9432 and 9753 (Dec. 1982).	Parliamentary & Contributory Super'n Act, 1948. Admin. Changes (Consequential Provisions) Act, 1978. Parl. Contributory Super'n Amend. Act, 1978 and 1979. Jurisdiction of Courts (Misc. Amends.) Act, 1979. Parl. Contributory Super'n Amend. Act, 1981 and 1983.	Parliamentary Contributory Super'n Act, 1971 No. 53, as amended by Acts Nos. 48, 1972(2); 71, 1972(3); 67, 1975(4); 6, 1979(5); 132, 1979(6); 14, 1980(7); 18, 1980(8); 86, 1981(9); and 153, 1983.	Parliamentary Contributory Super'n Act, 1970 (No.1 of 1970) amended by No.47 of 1971 and No. 20 of 1974.	Parliamentary Super'n Act, 1974-1982.	Parliamentary Super'n Act, as amended by Acts No.22 of 1971, No.24 of 1975, No.115 of 1976 and No.54 of 1980.	Parliamentary Super'n Act, 1973, as amended by Acts No.70 of 1973, No.67 of 1974, No.41 of 1976, No.88 of 1979, No.15 of 1982, No.92 of 1982, No.99 of 1982 and No.62 of 1983.	Legislative Asy's Members Super'n Act, 1979, as amended by Statute Law Revision Acts No.6 of 1981 & No.58 of 1983.

MEMBERSHIP

Persons who have received a salary as a Member of Parliament (s.15).	Members of either House. Additional benefits to members who were statutorily defined as office holders (No.41 of 1978).	Members of either House or a person who has ceased to be a member but is in receipt of a salary (s.3).	Persons who have been a member of the Asy's (s.17) (Unicameral Parliament).	A person who is a member of either House or has been a member and is still in receipt of a salary (s.5(1)).	Members of either House.	Members of either House.	Members of the Legislative Territory (Unicameral Parliament).
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APPENDIX 1 (cont'd)
 AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES

	Victoria	Commonwealth	New South Wales	Queensland	South Australia	Western Australia	Tasmania	Nthn. Territory
RATES OF CONTRIBUTION	<p>(a) 11½% of the gross amount of each instalment of salary before any deduction (s.14).</p> <p>(b) Members may also contribute up to 10% of salary to 'Supplementary Retirement Account).</p>	<p>11½% of:</p> <p>(a) the mthly amount of parl. allowance, and</p> <p>(b) the mthly amount of additional salary in respect of any ministerial or other office held except that where -</p> <p>(c), in the case of (a), they have completed 18 yrs' service, or</p> <p>(d), in the case of (b), they have attained their max. additional retiring allowance, in which case members contribute 5½% of the appropriate salary (s.13).</p>	<p>12½% of gross amount of each instalment of salary before deductions (s.18).</p>	<p>11½% of the gross amount of each instalment of salary before any deductions (s.15).</p>	<p>11½% of salary (s.14(2)). Members of "additional salary" also contribute to fund at rate of 11½% of their additional salary (s.14(3)).</p>	<p>11½% of gross amount of each instalment of salary (s.11(1)), reducing to 5.75% after 20 yrs' cont'n to Fund (s.11(1a)).</p>	<p>12% of annual salary (s.13(2)).</p>	<p>11½% of basic salary. In the case of a member in receipt of additional salary, member may elect to contribute 11½% of aggregate of his basic salary and additional salary (s.16,17).</p>

APPENDIX 1 (cont'd)
AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES

	Victoria	Commonwealth	New South Wales	Queensland	South Australia	Western Australia	Tasmania	Nthn. Territory
MINIMUM PARLIAMENTARY SERVICE QUALIFY	Aggregate period of 15 yrs TO or more; or for an aggregate period of 8 yrs or more if defeated or resignation or not seeking re-election on grounds satisfying trustees; or 6 yrs & not less than 3 yrs of age or over (s.15(1)).	Completed 12 or more yrs' service, or has on 4 occasions ceased to be a member on dissolution or expiration of the House of which he is a member or on expiration of his term of office; or, if retirement is involuntary (incl. where member is aged over 60), the member will be entitled to a retiring allowance if he has completed not less than 8 yrs' service or has on 3 occasions ceased to be a member on dissolution or expiration of the House of which he is a member or on expiration of his term of office (s.18).	Aggregate of 7 yrs & ceases to be a member for any reason. No min. service reqmt exists for members to qualify for a pension on grounds of ill health retirement (s.19(1)).	Aggregate period of 11 yrs or more; or for an aggregate period of 8 yrs if defeated at election, not re-endorsed by political party trustees (s.17).	If "voluntary retirement", not less than 15 yrs, or not less than 5 Paris. & not less than 13 yrs' service, or attained 60 yrs of age & not less than 6 yrs' service. If "involuntary retirement", not less than 6 yrs (s.16).	15 yrs or more; or not less than 7 yrs if the former member has attained 55 yrs of age, is defeated at election, is in ill health or satisfies trustees that his failure to seek re-election or resignation is justified (s.14(1)).	15 yrs or more; or not less than 8 yrs if member is over 65 yrs or former member is not re-endorsed by his political party or expelled therefrom, is defeated at an election, or is not a candidate for reasons satisfying trustees (s.16).	15 yrs or more; or if service of 10 yrs, or 3 full terms of the Ass'y and member does not stand for re-election for reasons satisfying trustees, is defeated for election or pre-selection or resigns (s.19).

