

SUPERANNUATION AMENDMENT BILL

EXPLANATORY NOTE

THIS Bill amends the Superannuation Act 1956.

Clause 1 relates to the Short Title and commencement. Part I (relating to superannuation of members of the Armed Forces) is deemed to have come into force on the 20th day of April 1972. Part II (miscellaneous amendments) will come into force on 19 April 1973.

PART I

SUPERANNUATION OF MEMBERS OF THE ARMED FORCES

This Part makes provision for a special cost of living adjustment scheme for permanent members of the regular forces who are contributors to the Government Superannuation Fund.

In order to qualify for such an adjustment, contributors will be required to pay 0.7 percent of their salary in addition to the contributions required under the cost of living adjustment scheme provided in the Superannuation Amendment Act 1969. Provision is made for members who were contributors before the commencement of the Act to opt out of the scheme and for members serving on 20 April 1972 who had opted out of the 1969 scheme to elect to participate in the new scheme.

Clause 2 inserts a new section 63A in the principal Act fixing the rate of contributions to be paid by permanent members of the regular forces in order to participate in the special cost of living adjustment scheme. These rates are 0.7 percent higher than those fixed by the Superannuation Amendment Act 1969 in respect of the cost of living scheme provided by that Act (in this note referred to as the 1969 scheme).

Persons becoming permanent members of the regular forces on or after 20 April 1972 will be required to contribute at the rate fixed by the new section 63A. Members who were contributors on 19 April 1972 will have the following options:

- (a) Members who were contributors under the 1969 scheme will have the option—
 - (i) To transfer to the new scheme, subject to payment of increased contributions from the date of introduction of the scheme.

- (ii) To remain in the 1969 scheme.
 - (iii) To revert to the original scheme in force before the introduction of the 1969 scheme, with a refund of excess contributions paid and a cancellation of all adjustment benefits.
- (b) Members who had remained contributors under the scheme in force before the introduction of the 1969 scheme may elect to transfer to the new scheme subject to payment of arrears of contributions.

Members who retired before 20 April 1972 and who had not elected to opt out of the 1969 scheme will automatically come under the new scheme.

Clause 3 inserts a new section 66A in the principal Act providing that if any person transfers into the special armed forces scheme his contributory service otherwise than as a permanent member of the regular forces, he must pay an additional contribution of 0.7 percent of his salary (plus interest) from the date of the commencement of his contributory service otherwise than as a member or from 20 April 1972, whichever is the later.

This does not apply in the case of a person who has opted out of the 1969 scheme or has opted out of a corresponding scheme under the National Provident Fund Act 1950.

Clause 4 inserts a new section 70A in the principal Act providing that where any person who has been contributing under the special armed forces scheme ceases to be a member of the armed forces and transfers his contributory service to the general scheme under Part II of the principal Act, he is to receive a refund of the additional 0.7 percent of his salary that he contributed to the armed forces scheme.

Clause 5 amends section 5 of the Superannuation Amendment Act 1969, relating to the percentage of annual cost of living adjustments under the 1969 scheme.

The effect of this clause is as follows:

- (a) Members who were contributors on 19 April 1972 and who transfer to the new special scheme will have the date of their initial adjustment determined under the 1969 scheme, and the amount of the initial adjustment and subsequent adjustments calculated on the basis that their date of qualification is the date of their retirement.

Any contributor who elects to remain under the 1969 scheme will have his initial and subsequent adjustments calculated in accordance with that scheme. Contributors who have elected to revert to the scheme in force before the introduction of the 1969 scheme and who do not elect to transfer to the new special scheme will not be entitled to any adjustments.

- (b) Widows of deceased members will be entitled to cost of living adjustments as follows:

(i) In the case of the widow of a contributor who has contributed under the new special scheme or who has died before 20 April 1972 and had not elected to opt out of the 1969 scheme, the date of her initial adjustment will be determined in accordance with the 1969 scheme and her initial and subsequent adjustments will be calculated on the basis that the date of qualification is the date of the deceased contributor's retirement or the date of his death if he had not retired, but this notional date will not be earlier than 31 March 1956 or the date of the widow's 37th birthday.

This notional date will not apply where the allowance of the retired contributor on which the widow's annuity is based already includes adjustments in respect of any period since his retirement.

(ii) In the case of the widow of a contributor who has elected to remain under the 1969 scheme, her annuity will be subject to adjustment in accordance with that scheme.

(iii) In the case of the widow of a contributor who has elected to revert to the scheme in force before the introduction of the 1969 scheme and who has not elected to transfer to the new special scheme, her annuity will not be subject to adjustment.

