

SALARIES AND ALLOWANCES ACT 1975

Variation of a Determination made by the Salaries and Allowances Tribunal pursuant to Section 6A of the Salaries and Allowances Act 1975 (as amended).

It is notified for general information that the Determination of the Salaries and Allowances Tribunal published in the Government Gazette No 20 dated 27 February, 1987 is varied with effect from 1 January, 1988 as follows:-

SECTION 5 COMMUTATION FIGURE

In December 1987 amendments were made to the Parliamentary Superannuation Act and the Salaries and Allowances Act wherein the Tribunal was given the jurisdiction to determine the commutation figure to be used when calculating lump sum payments in lieu of annual pensions.

The Tribunal in conducting a review encompassing the area dealing with the commutation figure, found that improvements could be made which, in the long term, would benefit the State in terms of a reduced liability to the Parliamentary Superannuation Fund. As a result of this, the Tribunal sought a further amendment to the Salaries and Allowances Act and the Parliamentary Superannuation Act that would enable it to determine a variable commutation figure.

Parliamentary superannuation cannot be validly compared with any other form of Public Sector superannuation. Members are required to contribute 12.5 per cent of their salary to the Fund, a figure upward of two and one half times that paid in most public sector areas. From this contribution, a member can, provided he or she retains their position in Parliament long enough to qualify, receive a pension that varies between 46 and 75 per cent of final salary. At present when a member elects to commute a pension, then the lump sum entitlement is 12 times the members final pension entitlement. The commutation figure can vary between 5.5 and 9 times the members final salary depending upon his or her length of service.

In recent times approaches have been received from the Trustees of the Parliamentary Superannuation fund for a general increase in the commutation figure from 12 to 14. Whilst such a change has actuarial support, the Tribunal is of the opinion that the present figure of 12 at age 65 is equitable, both from the members and the States' point of view. The transition in recent times to younger Parliamentary representation will however mean that the liability of the pension scheme, hence the State, will increase considerably, in that members will be able to leave Parliament after 12 years and receive a pension for life.

Whilst younger members leaving Parliament may be forced to commute as a result of financial or other necessity, it can be assumed that, wherever possible, they would elect to receive an annual pension for life due to the ongoing financial advantage this provides. In any situation where a person can choose whether to receive a life pension or a lump sum there must be an incentive involved to attract members to elect to receive a lump sum payment.

It is for this reason that the Tribunal considers that the commutation figure should be established according to the members age at the time of leaving Parliament.

As mentioned previously the Tribunal maintains the current commutation figure of 12 is satisfactory at age 65, however, for each year of age below 65 at the age of retirement or resignation, the Tribunal has determined that the commutation figure is to be increased by .1 per cent up to a maximum of 14.

This we believe will provide the necessary incentive for members to elect for lump sum payments rather than ongoing pensions and in so doing should considerably reduce the ongoing liability to the State.

Dated at Perth this 14th day of July, 1988.

M.F. Beeson CHAIRMAN
A.W. Bradshaw MEMBER
R.H.C. Turner MEMBER
SALARIES AND ALLOWANCES TRIBUNAL

DETERMINATION

The Tribunals determination dated 25 February, 1987 is amended with effect from 1 January, 1988 by adding after Section 4 the following Section.

SECTION 5 COMMUTATION FIGURE

The basis to be used for calculating the commutation figure for the purposes of Section 16 (2) (a) of the Parliamentary Superannuation Act, for those persons who are eligible to receive a pension.

- (a) For that class of persons aged between 45 and 65 at the date of their cessation of membership.

(i)
$$CF = 12 + \frac{(65 - A)}{10}$$

where CF is the commutation figure to be determined.
A is the members age as at the date of their cessation of membership.

- (b) For that class of persons 45 years of age or less as at date of their cessation of membership the commutation figure shall be 14.

Dated at Perth this 14th day of July 1988.

M.F. Beeson CHAIRMAN
A.W. Bradshaw MEMBER
R.H.C. Turner MEMBER