

PARLIAMENTARY PENSION SCHEME

Western Australia

Explanatory Booklet

Parliamentary Superannuation Arrangements in Western Australia

The *Parliamentary Superannuation Act 1970* (the Act) is the governing legislation for the superannuation arrangements of Members of Parliament in Western Australia.

Provision of written and verbal advice to Members

Contributions required to be paid by Members to the PPS are paid into the Consolidated Account. In turn, all PPS benefit and scheme administration costs are met from the Consolidated Account.

Contribution Rate for Members

Members of Parliament eligible for membership of the PPS must pay a compulsory contribution of 12.5% of their salary in the first 20 years of service.

Salary for contributions purposes = Basic Salary + Higher Office Allowance

After 20 years service the PPS member contribution rate reduces to 6.25%.

Contributions are payable from the date a Member takes paid office and can be paid either before-tax through salary packaging (see below) or from after-tax salary.

Salary Packaging

Members are able to salary package their contributions to the PPS. Contributions made this

For the purposes of determining whether a Member qualifies for a pension, it is important to understand the differences that exist between the terms of office for Members of the Legislative Assembly and Members of the Legislative Council. These are set out below:

	Legislative Assembly	Legislative Council
Commencement date	Day following election	22 May following election
Cessation dates		

BASIC PENSION Ready Reckoner			
Membership Period (years)	Pension Entitlement (% of base salary)	Membership Period (years)	Pension Entitlement (% of base salary)
7	46.0000	14	61.6156
8	48.2308	15	63.8464
9	50.4616	16	66.0772
10	52.6924	17	68.3080
11	54.9232	18	70.5388
12	57.1540	19	72.7696
13	59.3848	20 or more	75.0000

Higher Office Pension

Members who have held an office of the Parliament or a Ministerial portfolio will receive an additional pension calculated in accordance with the Determination of the Salaries and Allowances Tribunal dated 6 March 1991. This Determination has effect from 1 June 1990 and provides for an additional pension benefit for each year a higher office is held equal to 0.0657 times the amount at retirement of the relevant Higher Office Allowance (i.e. higher office salary less basic salary).

Members are entitled to an additional pension benefit up to a maximum of 0.75 times the relevant Higher Office Allowance (based on the rates of these allowances at retirement).

In cases where a Member holds multiple higher offices, the additional pension is calculated in respect of each individual higher office and then aggregated. However, the aggregated amount cannot exceed 0.75 times the highest Higher Office Allowance associated with an individual office held by a Member.

Example: Calculation of a Higher Office Benefit (using salary rates as at 1 July 2013)

Service period as Member of Parliament	=	20 years
Period as Minister	=	5 years
Period as Government Whip in the Assembly	=	5 years
Age at Retirement	=	60 years
Basic Salary (Back bencher)	=	\$148,638
Minister - Higher Office Allowance	=	\$118,910
Government Whip Assembly – Higher Office Allowance	=	\$26,755

Pension Entitlement:

Basic pension	=	$0.75 \times \$148,638 = \$111,479$
Higher office pension	=	$[5 \times \$118,910, \times 0.0657] = \$39,062$
	+	$[5 \times \$26,755 \times 0.0657] = \$8,759$
	=	$\$39,062 + \$8,789 = \$47,851$
Total Pension	=	$\$111,479 + \$47,851$
	=	$\$159,330 \text{ per annum}$

Lump Sum Option

Members who are entitled to a pension can choose to convert all or part of their pension to a lump sum.

The Act provides that an election to commute an annual pension entitlement to a lump sum payment must be made no later than three months after the date of retirement. This election is once only and is irrevocable.

In the event that a former Member has commenced receipt of a pension and then decides to take the commutation option within the prescribed three month period, then pension

Example:

Below age 65 retirement:

Retiring Age	Conversion Factor
65	12
64	$(12 + 0.1) = 12.1$
60	$(12 + 0.5) = 12.5$
55	$(12 + 1.0) = 13$

Above age 65 retirement:

Retiring Age	Conversion Factor
65	12
66	$12 - (1 \times 0.5) = 11.5$
70	$12 - (5 \times 0.5) = 9.5$
75	$12 - (10 \times 0.5) = 7.0$

To illustrate the calculation of a commuted lump sum benefit, consider a Member who retires at age 65 with a hypothetical total pension entitlement of \$100,000 per annum and elects to commute 50% of their pension.