PART II

MISCELLANEOUS AMENDMENTS

Clause 6 increases, as from 19 April 1973, the minimum rate of widows' and dependent widowers' annuities from \$260 per annum to \$390 per annum, including such annuities payable under the parliamentary superannuation scheme.

The effect of *subclauses (4) and (5)* is to increase to \$390 all annuities which would be less than that amount as at 19 April 1973.

Subclause (6) makes the \$390 per annum the basic allowance for the purpose of adjustments after 19 April 1973.

Clause 7 increases, as from 19 April 1973, the ceiling on the aggregate cost of living adjustment to basic allowances under section 8 of the Superannuation Amendment Act 1969. The present rate of \$585.64 per annum is increased to \$699.60 as from that date, and that last-mentioned amount is to be increased as if compound interest at the rate of 15 percent per annum had been added in the case of subsequent adjustments.

Hon. Mr Muldoon

SUPERANNUATION AMENDMENT

ANALYSIS

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A BILL INTITULED

An Act to amend the Superannuation Act 1956

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

1. Short Title and commencement—(1) This Act may be cited as the Superannuation Amendment Act 1972, and shall be read together with and deemed part of the Superannuation Act 1956* (hereinafter referred to as the principal Act).

*Reprinted 1965, Vol. 3, p. 2141

Amendments: 1966, No. 88; 1967, No. 141; 1968, No. 109; 1969, No. 38; 1970, No. 116; 1971, No. 134

(2) Part I of this Act shall be deemed to have come into force on the 20th day of April 1972.

(3) Part II of this Act shall come into force on the 19th day of April 1973.

PART I

5

SUPERANNUATION OF MEMBERS OF THE ARMED FORCES

2. Rates of contribution to the Fund by permanent members of the regular forces—(1) The principal Act is hereby amended by inserting, after section 63, the following section:

“63A. (1) Notwithstanding anything to the contrary in section 29 of this Act, the contribution to be made on and after the 20th day of April 1972 by a permanent member of the regular forces shall be the following percentage of his salary as the salary becomes payable from time to time:

“(a) 6.7 percent if his age does not exceed 30 years at the commencement of his contributory service: 15

“(b) 7.7 percent if his age then exceeds 30 years but does not exceed 35 years:

“(c) 8.7 percent if his age then exceeds 35 years but does not exceed 40 years: 20

“(d) 9.7 percent if his age then exceeds 40 years but does not exceed 45 years:

“(e) 10.7 percent if his age then exceeds 45 years but does not exceed 50 years:

“(f) 11.7 percent if his age then exceeds 50 years: 25

“Provided that any permanent member who on the 19th day of April 1972 was subject to the provisions of paragraph (a) of subsection (1) of section 29 of this Act (as substituted by section 2 of the Superannuation Amendment Act 1969) may elect to remain subject to the provisions of that paragraph; and, where any such permanent member so elects, any retiring allowance payable to that member, and any annuity payable to the widow or dependent widower of that member, in respect of his current period of contributory service shall be computed and paid as if Part I of the Superannuation Amendment Act 1972 had not been enacted: 35

“Provided also that where any permanent member has at any time, whether before or after the commencement of this section, made an election under subsection (4) of section 2 of the Superannuation Amendment Act 1969 (not being a person who has revoked such an election under section 4 of the Superannuation Amendment Act 1970 or subsection (3)

of this section), that member shall be subject to the provisions of subsection (5) of section 2 of the Superannuation Amendment Act 1969 (as amended by section 2 (2) of the Superannuation Amendment Act 1972.)

5 “(2) Notwithstanding any time limit for elections fixed by subsection (4) of section 2 of the Superannuation Amendment Act 1969, any person who was a permanent member of the regular forces on the 19th day of April 1972 may make an election in terms of the said subsection (4), and, if he so elects,
10 he shall be entitled to a refund of an amount equal to the difference between his actual contributions and the contributions he would have paid if he had previously made an election under that subsection.

“ (3) Notwithstanding the provisions of subsection (6) of
15 section 2 of the Superannuation Amendment Act 1969 (as added by section 4 of the Superannuation Amendment Act 1970), any person who was a permanent member of the regular forces on the 19th day of April 1972, and who has made an election under subsection (4) of the said section 2, may
20 elect to revoke that election, and, upon that election being revoked, he shall be required to contribute the amount by which his actual contributions have been less than the contributions which would have been payable had he not made an election under the said subsection (4), together with compound
25 interest at such rate and calculated in such manner as the Board may determine.

“ (4) Every election under this section shall be made in writing delivered to the Superintendent before the 1st day of December 1972 or before such later date as the Board may
30 determine in any particular case or class of cases.”

