

Papua New Guinea (Staffing Assistance) (Superannuation) Amendment Regulations 2001 (No. 1) 2001 No. 309

EXPLANATORY STATEMENT

STATUTORY RULES 2001 No. 309

Issued by the authority of the Minister for Finance and Administration

Papua New Guinea (Staffing Assistance) Act 1973

Papua New Guinea (Staffing Assistance) (Superannuation) Amendment Regulations 2001 (No. 1)

Section 65 of the *Papua New Guinea (Staffing Assistance) Act 1973* (the Act) provides that the Governor-General may make regulations, not inconsistent with the Act, prescribing all matters that by the Act are required or permitted to be prescribed or to be provided for by regulation, or that are necessary or convenient to be prescribed for giving effect to the Act.

Section 38 of the Act provides that regulations may be made for superannuation purposes, including in relation to payments to be made by the Commonwealth to and in relation to persons eligible for benefits payable under the regulations. Regulations made pursuant to section 38 of the Act are contained in the Papua New Guinea (Staffing Assistance) (Superannuation) Regulations 1973 (the Principal Regulations).

The Papua New Guinea Superannuation Fund (the Fund) was established in 1951 under the Superannuation (Papua and New Guinea) Ordinance 1951 to provide benefits to those career employees in the Public Service in Papua New Guinea. On 1 December 1973, the Fund was brought within the ambit of the Act. On Papua New Guinea attaining independence, a decision was made to wind up the Australian Staffing Assistance Group, which was the Australian Employing Authority for the majority of contributors, on 30 June 1976. As such, the Papua New Guinea Superannuation Fund went out of existence on 30 June 1976 and all benefit payments in relation to former contributors to the Fund commenced to be paid by the Commonwealth. Only pension benefits are being paid under the Papua New Guinea superannuation arrangements. Currently, there are around 400 pensioners receiving benefits under these arrangements.

Superannuation pensions payable under the Principal Regulations are currently indexed in the same way as Commonwealth civilian pensions paid from the *Superannuation Act 1922* (1922 Act), the *Superannuation Act 1976* (1976 Act) and the Public Sector Superannuation Scheme (PSS) Rules under the *Superannuation Act 1990* (1990 Act). Under current arrangements, these pensions may be increased annually in July each year where there has been an upward movement in the Consumer Price Index (CPI) over the 12 month period preceding the March quarter of that year. Pensions are not reduced when there is a decrease in the CPI, however, that decrease will be offset against the next or subsequent increase in calculating the indexation amount.

The purpose of the Regulations is to amend the Principal Regulations to provide that, from January 2002, pensions payable to former Papua New Guinea Superannuation Fund contributors may be increased twice yearly in January and July of every year in line with other Commonwealth superannuation pension payments. The pensions will be increased where, after any offsets, there has been a half yearly increase in the CPI as measured at the previous September or March quarter respectively.

The amendments included in the Regulations are consistent with changes to the 1922 Act, the 1976 Act and the PSS Rules for twice yearly CPI pension indexation from January 2002. The Regulations will ensure that pension entitlements for former contributors of the Papua New

Guinea Superannuation Fund continue to be indexed in the same manner as other Commonwealth superannuation pension entitlements.

Details of the Regulations are explained in the Attachment.

The Regulations commence on gazettal.

ATTACHMENT

PAPUA NEW GUINEA (STAFFING ASSISTANCE) (SUPERANNUATION) AMENDMENT REGULATIONS 2001 (No. 1)

Regulation 1

Regulation 1 provides that the Regulations are called the *Papua New Guinea (Staffing Assistance) (Superannuation) Amendment Regulations 2001 (No. 1)*.

Regulation 2

Regulation 2 provides that the Regulations commence on gazettal.

Regulation 3

Regulation 3 provides that Schedule 1 of the Regulations amends the Papua New Guinea (Staffing Assistance) (Superannuation) Regulations (the Principal Regulations).

Regulation 4

Regulation 4 applies the amendments and repeals made by Schedule 1 for the purposes of working out increases for the half year beginning on 1 January 2002 and subsequent half years as well as any other related purpose.

The Regulation also provides, to put the matter beyond doubt, that the amendments and repeals made by Schedule 1 do not affect any increases in the amount of the annual pension arising from the amended or repealed provisions prior to 1 January 2002.

Schedule 1

The Principal Regulations provided superannuation arrangements to employees who were in the Public Service in Papua New Guinea and contributed to the Papua New Guinea Superannuation Fund. Following the independence of Papua New Guinea, that Fund went out of existence on 30 June 1976. The Principal Regulations continue to provide for the payment of pensions to former contributors of the Fund and their reversionary beneficiaries. Part X of the Principal Regulations provided pension increases for years 1973 to 1975 and Part XB has provided for annual pension increases on and after 1 July 1976.