APPENDIX 1 (cont'd)
 AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES

	Victoria	Commonwealth	New South Wales	Queensland	South Australia	Western Australia	Tasmania	Nthn. Territory
BENEFITS QUALIFYING CONDITIONS ARE MET	<p>AxB where A is 50% of basic salary plus 1/6% for each mth exceeding 8 yrs up to a max. of 75% of basic salary. B is total salary received during service. C is total basic salary for the same period (s.15(1)).</p>	<p>Min. of 50% of parl. allowance increasing by 2.5% for each yr in excess of 8 years to a max. of 75% or more (s.18(6)). Additional retiring allowance payable for service in a ministerial or other office for which additional salary is received.</p> <p>Additional retiring allowance is a %age of salary of that office from time to time. The %age is 6.25 times the no. of yrs & parts of a year served in that office. Additional retiring allowances are aggregated & there is an upper limit of 75% of salary paid from time to time for the highest paid office held by member (s.18(9), (10), (10A), (10B)).</p>	<p>Determined according to formula AxB where A is 48.8% of current basic salary plus 0.2% for every mth after 7 yrs, or 80% of current basic salary, whichever is lesser. B is total salary rec'd. C is total basic salary in respect of that person (s.19(1)).</p>	<p>In accordance with formula AxB where A is 41.2% of basic salary in force immediately prior to resignation plus 0.2% for each mth of service exceeding 8 yrs up to a max. of 70%. B is total salary actually rec'd. C is total basic salary in respect of member's period of service in Legis. Assy (s.17(1)).</p>	<p>(a) 41.2% of basic salary increasing thereafter 0.2% for each mth in excess of 6 yrs but not exceeding 75% of salary.</p> <p>(b) For a member who has been in receipt of "additional salary" pension = $\frac{BP-X}{BS}HS + X$ B is 41.2% of basic salary plus 0.2% for each mth in excess of 6 yrs but not exceeding 75% of salary. HS is the sum of BS plus the highest aggregate of additional salary the member would have rec'd in his most remunerative 6-yr period, at the rates of salary payable at time of his retirement. BS is 6 times the basic salary. X is 4.8% of basic salary (s.17).</p>	<p>According to formula $\frac{AxB}{C}$ where A is 38.8% of basic salary plus a further 1.2% for each additional period of 6 mths of service in excess of 7 yrs up to a max. of 26 such periods. B is total salary paid. C is total basic salary (s.13(1), 14(4)).</p>	<p>According to formula $\frac{AxB}{C}$ where A is 41.2% of basic salary after 8 yrs but less than 9 yrs, increasing by 4.2% p.a. for 4 yrs, then 1.5% p.a. for 8 yrs to a max. of 70% after 20 yrs. B is total salary rec'd. C is total basic salary (s.16(3), (4) & Second Sched.).</p>	<p>Calculated by formula $\frac{AxB}{C}$ where A is an amount calculated at the rate equal to the aggregate of: (i) 46% of current basic salary; plus (ii) 2.4% in respect of each completed year of service in excess of an aggregate period of 10 yrs; or 70%, whichever is the lesser amount. B is total salary rec'd as a member. C is total basic salary in respect of that person (s.19(c)).</p>

APPENDIX 1 (cont'd)
AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES

	Victoria	Commonwealth	New South Wales	Queensland	South Australia	Western Australia	Tasmania	Nthn. Territory
BENEFITS IF SERVICE LESS THAN MINIMUM	<p>Refund of contributions and of payments made to the fund of benefits transferred from other funds, less any amount previously refunded, together with 2-1/3 times the refunds in the case of involuntary resignation, or 1-1/6 times the refund in the case of voluntary resignation (s.15(2), (3A)).</p>	<p>A member who does not qualify for a retiring allowance is entitled to a lump sum payment, which comprises a refund of contributions, a supplement from the C/with and other contributions transferred from funds (s.18(2)).</p> <p>The supplement is 2-1/3 times the contributions (over the last 8 years) where retirement is involuntary, or 1-1/6 times where retirement is voluntary (s.18(2), (4)).</p>	<p>A member who is not entitled to an annual pension is entitled to a refund of contributions, together with a supplementary benefit of:</p> <p>(i) where he ceases to be a member involuntarily, 2-1/3 times the amount of that refund; or</p> <p>(ii) in any other case, 1-1/6 times the amount of that refund (s.22A(1) and 22A(2)).</p> <p>Involuntary retirement occurs where (a) member becomes age 60; (b) resigns for good reasons; or (c) termination of Assy and is defeated, falls to gain pre-selection or does not stand for good reasons (s.22A(3)).</p>	<p>Refund of deductions, together with simple interest at 3 1/4% less any amount previously refunded (s.17(2)).</p> <p>For new members after 22.10.83 and continuing members electing to be new members benefit as above, except with interest at 5% p.a. compound for amounts from 22.10.83 (s.17(2)).</p> <p>Where retirement is for reason of ill health, member qualifies for a pension in accordance with AxB as set out in this statement under "Benefits if Meet Service Qualifications" (s.19).</p>	<p>Refund of contributions increased by 3% for each year of service in excess of 1 year (s.22).</p> <p>If retirement due to ill health, annual pension is calculated normally but if service is less than 6 years, pension is as if 6 years had been completed (s.18).</p>	<p>Refund of contributions, together with interest thereon at a rate determined by the trustees, less any amount previously refunded (s.14(3)).</p>	<p>Refund of contributions less any amount previously refunded (s.18(1)).</p> <p>If retirement due to ill health, entitled to an annual pension assessed as if he had attained 8 yrs' service (s.17).</p>	<p>Refund of contributions plus interest at rate determined by trustees (s.21).</p> <p>If retirement due to ill health, entitled to an annual pension assessed as if he had attained 10 yrs' service (s.22(2)).</p>

AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES

	Victoria	Commonwealth	New South Wales	Queensland	South Australia	Western Australia	Tasmania	Nthn. Territory
BENEFIT TO SPOUSE	<p>(a) 2/3rds of member's pension or 40% p.a. of basic salary, whichever is greater at date of member's death (s.18(1) & (3)).</p> <p>(b) Where member had served for less than 8 yrs, 40% p.a. of basic salary from time to time (s.18(3)).</p> <p>(c) Where former member had commuted whole or part, 2/3rds of pension that would have been payable if he had not converted, or 40% of basic salary, whichever is greater (s.18(1)(a)).</p>	<p>Pension of 5/6ths of pension that was payable to the deceased (s.19).</p>	<p>(a) 1/2 of pension payable to former member at time of his death or 45% of current basic salary, whichever is greater.</p> <p>(b) On death of member, pension of 3/4 of the pension that would have been payable if member had retired at date of death, or 45% of basic salary, whichever is greater.</p> <p>(c) Where a member had served less than 7 years, rate is 45% of current basic salary.</p> <p>(d) Where former member had commuted part of pension, 1/2 of pension as if had not converted, or 45% of basic salary, whichever is greater (s.25).</p>	<p>On death of former member - spouse benefit is the greater of either 40% of basic salary or 5/8 of members' pension (2/3 if 'new' member).</p> <p>Pension is adjusted for any previous conversion to lump sum (s.20(1)(1A), (1B)).</p> <p>(b) On death of member having served aggregate of 8 yrs - 5/8 (2/3rds in case of new member) of pension, that would have been payable had he/she retired, or 40% of basic salary which is greater unless spouse financially dependent on member. Lump sum determined by actuary granted in some cases (20(4), 20B). For female dependents (Subject to specific reqmts of Act, where member has no spouse) - as for widows (s.22).</p>	<p>(a) surviving spouse of member: (i) 75% of actual pension that was payable to member; (ii) 40% of basic salary at time member became pensioner plus allowance for any additional salary received as a member, updated by CPI; whichever is the greater. If part of pension had been commuted, spouse pension is proportionately reduced.</p> <p>(b) For surviving spouse of a deceased member: (i) 75% of the pension that member would have been entitled to as if retired; and (ii) 40% of basic salary plus allowance for additional salary; whichever is the greater (s.24 and 25).</p>	<p>2/3rds of member's pension, or 2/3rds of pension payable to member who had contributed to the fund for 16 yrs, whichever is greater (s.19).</p> <p>Where former member has commuted part or whole to lump sum, pension payable ignores any such conversion (s.19(1)).</p>	<p>(a) 5/8ths of a former member's pension or 40% of member's annual basic salary, whichever is greater (s.19(2) & (3)).</p> <p>(b) Where the former member had served for less than 8 yrs, 40% of his annual basic salary (s.19(4)).</p>	<p>Spouse of a former member (until death or re-marriage) shall be entitled to an annual pension at the rate of 5/8ths of that pension of the member, or 40% p.a. of basic salary, whichever is greater. The spouse of a member who has served 10 yrs or 3 full terms shall be entitled to 5/8ths of the pension that would have been payable but for his death or 40% of the basic salary, whichever is greatest.</p> <p>If a member dies before serving 10 yrs or 3 full terms, his spouse is entitled to a pension of 40% of basic salary. Any commutation to lump sum is ignored in the calculation of pension (s.24).</p>