“ (2) Section 2 of the Superannuation Amendment Act 1969 is hereby amended by inserting in paragraph (b) of subsection (5), after the word “Act”, the words “and the Superannuation Amendment Act 1972”.

35 **3. Contributions under special armed forces scheme by member with previous contributory service otherwise than in armed forces**—The principal Act is hereby further amended by inserting, after section 66, the following section:

“66A. Where any permanent member of the regular forces
40 counts under section 66 of this Act any previous period of contributory service otherwise than as such a permanent member, he shall be required in respect of any such previous period or part thereof on or after the 20th day of April 1972

to contribute the amount by which his actual contributions have been less than the contributions which would have been payable had he contributed a percentage of salary determined under subsection (1) of section 63A of this Act, together with compound interest at such rate and calculated in such manner as the Board may from time to time determine: 5

“Provided that the provisions of this section shall not apply in the case of any person who, pursuant to an election under subsection (4) of section 2 of the Superannuation Amendment Act 1969, is subject to the provisions of subsection (5) 10 of that section:

“Provided also that where any person counts under the said section 66 any previous period of service under the National Provident Fund Act 1950 and that person has made an election under the provisions of a scheme prepared under the provisions of that Act, being an election which in the opinion of the Board is comparable in its effects to an election under subsection (4) of section 2 of the Superannuation Amendment Act 1969, he shall for the purposes of this section be deemed to be subject to the provisions of the said subsection (5).” 15 20

4. Contributor to special armed forces scheme entering Government service—The principal Act is hereby further amended by inserting, after section 70, the following section: 25

“70A. (1) Where any person ceasing to be a permanent member of the regular forces elects under paragraph (a) of subsection (1) of section 70 of this Act to become a contributor under Part II of this Act or elects under paragraph (b) of the said subsection (1) to continue as a contributor to the Fund, his rate of contribution payable in respect of his service after his ceasing to be such a permanent member shall be the appropriate rate payable under the said Part II, having regard to his age at the commencement of his contributory service. 30

“(2) Where any such person, being a person who immediately before ceasing to be a permanent member was contributing a percentage of salary determined under subsection (1) of section 63A of this Act, makes any such election under paragraph (a) of subsection (1) of section 70 of this Act, he shall be entitled to a refund of an amount equal to the difference between his actual contributions as a permanent member and the contributions he would have paid if the said subsection (1) of section 63A and section 66A of this Act had not been enacted.” 35 40

5 **5. Percentage of annual adjustment**—Section 5 of the Superannuation Amendment Act 1969 is hereby amended by inserting, after subsection (1), the following subsections:

5 “(1A) For the purpose of determining the aggregate percentage of increase to be applied on or after the 20th day of April 1972 to any allowance payable under section 68 or section 69 of the principal Act, the beneficiary’s date of qualification and qualifying year shall be determined under section 7 of this Act as if the date of qualification were the later of—

10 “(a) The day immediately preceding the date on which the first instalment of the retiring allowance was or will be payable; or

“(b) The 31st day of March 1956.

15 “(1B) For the purpose of determining the aggregate percentage of increase to be applied on or after the 20th day of April 1972 to any annuity payable under section 45 or section 46 of the principal Act to the widow or dependent widower of any person who at the date of his death or retirement was a permanent member of the regular forces (as defined in section 62 (1) of that Act), the beneficiary’s date of qualification and qualifying year shall be determined under section 7 of this Act as if the date of qualification were determined as follows:

25 “(a) Where the deceased contributor dies or has died before becoming entitled to a retiring allowance, the latest of—

“(i) The day immediately preceding the date on which the first instalment of the annuity was or will be payable; or

30 “(ii) The thirty-seventh anniversary of the beneficiary’s birth; or

“(iii) The 31st day of March 1956:

35 “(b) Where the deceased contributor dies or has died after becoming entitled to a retiring allowance, the latest of—

“(i) The day immediately preceding the date on which the first instalment of the retiring allowance was or will be payable; or

40 “(ii) The thirty-seventh anniversary of the beneficiary’s birth; or

“(iii) The 31st day of March 1956:

45 “Provided that this paragraph shall not apply in any case where the deceased contributor dies or has died on or after the date of the initial adjustment to his retiring allowance, as determined under section 7 of this Act:

“Provided also that in any case where the first proviso to this paragraph applies, the annual amount of any annuity after any annual adjustment on and after the 20th day of April 1972 shall not be less than would have been the case had the deceased contributor’s date of qualification been determined for the purposes of the adjustments prior to his death in accordance with the provisions of subsection (1A) of this section: 5

