

NATIONAL PROVIDENT FUND AMENDMENT BILL.

EXPLANATORY MEMORANDUM.

THE main purpose of this Bill is to remove certain difficulties that have arisen in the administration of those provisions of the National Provident Fund Act, 1926, which confer authority for the establishment of superannuation schemes for local authorities.

Under section 34 of the said Act, a local authority is empowered to elect to increase or to reduce its contributions so as to provide for increased or reduced rates of pensions, as the case may be. These provisions obviously contemplate the existence of a pension-scheme with specified rates of pension, and some difficulty arises in their application to schemes that do not provide for specified rates of pension, but leave the rate of pension in any case to be computed, on the retirement of the person concerned from the service of the local authority, by reference to his length of service and the rate of his salary. Clauses 2 and 3 of the Bill make the following express provisions with reference to the pension-schemes of local authorities :—

Clause 2, subclause (1), defines the term "pension-scheme."

Clause 2, subclause (2), expressly negatives the suggestion that the provisions of section 34 of the principal Act can be rendered inoperative by the terms and conditions of a pension-scheme imposed by the National Provident Fund Board and agreed to by a contracting local authority.

Clause 2, subclause (3) : The provisions of this subclause have been rendered necessary by the fact that in certain pension-schemes provision is made to the effect that pensions are to be based on commencing rates of salary or wages or on increased rates, overlooking the possibility of a general reduction of salaries or wages. The subclause provides that in any such case the pension payable on retirement shall be computed by reference to the rate of salary or wages on which, three years before retirement from service, contributions to the fund have been paid.

Clause 2, subclause (4), makes special provision enabling a local authority to continue to contribute on behalf of individual members of its staff as if a reduction of their salaries or wages had not been made. The right here conferred with respect to officers of local authorities corresponds to the right given to Government servants by section 8 of the Finance Act, 1931.

Clause 3, subclause (1), expressly applies the provisions of section 34 of the principal Act to pension-schemes where the rates of pensions are not specified but are left to be computed, on retirement, by reference to length of service and the rate of salary or wages. By such a scheme, rates of pensions are automatically increased or reduced by increases or reductions in salaries or wages, and the clause provides that in such cases an increase or reduction of salary or wages shall itself be regarded as an election to increase or reduce pensions.

The effect of the amendment proposed in paragraph (a) of subclause (3) is to apply the provisions of section 28 of the principal Act, as to the application of excess contributions, instead of the provisions of section 13 (6) thereof. Paragraph (b) of subclause (3) is a restriction upon the application of section 28, and provides that where reductions in pension-rates are due to a general reduction in salaries or wages, excess contributions to the Fund shall be applied towards future contributions instead of being refunded.

Clauses 4 and 5 do not relate specially to local authorities. Clause 4 is intended to give to the Board a discretion in the matter of stale claims for incapacity allowances or for maternity benefits. Clause 5 empowers the Board, in dealing with applications for allowances for incapacity resulting from personal injury or illness, to dispense with the condition that no allowance shall be payable in respect of the first three months of incapacity, in cases where the incapacity claimed for follows by not more than six months a former period of incapacity for which an allowance was paid.

Hon. Mr. Donald.

NATIONAL PROVIDENT FUND AMENDMENT.

ANALYSIS.	
Title.	
1. Short Title.	
2. As to computation of pensions payable under principal Act to persons employed by local authority.	pension-rates. Section 34 of principal Act amended.
3. Application of section 34 of principal Act to pension-schemes that provide for unspecified	4. Limitation of time within which application may be made for payment of special benefits out of Fund.
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A BILL INTITULED

AN ACT to amend the National Provident Fund Act, 1926.

Title.

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows :—

1. This Act may be cited as the National Provident Fund Amendment Act, 1931, and shall be read together with and deemed part of the National Provident Fund Act, 1926 (hereinafter referred to as the principal Act).

Short Title.

2. (1) In this and the next succeeding section the term "pension-scheme" includes all the terms and conditions subject to which a local authority has heretofore become or hereafter becomes a contributor to the Fund pursuant to section twenty-five of the principal Act.

As to computation of pensions payable under principal Act to persons employed by local authority.