APPENDIX 1 (cont'd)
AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES

	Victoria	Commonwealth	New South Wales	Queensland	South Australia	Western Australia	Tasmania	Nthn. Territory
BENEFIT TO CHILDREN	Where member dies or pensioner dies leaving no spouse, or where the spouse of a deceased pensioner dies leaving a child, an allowance to each child as the trustees think fit, but not to exceed amount payable to spouse (s.18(5)).	Orphaned children receive $\frac{1}{4}$ of the widow's pension, or if more than 4 children, the widow's pension divided by the no. of children (s.19AA).	Children under 18 or who are students under age of 25, are entitled to an annual pension at rate of 10% of current basic salary of members in the case of children where there is no surviving spouse, or 5% of that salary where deceased member or former member is survived by a spouse (s.23).	Trustees may in their absolute discretion pay (an allowance) to children under 16, or under 25 if full-time students of deceased member, but only at a rate not exceeding widow's pension and only if widow is deceased (s.21).	(a) Where a spouse is alive and there are 1 or 2 eligible children, $\frac{1}{3}$ rd of the difference between a deceased member's notional pension and the spouse's pension payable to each child. In the case of 3 or more eligible children, the difference is divided equally between the children (s.28). (b) Where spouse is not alive; for 1 child 45% of notional pension, for 2 children 40% each, for 3 children 30% each. For 4 or more children the notional pension divided by number of children (s.29).	An allowance of 3% of member's basic salary to any child, provided member survives. If widow does not survive him 6% of member's basic salary (s.23). Definition of "child" as per Qld (s.23).	A pension at rate of 5% of former member's pension, provided the spouse survives. If member's spouse does not survive, a pension at rate of 20% of member's pension (s.20). Definition of "child" as per Qld, except student pension ceases at 21 yrs or completion of full-time education, whichever is earlier.	Where no spouse survives, a dependent child shall be payable as the trustees think fit, an allowance of $\frac{1}{4}$ of pension payable to the deceased spouse or, if there are more dependent children than 4, the amount that would be payable in respect of 4 such children equally between all of them (s.24).
BENEFIT TO OTHERS	Where not survived by spouse or child, a refund of 3-1/3 times contributions and any amount paid to fund, less any previous refunds (s.15(C) and 15(3A)).	Where not survived by spouse or children, the excess of contributions plus benefits over already paid (s.19AB).	Where a member of Parliament dies without leaving a spouse or child, the amount payable to his legal personal rep. is the excess of contributions, together with a supplementary benefit of 2-1/3 times his/her contributions over that date paid (s.22A(4)).	Where not survived by spouse or children, the widow, female dependent or child, amount payable had member ceased to be a member for reasons other than death on that date (s.17(3)).	Where not survived by spouse or children, the widow, female dependent or child, amount payable had member ceased to be a member for reasons other than death on that date (s.17(3)).	To personal reps. Where not survived by spouse or children, the excess of contributions plus benefits over already paid (s.19AB).	To personal reps. Where no surviving spouse or child, a refund of contributions less any amount previously re-funded (s.18(2)).	To personal reps. Where no surviving spouse or child, a refund of contributions less any amount previously re-funded (s.18(2)).

APPENDIX 1 (cont'd)
AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES

	Victoria	Commonwealth	New South Wales	Queensland	South Australia	Western Australia	Tasmania	Nthn. Territory
COMMUTATION OF BENEFITS	<p>A former member may, within 3 mths, convert all or part of the pension entitlement to a lump sum of:</p> <p>(a) If under age 66, 10 times the annual amount of pension converted; or</p> <p>(b) If over age 66, 10 less 1/24 of the excess of the number of mths by which age exceeds 65 yrs (s.16).</p>	<p>A former member entitled to a retiring allowance other than on grounds of ill health, may not earlier than 3 mths before and not later than 3 mths after his retirement, elect to convert not more than 50% of that retiring allowance to a lump sum payment of:</p> <p>(a) If under age 66 on retirement, or if member attained age 66 during his last term of office, 10 times the annual amount of pension converted;</p> <p>(b) In any other case the annual amount of pension converted multiplied by 10-X</p> <p>where X = the no. of mths by which the retired member's age at time of entitlement to retiring allowance exceeds 65 (s.18B(4)).</p>	<p>(a) A former member entitled to a pension may, within 3 mths after his retirement, elect to have portion of his pension entitlement converted to a lump sum benefit, which is 10 times the annual amount of the portion of the pension entitlement converted. The portion of the pension entitlement that may be converted is as follows:</p> <p>(i) On retirement under age 45, up to 75% of annual pension entitlement on retirement.</p> <p>(ii) On retirement over age 45, up to 75% of annual pension entitlement, reduced by 1% for each yr to a max. 50% at age 70 yrs or over (s.20).</p> <p>(b) Certain widows or widowers may also convert part of their pension to a lump sum (s.23A).</p>	<p>A former member under the age of 75 entitled to a pension may, after his retirement, elect to have part of his pension entitlement converted to a lump sum benefit, which is 10 times the annual amount of the portion of the pension entitlement converted. The portion of the pension entitlement that can be converted varies from a max. 75% on retirement at age 45 or under, to a max. of 30% on retirement at age 60 or over. If a retiring member has more than 20 yrs' service but less than 40% of pension entitlement, the max. commutation would otherwise be less than 40%. The max. is increased to 40% (s.21).</p> <p>The commutation provisions apply equally to a pension on retirement due to ill health (s.21).</p>	<p>A former member entitled to a pension may, within 3 mths after his retirement, elect to have pension converted to a lump sum benefit.</p> <p>A. % commutation</p> <p>(i) If under 45 yrs 6 mths - 100% of annual pension entitlements.</p> <p>(ii) Between 45 and 65 yrs - 100% - 14% for each period of 6 mths by which he exceeds 45 years.</p> <p>(iii) 65 or more yrs - no more than 50%.</p> <p>B. <u>Multiplying factor</u></p> <p>(i) less than 66 years - amount in Part A multiplied by 10.</p> <p>(ii) 66 or more yrs - amount in Part A multiplied by 10 less the no. by which the person's age in complete years exceeds 65 yrs (s.16(2)).</p>	<p>A former member entitled to a pension may, within 3 mths after his retirement, elect to have pension converted to a lump sum benefit.</p> <p>W.A. (cont'd)</p> <p>If a member retires on grounds of ill health with less than 15 yrs' service, commutation does not apply unless the member is 55 when he ceases to be a member (s.16(3)).</p> <p>Within 6 mths spouse can commute pension up to 50% max., as per commutation factors shown above (s.19B).</p>	<p>No provision.</p>	<p>A former member entitled to a pension under s.19 may elect to convert all or part of his pension entitlement to a lump sum payment. If former member is under 66, the lump sum is equal to 10 times his annual pension. If over age 66, the annual pension is multiplied by the no. derived by deducting from 10 half the difference between age of member and 65. From the date of payment of the lump sum the annual pension is reduced by the amount of annual pension in respect of which the election was made (s.25).</p> <p>The commutation provisions do not apply to retirements due to ill health (s.25(4)).</p>