“Provided further that where the first proviso to this paragraph applies by reason of a decision of the Board, under the proviso to the definition of the expression ‘date of qualification’ in subsection (1) of section 7 of this Act, to fix an earlier date of qualification in respect of the deceased contributor, the annual amount of any annuity after any such annual adjustment shall not be less than if the deceased contributor’s date of qualification had not been so fixed. 10 15

“(1C) Nothing in subsection (1A) or subsection (1B) of this section shall have effect to entitle any contributor or widow or dependent widower to any adjustment to his or her retiring allowance or annuity before the date on which he or she would be entitled to an adjustment if those subsections had not been enacted.” 20 25

PART II

MISCELLANEOUS AMENDMENTS

6. Rates of widows’ and dependent widowers’ annuities—

(1) Section 45 of the principal Act is hereby amended by omitting from subparagraph (i) of paragraph (a) of subsection (1) (as amended by section 7 (1) of the Decimal Currency Act 1964) the words “two hundred and sixty dollars”, and substituting the expression “\$390”. 30

(2) Section 46 of the principal Act is hereby amended by omitting from subparagraph (i) of paragraph (aa) of subsection (1) (as inserted by section 12 (2) of the Superannuation Amendment Act 1962 and amended by section 7 (1) of the Decimal Currency Act 1964) the words “two hundred and sixty dollars”, and substituting the expression “\$390”. 35 40

(3) Section 87 of the principal Act is hereby amended—

(a) By omitting from subparagraph (i) of paragraph (a) of subsection (1) (as substituted by section 11 (2) of

the Superannuation Amendment Act 1961 and amended by section 7 (1) of the Decimal Currency Act 1964) the words "two hundred and sixty dollars", and substituting the expression "\$390":

- 5 (b) By omitting from subparagraph (i) of paragraph (c) of subsection (1) (as substituted by section 16 (2) of the Superannuation Amendment Act 1964 and amended by section 7 (1) of the Decimal Currency Act 1964) the words "two hundred and sixty dollars",
10 and substituting the expression "\$390".

- (4) Subject to subsection (5) of this section, the annuity payable to the widow or dependent widower of any contributor who has died before the commencement of this section shall as
15 accordance with section 45 or, as the case may be, section 46 or section 87 of the principal Act as amended by this section.

- (5) Subsection (4) of this section shall not apply in any case where pursuant to subsection (2) of section 7 of the Superannuation Amendment Act 1969 the initial adjustment to an
20 annuity payable under section 45 or section 46 or section 87 of the principal Act has been made before the commencement of this section or is made on the 19th day of April 1973:

Provided that the annual amount of any such annuity, as determined under the provisions of section 6 of the Superannuation Amendment Act 1969 payable on and after the 19th day
25 of April 1973 until the next annual adjustment shall be increased to \$390 if it would otherwise be less.

- (6) For the purpose of determining under section 5 of the Superannuation Amendment Act 1969 the aggregate percentage of increase to be applied on or after the 18th day of April
30 1974, the beneficiary's date of qualification and qualifying year shall be determined under section 7 of that Act as if the date of qualification were the 31st day of March 1973 in the following cases:

- 35 (a) Where the proviso to subsection (5) of this section applies:

- (b) Where the annual amount of any annuity payable on and after the 19th day of April 1973 under section 45 or section 46 of the principal Act to the widow or
40 dependent widower of any person who at the date of his retirement or death was a permanent member of the Regular Forces (as defined in section 62 (1) of that Act) is increased to \$390 under the provisions of this section:

Provided that in any case where the annual amount of any annuity to be paid on and after the date of any adjustment as determined under section 6 of the Superannuation Amendment Act 1969 to the widow or widower of a permanent member would be greater if this section had not been enacted, that annual amount shall be that greater amount. 5

(7) Nothing in this section shall have effect to entitle any widow or dependent widower to any adjustment to her or his annuity before the date on which she or he would be entitled to an adjustment if this section had not been enacted. 10

7. Limit to amount of annual adjustments—(1) Section 8 of the Superannuation Amendment Act 1969 is hereby amended by omitting from paragraph (c) the words “subsequent adjustments”, and substituting the words “any adjustments to be made in April 1971 and April 1972”. 15

(2) Section 8 of the Superannuation Amendment Act 1969 is hereby further amended by adding the following paragraphs:

“(d) Six hundred and ninety-nine dollars and sixty cents in respect of any adjustment to be made in April 1973: 20

“(e) The last mentioned amount, increased as if compound interest at the rate of 15 percent per annum had been added in respect of subsequent adjustments.”