

**Superannuation (Productivity Benefit) 1994-1995 First Interest Factor Declaration 1994 No. 209**

**EXPLANATORY STATEMENT**

**STATUTORY RULES 1994 No. 209**

SUPERANNUATION (PRODUCTIVITY BENEFIT) ACT 1988

ISSUED BY THE AUTHORITY OF THE MINISTER FOR FINANCE

DECLARATION UNDER SECTION 3E (1) (a)

**FIRST INTEREST FACTOR**

The Superannuation (Productivity Benefit) Act 1988 (the Act) provides the mechanism by which productivity superannuation is made available to Australian Government employees who have no other employer sponsored superannuation coverage.

From 1 July 1990 the designated employers of such employees are required to pay to either the superannuation fund nominated by the Minister for Finance, or another superannuation fund approved by the Minister, periodic contributions based on the salary of the employee.

Employers are required to pay to the same fund, on a once only basis, an amount being the entitlement accrued under the then Superannuation Benefit (Interim Arrangement) Act 1988 and an amount in respect of contributions which would have been paid after 1 July 1990 had the employee joined a fund on that date. The employer is required to pay extra amounts as interest on any contributions which are not made.

Paragraph 3E (1) (a) of the Act requires the Minister to declare before each financial year "the factor ascertained using a specified formula that is to be the declared first interest factor for that year". Subsection 3 (E) (2) of the Act provides that the formula "is to involve the use of a rate specified in the Declaration" and "may contain a variable that depends on the period, or another aspect, of the employment of the person in relation to whom the factor is to apply".

The first interest factor is used in subsection 8A (2) of the Act to determine the amount that is to accrue during all or part of a financial year on amounts which should have been paid to a superannuation fund as contributions in that year.

The declaration specifies that the rate to be used in the formula for the 1994-95 year is 0.0845, which is the rate expressed as a decimal per annum that is the estimated closing yield last published before 1 June 1994 in respect of 10-year non-rebate Treasury Bonds.

The effect of the formula is to accrue interest in a manner similar to that which would have applied if the contributions had been paid into a fund in regular payments throughout the year. The formula provides for interest to accrue on a daily basis on each amount which should have been paid (but was not) to a fund during the period 1 July 1994 to 30 June 1995 at half the rate set out in the declaration. The halving of the interest rate recognises that the full interest rate only applies for a full year, and applies for progressively shorter periods to monies which would have been payable later in the year. The rate would apply for zero days to amounts payable on the last day of the financial year.

The Declaration commences on 1 July 1994.