APPENDIX 1 (cont'd)
 AUSTRALIAN PARLIAMENTARY SUPERANNUATION SCHEMES

	Victoria	Commonwealth	New South Wales	Queensland	South Australia	Western Australia	Tasmania	Nthn. Territory
SUSPENSION OF BENEFITS	<p>Benefit ceases if former member again becomes a member (s.23(1)).</p> <p>Benefit suspended if former member becomes a member of other Parliaments or accepts an office or place of profit under the Crown (s.23(2)).</p>	<p>Allowance cancelled if again becomes a member (s.20(3)).</p>	<p>Right to pension ceases if becomes a member (s.25(1)). Right is suspended if person becomes a member of Parls. or C/with (s.25(2)(a)).</p> <p>Pension of pensioners other than former members who are suspended (s.25(2)(b)).</p> <p>If person receiving a pension from other parliamentary schemes (States or C/with), NSW pension may be suspended (s.26).</p>	<p>Where former member of any Parl. or Crown office, pension is reduced by amount of remuneration or salary rec'd (s.24).</p>	<p>(a) ceases if member becomes a member (s.20(1)).</p> <p>(b) If member becomes pensioner of office under laws of C/with, State Territory, payment is reduced by amount of that salary received, unless member elects to receive refund of contributions plus 3% for each year of service in excess of 1 yr (s.19).</p>	<p>Right to pension ceases if former member again becomes a member (s.21).</p> <p>Where former member becomes a member of other Parl. or holds Crown office for profit, pension reduces to max. of 2/3rds (s.22).</p>	<p>Where former member again becomes a member of other Parls. or accepts an offer of profit from Crown, pension is suspended (s.25).</p> <p>Where becomes, or spouse becomes, a member of other Parl., pension is suspended (s.25).</p>	<p>Where former member becomes a member, or member of other Parls., or accepts an offer of profit from Crown, pension is suspended (s.28).</p>
PROVISION FOR AUTOMATIC ADJUSTMENTS TO PENSIONS	<p>Pensions are adjusted whenever Parliamentary basic salary is changed as pensions are defined in terms of "basic salary".</p>	<p>Because retiring allowance entitlements are expressed as a % of the parlt. allowance or additional salaries of office payable from time to time, the amount of the retiring allowance will increase each time the parlt. allowance or additional salaries payable to serving members are increased.</p>	<p>Pension rates are related to the current basic salary of private members from time to time and are increased proportionally each time the salary increases.</p>	<p>Subject to adjustment in August each yr in accordance with the movement in the Brisbane CPI for the 12 months ended on the previous 30 June (s.25A).</p>	<p>All pensions adjusted according to % age changes between Adelaide and the June qtr of one yr and the CPI for the June qtr of the next. Where the increase is less than 1%, adjustments are deferred (s.35).</p>	<p>Pensions adjusted according to % age changes between Perth CPI for the Dec. qtr of one year and the Perth CPI for the Dec. qtr of the next year (s.15B(1), (2)). Where the CPI decreases, no such adjustment is made (s.15B(5)).</p>	<p>Parlt. pensions adjusted automatically on 1st July each yr to bring them into line with movement in the basic salary of a member of the Assembly.</p>	<p>Pensions increased proportionally when there is an increase in the basic salary of a member of the Assembly.</p>

APPENDIX 2

LIST OF ORGANISATIONS AND PERSONS
MAKING SUBMISSIONS TO THE INQUIRY

1. Berkeley, H.C. (Mr.) Q.C., Solicitor-General for Victoria
2. Dixon, The Hon. Judith Lorraine, Member of the Legislative Council of Victoria for Boronia
3. E.S. Knight & Co.
4. Evans, Bruce James (Mr.), Member of Parliament of Victoria for East Gippsland
5. Halsall, Peter (Mr.)
6. Kent, The Hon. Daniel Eric, Minister of Agriculture
7. Richards, Larry (Mr.)
8. Shand, David A. (Mr.)
9. Thompson, James (Mr.)
10. Victorian Parliamentary Former Members Association
11. Waldron, B.J. (Mr.), Auditor-General for Victoria
12. Waldron, His Honour Glenn Royce Donald, Chief Judge of the County Court of Victoria
13. Warfe, Len (Mr.)

APPENDIX 3

LIST OF PERSONS GIVING EVIDENCE TO THE INQUIRY

1.	Armstrong, G.(Mr.)	Trust Office, Office of the Public Trustee	22 July 1983
2.	Berkeley, H.C.(Mr.) Q.C.	Solicitor-General for Victoria	29 July 1983
3.	Champion, Ron (Mr.)	Director of Superannuation, Policy and Management, Department of Management and Budget	13 August 1984
4.	Cullen, R.B.(Dr.)	Chairperson, Public Service Board of Victoria	24 June 1983
5.	Edmund, The Hon. Cyril Thomas (M.P.)	Trustee, Parliamentary Superannuation Fund	21 July 1983
6.	Faulkner, P.(Ms.)	Manager, Public Sector Policy Branch, Public Service Board of Victoria	13 August 1984
7.	Hastie, Mal (Mr.)	Secretary, Parliamentary Superannuation Fund	10 June 1983 21 July 1983
8.	Moran, T.(Mr.)	Acting General Manager, Services Delivery, Public Service Board of Victoria	13 August 1984
9.	O'Neill, D.(Ms.)	Acting Manager, General Staffing, Public Service Board of Victoria	13 August 1984
10.	Owen, David (Mr.)	Consulting Actuary	22 June 1983
11.	Phillips, A.(Mr.)	Secretary, Public Service Board of Victoria	24 June 1983

12.	Shaw, K.(Mr.)	Trust Officer, Office of the Public Trustee	22 July 1983
13.	Smith, D.(Mr.)	General Manager, Policy and Tribunal, Public Service Board of Victoria	13 August 1984
14.	Spencer, P.T.(Mr.)	Public Trustee, Office of the Public Trustee	22 July 1983
15.	Viney, R.T.(Mr.)	Principal Consultant, Legal, Public Service Board of Victoria	24 June 1983

APPENDIX 4

EXTRACTS OF THE MINUTES AND VOTES OF THE
LEGISLATIVE COUNCIL AND THE LEGISLATIVE ASSEMBLY

EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS
OF THE LEGISLATIVE COUNCIL

Friday, 2 July 1982

34. JOINT INVESTIGATORY COMMITTEES - The Honourable W.A. Landeryou moved, by leave, That contingent upon the enactment and coming into operation, this Session, of legislation to establish Joint Investigatory Committees:
- (a) The Honourable P.D. Block, B.P. Dunn, G.A. Sgro, D.K. Hayward and A.J. Hunt be members of the Economic and Budget Review Committee;

Question-put and resolved in the affirmative.

EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS
OF THE LEGISLATIVE COUNCIL

Thursday, 20 October 1982

8. ECONOMIC AND BUDGET REVIEW COMMITTEE - The Honourable A.J. Hunt moved, by leave, That the Honourable P.D. Block be discharged from attendance upon the Economic and Budget Review Committee and that the Honourable J.V.C. Guest be added to such Committee.

Question-put and resolved in the affirmative.

EXTRACTED FROM THE VOTES AND PROCEEDINGS
OF THE LEGISLATIVE ASSEMBLY

Thursday, 1 July 1982

36. COMMITTEE APPOINTMENTS - Motion made, by leave, and question - That, contingent upon the coming into operation of the Parliamentary Committees (Joint Investigatory Committees) Act 1982-

(a) Mr. Gavin, Mr. Harrowfield, Mr. McCutcheon, Mr. McNamara, Mr. Richardson, Mr. Rowe and Mr. Sheehan (Ivanhoe) be appointed members of the Economic and Budget Review Committee.

(Mr. Fordham)-put and agreed to.

EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS
OF THE LEGISLATIVE COUNCIL

Tuesday, 14 June 1983

14. ECONOMIC AND BUDGET REVIEW COMMITTEE - The Honourable Evan Walker moved, by leave, That the Honourable A.J. Hunt be discharged from attendance upon the Economic and Budget Review Committee and that the Honourable G.P. Connard be added to such Committee.

Question-put and resolved in the affirmative.

EXTRACTED FROM THE VOTES AND PROCEEDINGS OF THE
LEGISLATIVE ASSEMBLY

Tuesday, 6 March 1984.

5. ECONOMIC AND BUDGET REVIEW COMMITTEE - Motion made, by leave, and question - That Mr. Richardson be discharged from attendance on the Economic and Budget Review Committee and that Mr. Ramsay be appointed in his stead.

(Mr. Fordham)-put and agreed to.

APPENDIX 5

EXTRACTS FROM THE PROCEEDINGS OF THE COMMITTEE

The Minutes of the Proceedings of the Committee show Divisions which took place during the consideration of the Draft Report. A summary of those proceedings follows:

Monday, 22 October 1984

Division No. 1

RECOMMENDATION 3.2.

"THAT, IF AGREEMENTS ARE NOT FORTHCOMING TO WIDEN THE ROLE OF THE COMMONWEALTH REMUNERATION TRIBUNAL, THERE BE ESTABLISHED IN VICTORIA AN INDEPENDENT REMUNERATION TRIBUNAL"

Amendment proposed - That the words "REMUNERATION TRIBUNAL" (where second occurring) be omitted with the view of inserting in place thereof the words "SUPERANNUATION TRIBUNAL UNTIL SUCH TIME AS THE POWERS OF THE COMMONWEALTH REMUNERATION TRIBUNAL ARE BROADENED IN ACCORDANCE WITH RECOMMENDATION 3.1."

(Mr. Connard)

Question - That the words proposed to be omitted stand part of the recommendation - put.

Committee divided

AYES, 5

NOES, 3

Mr. P.M. Gavin, M.P.

Hon. J.V.C. Guest, M.L.C.

Hon. D.K. Hayward, M.L.C.

Mr. A. McCutcheon, M.P.

Mr. B.J. Rowe, M.P.

Hon. G.P. Connard, M.L.C.

Mr. P.J. McNamara, M.P.

Hon. J.H. Ramsay, M.P.

And so it was resolved in the affirmative.

A Minority Report on this issue is on page 96.

Division No. 2

3.1.2 A Parliamentary Remuneration Tribunal

The Committee is concerned about a range of matters dealing with parliamentary superannuation provisions. These cover the appropriate design of a parliamentary scheme, anomalies in the current scheme provisions, and the mechanisms for change which exist in the various parliamentary schemes in Australia (see Table 2.1).

It is also clear that the public has a poor opinion of parliamentary superannuation schemes stemming largely from inappropriate comparisons with other public and private sector schemes. A particular contributory factor is that parliamentarians are seen as having a free hand in the establishment of their own salaries, allowances and superannuation benefits.

The Committee believes that one way in which salary and superannuation reviews can be considered objectively is to move away from the system wherein superannuation is considered in isolation from salaries and allowances to one in which a tribunal exists to review and recommend, on an annual basis, changes deemed necessary to parliamentary remuneration. Rather than establishing a new tribunal, the Committee believes it more appropriate to expand the terms of reference of the Commonwealth Remuneration Tribunal to enable it to consider superannuation and, therefore, the total remuneration package of parliamentarians. The Commonwealth Remuneration Tribunal

would thus be responsible for the determination of basic salary, additional salary, expense allowances, and the contribution and benefit provisions of the various parliamentary superannuation schemes. In its broader role, the tribunal should operate within the framework of the Conciliation and Arbitration Commission and should be established by Commonwealth and State legislation. The respective States and other interested parties should be able to make submissions to the tribunal.

RECOMMENDATION 3.1

THAT THE RESPONSIBILITIES OF THE COMMONWEALTH REMUNERATION TRIBUNAL BE WIDENED TO INCLUDE SUPERANNUATION AND THAT THIS TRIBUNAL SHOULD MAKE DETERMINATIONS ON PARLIAMENTARIANS' TOTAL REMUNERATION ON AN ANNUAL BASIS.

The Committee believes it is desirable to have a uniform method of determining the appropriate level of parliamentarians' total remuneration for the Commonwealth and across all States. This would assist in preventing leapfrogging of benefits. The Committee also believes that to minimise costs and to encourage consistency between the various States and the Commonwealth it is important not to duplicate efforts in this area. However, it is recognised that it may be difficult to gain the support of all governments and that it would be feasible, in the first instance, to simply involve Victoria and the Commonwealth in the proposed tribunal. This would still have the advantages of reducing duplication and encouraging a wider review of parliamentarians' total remuneration. If this is not feasible, the Committee proposes that the Victorian Government should establish a separate remuneration tribunal.

RECOMMENDATION 3.2

THAT, IF AGREEMENTS ARE NOT FORTHCOMING TO WIDEN THE ROLE OF THE COMMONWEALTH REMUNERATION TRIBUNAL, THERE BE ESTABLISHED IN VICTORIA AN INDEPENDENT REMUNERATION TRIBUNAL.

This recommendation is consistent with maintaining a stable relationship, such as presently existing for schemes, between the total remuneration of Victorian parliamentarians and the total remuneration of Commonwealth parliamentarians.