Pension amount to be commuted	=	$0.50 \times \$100,000 = \$50,000$
Commuted lump sum benefit	=	$\$50,000 \times 12$
	=	$\$600,000$
Residual pension	=	$\$100,000 - \$50,000 = \$50,000 \text{ per annum}$

COMMUTATION Ready Reckoner			
Age at Retirement	Commutation Factor	Age at Retirement	Commutation Factor
45 and below	14.0	58	12.7
46	13.9	59	12.6
47	13.8	60	12.5
48	13.7	61	12.4
49	13.6	62	12.3
50	13.5	63	12.2
51	13.4	64	12.1
52	13.3	65	12.0
53	13.2	66	11.5
54	13.1	67	11.0
55	13.0	68	10.5
56	12.9	69	10.0
57	12.8	70	9.5

Ill Health Retirement

Members who have contributed to the PPS for a minimum of 7 years may retire for health reasons and receive a pension, provided the Board is satisfied that retirement is on ill-health grounds.

Pensions paid in respect of ill health retirements cannot be commuted to a lump sum.

Death and Spouse Benefits

Death benefits are payable to the legal spouse or de facto partner of Members under three possible scenarios:

1. Members who die while holding office

If a Member dies during their term as a Member of Parliament, the legal spouse or de facto partner will be entitled to a pension benefit equal to the greater of:

two thirds of the pension that would have been received had the Member retired on the day of death; or

two thirds of the pension that would have been received if the Member had served for 16 years as a Backbencher (basic Member) and had retired on the day of death.

For Example:

Commutation of Spouse's Pension

The surviving spouse or de facto partner of a Member who dies in office, or of a deceased former Member who was receiving a pension at the time of death, can commute up to 100% of their spouse pension to a lump sum. Any election by the spouse to exercise this commutation option must be made within 6 months of becoming entitled to a spouse's pension.

The commutation factor to convert the spouse pension to a lump sum is 10 where the spouse is aged 65 years or less. This factor reduces for each year over age 65 by 0.5 per year

Example

Age of Spouse	Conversion Factor
65 or less	10.0
66	9.5
67	9.0
70	7.5

Benefit where there are Two Spouses

Under a scenario where a deceased Member dies in office or a former Member in receipt of a pension dies, and they are survived by a legal and a de facto spouse, both spouses would meet the spouse pension qualification criteria under the Act. In these circumstances, the Act provides that the Board will pay the equivalent of one spouse's pension to both spouses in the proportion it so determines.

Benefits of Former Members Who Again Become Members

If a former member of the PPS again becomes a Member of Parliament and they are eligible to again become a contributory member of PPS, any pension being received in respect of their prior term of office will cease. The PPS benefit of the Member upon ceasing to be a

Because no commutation of pension occurred, no reduction will apply to their pension calculated at the end of their second term in relation to pension payments they received between the end of the first term of office and commencement of their second term.

3. If the Member commuted all or part of their pension entitlement on retirement after their first period of office, they will have their previous service recognised in calculating their pension benefit at the end of their second term of office. However, their pension entitlement on retiring for the second time will be adjusted to take account of the benefits previously received (commuted lump sum paid, plus pension payments between first and second term of office).

Post Retirement Pension Increases

Pensions are adjusted twice yearly in accordance with movements in the Consumer Price Index (CPI).

Adjustments are made in the first pay periods of April and October to account for CPI movement in the preceding six monthly periods ending 31 December and 30 June respectively.

Full indexation will apply to pensions that have been paid for a least six months prior to the end of each six month period. Where a pension has been paid for three months but less than six months before the end of each period one-half of the relevant increase in the CPI will apply. No adjustment will be made to pensions that have been paid for less than three months before the end of a period.

Reduction of Pension in Certain Cases

Should a former Member who is receiving a pension from the PPS become a Member of the Federal Parliament, the Parliament of any other State or hold an 'office of profit under the Crown', the pension will be reduced by the amount the remuneration received, together with two thirds of the pension, exceeds the basic salary paid to members at the relevant time.