



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

SUPERANNUATION LEGISLATION AMENDMENT (SUPERANNUATION SAFETY AND OTHER MEASURES) BILL 2005

Second Reading

SPEECH

Thursday, 7 September 2006

BY AUTHORITY OF THE SENATE

SPEECH

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Questioner
Speaker Murray, Sen Andrew

Source Senate
Proof No
Responder
Question No.

Senator MURRAY (Western Australia) (12.49 pm)—The Superannuation Legislation Amendment (Superannuation Safety and Other Measures) Bill 2005 amends three superannuation acts: the Superannuation Act 1976, governing the operation of the Commonwealth Superannuation Scheme, known as the CSS; the Superannuation Act 1990, governing the operation of the Public Sector Superannuation Scheme, known as the PSS; and the Superannuation Act 2005, applying to both the PSS and the CSS.

The bill comprises three schedules. Schedule 1 makes a number of changes to all three superannuation acts and amends existing legislation such that: board members will be able to participate in board meetings whilst overseas via the use of proxies; the range of people to whom CSS and PSS boards can delegate their powers will be broadened; CSS and PSS boards will be able to require employers to distribute information to their employees as required under the Corporations Act 2001; the new fitness and propriety operating standards under the Superannuation Industry (Supervision) Act 1993 will apply to CSS and PSS board members; and the Minister for Finance and Administration may terminate the appointment of any board member who does not meet the standard. And this of course leads you to ask how that evaluation will be done and how due process will occur.

Schedule 2 amends the Superannuation Act 1976 to allow the CSS board to apply negative crediting rates to CSS member accounts, in effect meaning that the members will bear the investment risk relating to their account balances as appropriate. Schedule 3 includes provisions to rectify the situation where a group of CSS members have received benefits in breach of superannuation laws. The explanatory memorandum states that the bill has no financial implications for the Commonwealth. The bill seems to be amending certain superannuation acts so that the CSS and PSS are brought into line with those standards that generally apply to other funds in the superannuation industry. Consequently, any competitive advantage is removed and, to use that overused phrase, ‘the level playing field’ might be seen to have been created. By broadening the scope of the board members’ delegation powers administrative efficiency may be improved, but of course that is always up to the standard and quality of the people on those boards.

The removal of the restriction and the declaring of negative rates of return will enable a more equitable allocation of investment returns and losses between continuing members and departing members of the CSS. Currently, there is the potential for losses to be borne disproportionately by those members who stay in the CSS. My eye was caught by two items in particular in the *Bills Digest*. On page 7 the *Bills Digest* for this bill says:

Should the proposed changes allowing the declaration of negative crediting rates for the CSS not be passed it is unclear if the current wording of the 1976 Act will cover the new Exit Rate policy of allocating investment earnings and losses. This may have significant consequences for the equity with which the CSS investment earnings, and losses, are allocated in the coming years. The retirement savings of continuing CSS members may be significantly affected if the CSS experiences a large number of exits and also experiences significant investment losses at the same time.

I think that is as close as you will get to an endorsement from the independent library service that this bill is very much needed. The second item was in the concluding comments. Once again, I think this affirms the good policy that lies behind this bill. The *Bills Digest* also says:

If passed, the enduring legacy of this Bill is that the provisions of the SIS Act, relating to the fitness and propriety of superannuation trustees and licences will apply to the CSS and PSS boards. This brings the prudential supervision of these funds further into line with arrangements applying to other Australian superannuation funds and schemes.

That too endorses the policy of this bill. The Australian Democrats do support the bill. We think it is an appropriate bill for the needs. We note the remarks of Senator Stephens, representing the shadow minister. We think that the broad intent of Labor’s second reading amendment is such that it should be supported.