Question - That paragraphs 3.1.2 stand part of the Report - put.

The Committee divided

AYES, 7

NOES, 1

Hon. G.P. Connard, M.L.C.

Mr. P.J. McNamara, M.P.

Mr. P.M. Gavin, M.P.

Hon. J.V.C. Guest, M.L.C.

Hon. D.K. Hayward, M.L.C.

Mr. A. McCutcheon, M.P.

Hon. J.H. Ramsay, M.P.

Mr. B.J. Rowe, M.P.

And so it was resolved in the affirmative.

Division No. 3

3.2.2 A Review Procedure for the Judges' and Governor's Pension Schemes

The pension benefits of the Judges of the Supreme and County Courts are linked to current judges' salaries. The Governor's pension is linked to the salary of the Chief Justice of Victoria. The Constitution Act 1975 and the County Court Act 1958 specify the salary levels for these Judges and include appropriate indexation arrangements. The effect of these indexation arrangements flows through to pensions.

It appears that while there is a link between salary movements and pensions there is no procedure to review the total remuneration package of either the

Judges or the Governor. The tribunal proposed under Recommendations 3.1 or 3.2 would provide an appropriate forum.

While it is considered appropriate for the parliamentarians' remuneration position to be considered annually, the indexation arrangements already in place for Judges' salaries and de facto for the Judges' and Governor's pension, imply that reviews would be needed less frequently. In the case of the Governor, it would be suitable for the total remuneration package to be reviewed at the beginning of the term of each incumbent. This follows Commonwealth Government procedure, where the Governor-General's salary is fixed at the beginning of each term of office.

The Standing Committee of Commonwealth and State Attorneys-General currently monitor all aspects of the terms and conditions of employment of Judges of the various jurisdictions throughout Australia. Given that the current indexation arrangements are working satisfactorily, it is only over a period of time that relativities would change significantly. Therefore the issue of the overall level of Judges' remuneration could be considered by the Remuneration Tribunal on the recommendation of the Victorian Attorney-General. In making such a recommendation, the Attorney-General should consider advice from the Chief Justice of Victoria.

RECOMMENDATION 3.3

THAT THE TOTAL REMUNERATION OF THE GOVERNOR BE REVIEWED BY THE REMUNERATION TRIBUNAL OF RECOMMENDATION 3.1 AT THE BEGINNING OF THE TERM OF EACH INCUMBENT.

RECOMMENDATION 3.4

THAT THE REMUNERATION OF JUDGES OF THE SUPREME COURT AND COUNTY COURT BE CONSIDERED BY THE REMUNERATION TRIBUNAL OF RECOMMENDATION 3.1 FROM TIME TO TIME AS RECOMMENDED BY THE ATTORNEY-GENERAL.

Amendment proposed - That the words "The tribunal proposed under Recommendation 3.1 or 3.2 would provide an appropriate framework." be omitted.

(Mr Ramsay)

Question - That the words proposed to be omitted stand part of the paragraph - put.

Committee divided

AYES, 3

NOES, 4

Mr. P.M. Gavin, M.P.

Hon. D.K. Hayward, M.L.C.

Mr. A. McCutcheon, M.P.

Hon. J.V.C. Guest, M.L.C.

Mr. B.J. Rowe, M.P.

Mr. P.J. McNamara, M.P.

Hon. J.H. Ramsay, M.P.

And so it was passed in the negative.

Division No. 4

Further amendment proposed - That the words "In the case of the Governor, it would be suitable for the total remuneration package to be reviewed at the beginning of the term of each incumbent" be omitted with the view of inserting in place thereof the words "...In the case of the Governor, it would be suitable for the total remuneration package to be reviewed at the beginning of the term of each incumbent by the Parliament of Victoria."

(Mr. Ramsay)

Question - That the words proposed to be omitted stand part of the paragraph - put.

Committee divided

AYES, 3

NOES, 4

Mr. P.M. Gavin, M.P.
Mr. A. McCutcheon, M.P.
Mr. B.J. Rowe, M.P.

Hon. D.K. Hayward, M.L.C.
Hon. J.V.C. Guest, M.L.C.
Mr. P.J. McNamara, M.P.
Hon. J.H. Ramsay, M.P.

And it was passed in the negative.

Question - That the words proposed to be inserted be so inserted - put and agreed to.

Division No. 5

Further amendment proposed - That the words "Therefore the issue of the overall level of Judges' remuneration could be considered by the Remuneration Tribunal on the recommendation of the Victorian Attorney-General. In making such a recommendation, the Attorney-General should consider advice from the Chief Justice of Victoria" be omitted with the view of inserting in place thereof the words "Therefore the issue of the overall level of Judges' remuneration could be considered by the Parliament of Victoria on the recommendation of the Victorian Attorney-General. In making such a recommendation, the Attorney-General should consider advice from the Chief Justice of Victoria."

(Mr. Ramsay)

Question - That the words proposed to be omitted stand part of the paragraph - put.

Committee divided

AYES, 3

Mr. P.M. Gavin, M.P.
Mr. A. McCutcheon, M.P.
Mr. B.J. Rowe, M.P.

NOES, 4

Hon. D.K. Hayward, M.L.C.
Hon. J.V.C. Guest, M.L.C.
Mr. P.J. McNamara, M.P.
Hon. J.H. Ramsay, M.P.

And so it was passed in the negative.

Question - That the words proposed to be inserted be so inserted - put and agreed to.

Division No. 6

Further amendment proposed - That in Recommendation 3.3 the words "Remuneration Tribunal of recommendation 3.1" be omitted with the view of inserting the words "Parliament of Victoria"

(Mr. Ramsay)

Question - That the words proposed to be omitted stand part of the paragraph - put.

Committee divided

AYES, 3

NOES,4

Mr. P.M. Gavin, M.P.

Hon. D.K. Hayward, M.L.C.

Mr. A. McCutcheon, M.P.

Hon. J.V.C. Guest, M.L.C

Mr. B.J. Rowe, M.P.

Mr. P.J. McNamara, M.P.

Hon. J.H. Ramsay, M.P.

And so it was passed in the negative.

Question - That the words proposed to be inserted be so inserted - put and agreed to.

Division No. 7

Further amendment proposed - That in Recommendation 3.4 the words "Remuneration Tribunal of Recommendation 3.1" be omitted with the view of inserting in place thereof the words "Parliament of Victoria".

(Mr. Ramsay)

Question - That the words proposed to be omitted stand part of the paragraph - put.

Committee divided

AYES, 3

NOES,4

Mr. P.M. Gavin, M.P.

Mr. A. McCutcheon, M.P.

Mr. B.J. Rowe, M.P.

Hon. D.K. Hayward, M.L.C.

Hon. J.V.C. Guest, M.L.C

Mr. P.J. McNamara, M.P.

Hon. J.H. Ramsay, M.P.

And so it was passed in the negative.

Question - That the words proposed to be inserted be so inserted - put and agreed to.

