

**THE PARLIAMENTARY SUPERANNUATION DETERMINATION
1992**

PURSUANT to section 12 (1) (ba) of the Higher Salaries Commission Act 1977 (as enacted by section 2 (1) of the Higher Salaries Commission Amendment Act 1992), the Higher Salaries Commission, after consultation with the Government Actuary, hereby makes the following determination (to which is appended an Explanatory Memorandum).

DETERMINATION

1. Title and commencement—(1) This determination may be cited as the Parliamentary Superannuation Determination 1992.

(2) This determination shall be deemed to have come into force on the 1st day of July 1992.

2. Interpretation—In this determination, unless the context otherwise requires,—

“Member” means a member of the House of Representatives; and includes any person who is for the time being receiving a salary fixed by a determination made under section 16 of the Civil List Act 1979:

“Ordinary member” means a member of the House of Representatives who holds no other office in respect of which a salary is payable under the Civil List Act 1979:

“Registered superannuation scheme” means any superannuation scheme that is registered under the Superannuation Schemes Act 1989:

“Salary”, in relation to a member, means the salary payable to that member under the Civil List Act 1979:

“Year” means a period of 12 months ending with the 31st day of December.

3. Members to whom this determination applies—This determination applies to those members who are first elected, or who are re-elected, as members on or after the 1st day of July 1992 and who are not entitled or required to contribute under Part VI of the Government Superannuation Fund Act 1956.

4. Maximum amount of superannuation subsidy—Where a member to whom this determination applies chooses to contribute to a registered superannuation scheme, the maximum amount that may in any year be paid by way of superannuation subsidy in respect of that member shall be 16 percent of an ordinary member's salary.

5. Ratio of subsidy to member's contribution—The contribution that a member must make to a registered superannuation scheme in order to be entitled to any of the superannuation subsidy referred to in clause 4 of this determination shall, when expressed as a ratio of the superannuation subsidy to the member's contribution, be 2 to 1.

Dated at Wellington this 15th day of December 1992.

T. W. BLENNERHASSETT, Chairman.

M. A. FITZGERALD, Member.

R. J. McARLEY, Member.

EXPLANATORY MEMORANDUM

1. Background

1.1 The Higher Salaries Commission Amendment Act 1992 has considerably altered the Commission's role with respect to Parliamentary superannuation. There are now two distinct regimes. The first relates to sitting Members as at 30 June 1992, all of whom contribute compulsorily to the Parliamentary sub-scheme pursuant to Part VI of the Government Superannuation Fund Act 1956. That scheme closed to new Members on 30 June 1992. The second relates to Members who are first elected, or who are re-elected, on or after 1 July 1992 and who are not entitled or required to contribute under Part VI of the Government Superannuation Fund Act 1956.

2. Sitting Members as at 30 June 1992

2.1 Earlier this year, in a report requested by Ministers, the Commission set out certain proposals which, if accepted, would entail a substantial (but not total) reversion to the superannuation rights of Members as they stood before their amendment by legislation in 1987. Parliament responded by amending Part VI of the Government Superannuation Fund Act 1956 in accordance with the Commission's report. There is therefore no occasion at present for further amendment by way of re-determination with respect to the rights of Members sitting as at 30 June 1992.

2.2 The Commission notes, however, that it is now expressly enabled by its statute to determine not only the rights but also the obligations of those Members with respect to superannuation. The existing obligation to participate in the Parliamentary scheme (and to contribute to it at the very high rate of 11 percent of an ordinary member's salary) is seen as onerous by a number of Members. The Commission has some sympathy with that view in circumstances where new Members will be free to elect whether or not to contribute (and, if so, how much) to any registered superannuation scheme of their choice.

2.3 The question whether Members should be entitled to discontinue (and, if so, on what terms and conditions) needs further examination. It would be premature for the Commission to deal with it on a narrow front in the context of this determination, and it will therefore be examined further as wider patterns begin to emerge.

3. Members First Elected on or after 1 July 1992

3.1 The regime available to new Members differs dramatically from that laid down for their predecessors. New Members may provide, or not provide, for their retirement as they think fit. If they elect to make provision, they may choose any scheme which is registered under the Superannuation Schemes Act 1989. That scheme is now more likely to be a "defined contribution" or cash accumulation structure than a "defined benefit" scheme. The State accepts no responsibility for the final outcome. Investment and management risks lie with the Member. Conversely, the subsidy that the Commission is required to fix, while paid from public money, will attach to the Member's contributions into any registered superannuation scheme, irrespective of its investment policy and of the quality of its management.

3.2 The Commission's role is two-fold. It determines the ratio of the subsidy to the Member's contribution. It also determines a maximum annual subsidy, expressing it either as a specified amount or as a percentage of an ordinary Member's salary. That limit, or cap, must be the same for all Members.

3.3 The Commission is thus provided with only limited scope for constructing superannuation rights and obligations suited to widely varying Parliamentary careers. New Members enter Parliament at differing ages and remain for differing lengths of time. Many survive only one or two Parliamentary sessions in the face of a volatile electorate, and their Parliamentary service is no more than a short break from another career. Others survive many years of Parliamentary life, and for them Parliamentary service becomes itself a career.

3.4 Unable to differentiate among Members by reference to lengths of service or such Ministerial or other responsibilities as a Member might undertake, the Commission has nevertheless done what it can to meet the circumstances of Parliamentary service in the light of its statutory criteria. The Commission has consulted the Government Actuary. This determination establishes a 2:1 ratio of subsidy to contribution which lies in the upper quartile of subsidy ratios in the private sector. It also establishes 8 percent of an ordinary member's salary as the maximum contribution by Members which will attract the subsidy. The State or "employer" subsidy will be subjected to specified superannuation contribution withholding tax at 33 cents in the dollar.