(2) The right conferred by section thirty-four of the principal Act on a local authority being a contributor to the Fund to reduce its contributions so as to provide for a reduced rate of pension for any person or persons in its service shall not be or be deemed to have been limited by any of the terms and conditions of the pension-scheme.

(3) Where by the terms and conditions of a pension-scheme provision is made for the computation of the pension of any person by reference to the rate of his salary or wages at the date when the local authority becomes a contributor to the Fund on his behalf (hereinafter referred to as the commencing rate), or by reference to any increased rate of salary or wages which he may thereafter become entitled to receive, such terms and conditions shall be read as making provision for the computation of such pension by reference to the rate of salary or wages on which the contributions payable to the Fund in respect thereof are based on a date three years prior to the commencement of the pension, notwithstanding that such rate may be less than the commencing rate or any rate subsequent thereto.

(4) Where a local authority is a contributor to the Fund in respect of any person in its service, on terms which provide for the computation of his pension by reference to the rate of his salary or wages at some point of time during his period of service, then, notwithstanding that (whether before or after the passing of this Act) there may have been a reduction in the rate of his salary or wages, the local authority may elect to continue to contribute as if there had been no such reduction, and in such case the pension, when payable, shall be computed as if the rate of salary or wages had not been reduced, and the local authority may continue to make deductions from the salary or wages, under the authority of section twenty-seven of the principal Act, as if there had been no such reduction. 5

Application of section 34 of principal Act to pension-schemes that provide for unspecified pension-rates.

3. (1) Where by the terms and conditions of a pension-scheme as defined in the *last preceding* section, provision is made for the payment of pensions at unspecified rates (the rate of pension payable to any person on his retirement from the service of a local authority being ascertained in any such case by reference to his length of service and the rate of his salary or wages at some point of time during his period of service), every increase or reduction by the local authority of the salary or wages of any person in its service, made at any time earlier than three years before his retirement, shall for the purposes of section thirty-four of the principal Act be deemed to constitute an election by the local authority to increase or reduce its contributions, as the case may be, so as to provide for an increased or reduced rate of pension for such person : 15

Provided that nothing herein shall be construed to limit the provisions of subsection *four* of the *last preceding* section. 20

(2) Subject to the foregoing provisions of this section, section thirty-four of the principal Act shall apply, and be deemed at all times heretofore to have applied, to cases where a pension-scheme provides for the payment of pensions at unspecified rates in the same manner as it applies to cases where the rates of pensions are specified in the pension-scheme. 25

Section 34 of principal Act amended.

(3) The said section thirty-four of the principal Act is hereby amended as follows :—

(a) By omitting from subsection one the words “and thereupon the provisions of subsections four to six of section thirteen hereof shall, so far as applicable, apply” : 35

(b) By adding to subsection three the following proviso :—

“Provided that in the event of a general reduction in salaries or wages, as hereinbefore referred to, contributions paid in excess of the reduced rate as aforesaid in respect of any person shall be applied towards the payment of future contributions, and the amount which such person would have been entitled to receive if a refund were made under section twenty-eight hereof shall be deemed to have been deducted from his salary or wages in respect of such future contributions. In computing such amount no account shall be taken of any benefits that such person may theretofore have received from the Fund.” 40

Limitation of time within which application may be made for payment of special benefits out of Fund.

4. The Board may in its discretion refuse to receive any application under section seventeen of the principal Act for an allowance from the Fund in respect of any period of incapacity earlier than twelve months before the date of such application, and may also refuse to receive any 50

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application under section nineteen or section forty-three of the said Act for payment from the Fund in respect of the birth of any child unless such application is made within twelve months after the date of birth, or, in the case of a child born before the passing of this Act, within
5 twelve months after the passing of this Act.

5. Section seventeen of the principal Act is hereby amended by adding to subsection five the following proviso:—

Section 17
of principal Act
amended.

10 “Provided that the Board may in its discretion reduce or wholly dispense with any period of three months referred to in this subsection if it is satisfied that the incapacity in respect of which an allowance is claimed has resulted from an illness or personal injury for which an allowance from the Fund has within six months theretofore been paid.”