Division No. 8

Further amendment proposed - That the words "Given these advantages the Committee supports in principle the introduction of a lump sum only scheme for parliamentarians. This scheme would provide no option for indexed pensions but individuals could purchase annuities if they so desire. In addition, it may be appropriate to provide an optional spouse benefit." be omitted.

(Mr. McNamara)

Question - That the words proposed to be omitted stand part of the paragraph - put.

Committee divided

AYES, 1

NOES, 7

Mr. P.J. McNamara, M.P.

Hon. G.P. Connard, M.L.C.

Mr. P.M. Gavin, M.P.

Hon. J.V.C. Guest, M.L.C.

Hon. D.K. Hayward, M.L.C.

Mr. A. McCutcheon, M.P.

Hon. J.H. Ramsay, M.P.

Mr. B.J. Rowe, M.P.

And so it was passed in the negative.

WEDNESDAY 24 OCTOBER 1984

Division No. 1

Question - That the addendum prepared by the Hon. James Guest, M.L.C., be incorporated in the main report titled "A Personal View of Superannuation (see page 100).

Committee divided

AYES, 7

NOES, 3

Hon. G.P. Connard, M.L.C.

Mr. J.D. Harrowfield, M.P.

Hon. B.P. Dunn, M.L.C.

Mr. B.J. Rowe, M.P.

Mr. P.M. Gavin, M.P.

Hon. G.A. Sgro., M.L.C.

Hon. J.V.C. Guest, M.L.C.

Hon. D.K. Hayward, M.L.C.

Mr. P.J. McNamara, M.P.

Hon. J.H. Ramsay, M.P.

And so it was resolved in the affirmative.

MINORITY REPORT

by

The Honourable G.P. Connard, M.L.C.

and

The Honourable J.H. Ramsay, M.P.

Pursuant to S4N(4)

of the

Parliamentary Committees Act 1968

**A STATE REMUNERATION TRIBUNAL VERSUS A STATE SUPERANNUATION
TRIBUNAL FOR PARLIAMENTARIANS:**

CHAPTER 3, SECTION 3.1.2, MAIN REPORT

- 1.0 This minority report is to present the arguments against the proposed Recommendation 3.2, a recommendation designed to create a Victorian Remuneration Tribunal to consider Parliamentary salaries and conditions, including superannuation, as a 'total employment package'.

Such a tribunal is recommended only as a second best alternative to Recommendation 3.1, which proposes that the present arrangement linking Victorian parliamentary salaries to the Commonwealth Remuneration Tribunal should be extended to include superannuation provisions as well, and, if possible, broadened to include all State Parliaments.

Full support is offered to Recommendation 3.1, but as it will require the agreement of the Commonwealth at least, and preferably one or more other States as well, its implementation may take time.

If that agreement is not forthcoming, Recommendation 3.2 suggests, as a fall back position, that Victoria should terminate the existing link with the Commonwealth Remuneration Tribunal and establish an independent Victorian Remuneration Tribunal as described above.

We do not support such a proposal, preferring that the existing link with the Commonwealth be retained and that a separate Victorian Superannuation Tribunal be established as an interim measure.

- 2.0 Our arguments against a State Remuneration Tribunal are that:
- (a) it would mean withdrawing from the current arrangements for the determination of salaries and allowances which have operated in an effective manner through the Commonwealth Remuneration Tribunal; this is at least a part-way step to achieving sensible comparability

between Parliaments and reduces unnecessary political odium in relation to salary determination. To withdraw now would be a backward step;

- (b) it could exacerbate leapfrogging unless tight government or parliamentary direction is exercised over the tribunal's proceedings. Such an imposition would be contrary to the principles of an independent review of total remuneration;
- (c) this type of tribunal would be expected to make determinations and reviews on an annual or more frequent basis. This means the tribunal would be a continuous extra cost; and
- (d) there is a potential for inequities to develop between Victorian and other States' and Commonwealth parliamentarians in terms of their total remuneration.

3.0 The arguments for a State Superannuation Tribunal are:

- (a) it could work in conjunction with the existing arrangements as established with the Commonwealth Remuneration Tribunal without destroying the level of concord already established;
- (b) as noted, above, the tribunal would be an interim measure pending the ultimate development of recommendation 3.1. It would, however, allow the development of a body of knowledge of parliamentary superannuation which could then be developed further when the expanded Commonwealth Remuneration Tribunal is established.
- (c) it could be implemented immediately and provide a quick and acceptable counter to the problem of the public's poor perception of parliamentary superannuation. This situation arises from the parliamentarians determining directly the level and type of their own superannuation provisions; and
- (d) the tribunal would not be an on-going body for review and would only be convened when necessary and therefore would result in lower operating costs.

4.0 In conclusion, the major recommendation of the Committee's report is for the expansion of the Commonwealth Remuneration Tribunal so that it can consider salaries, allowances and superannuation of Commonwealth and all States' parliamentarians. The importance of the need to consider total remuneration cannot be overstated but this does not mean the Victorian government should set up its own special remuneration tribunal. The setting up by the State Government of a parliamentary superannuation tribunal should only be seen as an interim measure, however, this tribunal would provide a discernably independent forum for the review and determination of Victorian parliamentarians' superannuation.

ADDENDUM

A PERSONAL VIEW OF SUPERANNUATION

by

The Honourable J.V.C. Guest, M.L.C.

- 1.1 The most important points made in this addendum to the main report relate to the whole area of public sector superannuation. They were not printed with the Committee's main report "Final Recommendations and Options for the Future Reform of Victorian Public Sector Superannuation" (September 1984) for a number of reasons, largely procedural.
- 1.2 The Committee's very competent staff, and the Committee itself, have done much to vindicate the development of a well-resourced Parliamentary Committee system.
- 1.3 There is no doubt that adoption by the Government of the Committee's recommendations, including the option for existing public sector employees to join the proposed new scheme for all increases in salary, would make a substantial contribution to Victoria's economic welfare. Furthermore, the report to which this minority report is attached should be recognised as a trail-blazing recommendation for the simultaneous determination of all major elements of remuneration.
- 1.4 It is however regrettable that the Government's offer of a new superannuation scheme for Melbourne Transit Authority tramways employees at a time when, as the Government knew, the Committee was on the point of making its final recommendations, has done much to undermine the value and credibility of Parliamentary Committees and could scarcely be better designed to discourage the kind of dedicated service by Committee members and staff which is required to produce a substantial, bipartisan report of real value.

The proposed tramways scheme differs substantially from the Committee's proposed new scheme in both the level and form of benefits. Its existence must inevitably constrain the Government in attempting to tackle the major problems of public sector superannuation dealt with by the Committee's reports. If the answer to this objection is that reform of public sector superannuation is a very long term project that answer would stand in

unfortunate contrast with the action of the N.S.W. Government in deciding last month to institute a scheme for new entrants from 1st January 1985 designed on the same principles as the Committee's scheme.