The Principal Regulations are being amended to provide for twice yearly indexation of pensions payable under those Regulations from January 2002. The method of indexation will not change but will be applied in January or July of every year where there has been an increase, adjusted for any offsets for previous decreases in the Consumer Price Index (CPI), in the half yearly CPI as measured in the previous March or September quarter respectively.

Item 1 - Amendment to Regulation 1 of the Principal Regulations

Item 1 makes a minor amendment to Regulation 1 of the Principal Regulations to specify the name of the Principal Regulations rather than the citation of those Regulations as currently the case.

Item 2 - Repeal of redundant Part

Item 2 repeals Part X of the Principal Regulations which provided for annual pension increases from years 1973 to 1975 because this Part does not have any future application. However, the

repealed Part is saved (see Regulation 4) in order to protect pension increases already paid under the Part.

Items 3 to 19 - Amendments to Part XA

The Part currently provides for an increase in pensions payable under the Principal Regulations to be paid on the first payday in July. The pension increase will be paid where the CPI measured in the March quarter is higher than the highest of any index measured in a previous March quarter since 1985. The CPI used since 1985 is the all groups CPI number for the weighted average of the 8 capital cities.

Item 3 repeals the heading of Part XA and substitutes a new heading to provide that the Part provides for pension increases on and after 1 January 2002. However, there are saving provisions (see Regulation 4) which will protect pensions increases provided prior to 1 January 2002.

Regulation 111A of the Principal Regulations deals with definitions of terms specified in Part XA. Items 4 to 6 amend sub-regulation 111A(1) by inserting new definitions of 'first quarter', 'half-year' and 'prescribed half-year' and repealing the definition of 'prescribed year' in subregulation 111A(1). These amendments are necessary to ensure that Part XA provides for twice yearly indexation of pensions instead of the current annual indexation.

Sub-regulation 111A(2) of the Principal Regulations currently provides that, where a CPI number has been published in a particular March quarter and at a later date a new number is substituted for that quarter, the new number is to be disregarded. Item 7 amends the subregulation to ensure that this applies in respect of a particular March or September quarter instead of the March quarter only.

Regulation 111B of the Principal Regulations provides the method of calculating whether or not an increase is payable to the pension and, if so, the prescribed percentage that would apply to that pension. Sub-regulations 111B (1), (2) and (3) currently provides that the prescribed percentage is calculated by comparing the CPI in the March quarter with the highest previous March quarter. Where there has been an increase, a person in receipt of pension under the Principal Regulations is entitled to an increase in that pension. The indexation method described under Regulation 111B ensures that where there is a decrease in the CPI, the pension is not reduced but is offset with the next or subsequent CPI increases.

Items 8, 9, 10, 11 and 12 amends sub-regulations 111B (1), (2) and (3) of the Principal Regulations to provide that the prescribed percentage of increase to the pension can be established over a half-year rather than a full year. This will arise by comparing the CPI in either the March or September quarter, whichever is the first quarter of the half year prior to the prescribed half-year, with the previous highest March or September quarter. The arrangements applying to CPI decreases will continue to apply.

Regulation 111C of the Principal Regulations provides for a pro-rata reduction in the pension increase payable at the beginning of a financial year where a pension has commenced to be paid during the previous year. The pro-rata is applied on a monthly basis and, where a pension has commenced during a month, if it has been paid for at least half the month, that month is counted for the purposes of the pro-rata. Therefore where a pension has commenced to be paid after 16 June no increase is payable.

Items 13 and 16 make the necessary changes to sub-regulations 111C(1), (2), (3) and (4) to apply the same principles for pro-rata reduction of pension increases to the half-yearly indexation. Therefore, if the pension commenced to be paid after 15 June or 15 December in the relevant half-year no pension increase is payable. These Items also repeal references to the redundant Regulation 96 in these sub-regulations (see Items 14 and 15).

Paragraph 111C(1)(c) of the Principal Regulations relate to the pro-rata reduction in pension increases for pensions payable in accordance with Regulation 96 of the Principal Regulations. However, Regulation 96 was repealed in 1977 (by Statutory Rule No 65 of 1977). Therefore, **Items 14 and 15** make an amendment to sub-paragraph 111C(1)(b)(ii) and repeals paragraph 111C(1)(c) to take into account the redundant Regulation 96.

Item 17 repeals references to Part X in Regulation 111D of the Principal Regulations as a consequence of the repeal of Part X (see Item 2).

Regulation 111E of the Principal Regulations provides that, generally, a pension increase payable under this Part takes effect from the first pension payday after 30 June. **Item 18** amends Regulation 111E to ensure that half-yearly increases become payable on the first pension payday after 30 June or 31 December in the relevant half year.

Item 19 repeals Regulations 111EA and 111EB of the Principal Regulations as they are no longer operative provisions.