2.1 The design of a major superannuation scheme of any complexity is likely to involve compromises between competing interests and priorities. This will happen whether the design is produced by a team of professional consultants, a management team or a parliamentary committee. It is therefore not a valid criticism of the Committee's reports to note that they are not a purely logical development from a few clear principles and factual premises but are, rather, a careful pragmatic balancing of many important social, political and economic considerations within limits set by the current state of superannuation industry folk-lore.

2.2 Nonetheless, it is regrettable that all the resources of time and skill available to the Committee had to be devoted to the major task of detailing the proposed reforms. In nearly two years of work, the Committee's attention has been drawn to a great many suggested principles and options for change but practical considerations, including above all existing superannuation structures have been compelling. In consequence, questions of principle have been assumed in the Committee's reports rather than elucidated and resolved or explored, and it has proved impossible to pose and examine in detail the practicability of more radical alternatives.

This is unfortunate for the development of private as well as public sector superannuation arrangements, and, more generally, of total remuneration packages. For it is evident that superannuation is only the most important of a number of elements in remuneration packages (apart of course from salary) which have grown up over recent decades for reasons which are the antithesis of economic rationality and regardless of the public interest. Probably taxation advantages and surreptitious avoidance of restraints on straight salary or wage increases are the major reasons. (The recent building industry agreement is one example of the latter). To say that is not to deny that there were also good reasons. For example, offering and accepting security instead of cash in hand may sometimes be a very good bargain all round. But that cannot be presumed for a whole sector of the economy or even a whole

industry, and may not be true now where originally it was. Detailed consideration of radical alternatives would have made a greater challenge to time-honoured practices than was possible in the event.

3.1 Ideally the Committee would at least have devoted staff time to researching the detailed case for and against an alternative approach to public sector superannuation based on something like the following working principles:

- (a) Superannuation provision should not be considered or granted apart from the total remuneration package;
- (b) Equal pay for equal work;
- (c) Freedom of choice for the employee rather than paternalism by employers or unions (or those interested in keeping the management of pension funds in their hands for as long as possible);
- (d) Outside the area of insurance against death or disability the size of the ultimate benefit ought to be proportionate to the consumption expenditure (or income available for consumption) foregone during the earning years and the earning rate on savings. A corollary is that avoidance of risk should be bought at a price;
- (e) Government and its quangos should meet the market for labour at minimum cost; and
- (f) Public sector superannuation should foster an efficient and healthy capital market and its design should be such as to ensure strong interest by public sector employees in the health of the capital market.

Aspects of these principles have already been affirmed in the Committee's reports, some with considerable emphasis, but the alternative approach requires more rigorous adherence to these principles as a whole.

- 4.1 Amongst the more radical consequences of the alternative approach would be the detailed consideration of a different scheme of remuneration. After the value of an employee's total remuneration was determined as salaries are now he could opt from time to time for the whole to be paid as salary or for a proportion specified by himself to be paid as contribution to a superannuation fund. Such a non-contributory scheme has obvious advantages in any employment other than the service of the Commonwealth Government since it does not require contributions to be made by employees from after-tax income. In all fields of employment, it would maximise freedom of choice. It should be noted that such a scheme, unlike the new Melbourne Transit Authority scheme which has added substantially to the cost of employment, does not imply any necessary rise in the present **total remuneration** of individuals or the present labour costs of the public sector.
- 4.2.1 Amongst other implications of such a non-contributory scheme, it would tend to equalise the total remuneration of employees doing the same job. Under the present State Superannuation scheme, and any other conventional scheme, the differences between employees, both in terms of cost to the employer and of benefits received may be enormous. For example, a 30 year old on \$20,000 a year might be effectually costing, and receiving the value of, \$40,000 a year if he continues in service for 30 years and is promoted as might be expected. But if his career is frustrated and he finds his work environment so unsatisfying that he resigns after 5 years his \$20,000 will prove to have been more like \$19,000 because of interest lost on his superannuation contributions. The Committee's scheme (VICSESS) by providing some vesting of employer's contributions goes a small part of the way to providing a remedy for a feature of scheme design which is, on the face of it, most inequitable.
- 4.2.2 Another apparently inequitable feature of existing scheme design (and of VICSESS) is the relation of benefits to final salary. An alternative approach might not provide benefits related to final salary. The conventional approach has two effects which are prima facie inequitable. The examples given are only simple specimens. One is that officers of equal retiring rank and years of service will receive the same benefits despite one having paid a much greater sum of contributions because he has been in the highest office for

much longer. The other is that officers who have contributed roughly equally to the accumulated value of the fund may receive very different retirement benefits as a result of one receiving end of career promotions well beyond the other.

- 4.3.1 Another possible feature of an alternative approach which would have the subsidiary purpose of remedying the inequities referred to in Sections 4.2.1 and 4.2.2 is a system of benefits related to the earnings of the invested fund.
- 4.3.2 All actual contributions would be managed by professional investment managers chosen and regularly re-employed or replaced on a competitive basis to handle a part of the total fund. As far as possible the pay as you go (PAYG) employers would be made to conform, *mutatis mutandis*; e.g. notional contributions could be treated as loans back to the employer and charged with interest at a rate related to the average earning rate of the invested funds. (A major reason for this would be the added discipline for PAYG employers.)
- 4.3.3 The benefits payable would in the typical case be simply the accumulations on the contributions made on behalf of the particular employee. Those who served longest and gave up most in current salary to fund contributions would receive most in benefits. What is more they would share with the rest of the community in the long-term prosperity or failure of the economy as a whole more fully than public sector employees do at present.
- 4.3.4 Those who value certainty or security over the chance of additional gain should be able to buy their security at market prices. The scheme arrangements should help. For example, there is no reason why scheme members should not be able, within reason, to choose the form of investment they prefer for the funds contributed on their benefit: for greater certainty of outcome an endowment insurance policy might be bought; for those who prefer pensions, an annuity might be purchased with the accumulated lump sum at retirement. For department heads and other senior executives, benefits equivalent or greater than those now flowing from State Superannuation

scheme membership (or the proposed VICSESS benefits) would derive either from the contract arrangements which are likely to be increasingly common for senior executives, from achieving early promotion to high office (thereby facilitating the payment of high contributions), or by making the necessary sacrifice of current expenditure in the earlier stages of a career in order to provide the desired accumulation of contributions.

- 5.1 It may be that an adequate exploration of such an alternative approach would lead to fundamental reappraisal of a great deal of conventional wisdom in the area of Commonwealth taxation and in matters of industrial relations and personnel policy. Certainly the implications of the suggested alternative approach are great. It is quite possible that detailed appraisal would lead to pragmatic acceptance of the conventional wisdom in most areas. But the possible advantages to employees and employers, and to the working of the labour and capital markets, are so great that it would be extremely unfortunate if further exploration of reform based on the working principles stated in section 3 were neglected. Without neglecting the need for immediate action of Committee's reports, energetic and rigorous investigation of proposals for radical change is needed. Obvious and superficial objections about the apparent cost, or the supposed neglect in the alternative approach of one or another allegedly necessary aspect of the existing patchwork of customary superannuation features, must not prevent commitment of the necessary resources to this course.