

TREASURER'S INSTRUCTION
GOVERNMENT BUSINESS ENTERPRISES ACT 1995

GBE 13-114-07

**PUBLIC SECTOR SUPERANNUATION ISSUES INCLUDING GUIDELINES FOR
REPORTING SUPERANNUATION EXPENSES AND LIABILITIES**

BACKGROUND

Under section 114(1)(f) of the *Government Business Enterprises Act 1995* (GBE Act), the Treasurer may issue instructions in respect of guidelines, principles, practices and procedures in relation to the accounting policies of Government Business Enterprises (GBEs). Section 115 imposes an obligation on GBE Boards to ensure that all Treasurer's Instructions are complied with.

The purpose of this Instruction is to provide guidelines for the recognition and reporting of GBE superannuation liabilities.

DEFINITIONS

Terms used have the same meaning as those used in the *Government Business Enterprises Act 1995*, the *Retirement Benefits Act 1993*, the *Retirement Benefits Regulations 2005* and the *Superannuation Guarantee (Administration) Act 1992*.

TREASURER'S INSTRUCTION

The Board of a GBE is to ensure that its accounting and financial and general reporting policies in regard to its superannuation expenses and liabilities comply, and are consistent with, the attached "**Public Sector Superannuation Issues including Guidelines for Reporting Superannuation Expenses and Liabilities**".

COMMENCEMENT DATE

This Treasurer's Instruction applies to all GBEs from the year ending 30 June 2006 and replaces Treasurer's Instruction GBE 13-114-06.

ATTACHMENTS

"Public Sector Superannuation Issues including Guidelines for Reporting Superannuation Expenses and Liabilities"

PUBLIC SECTOR SUPERANNUATION ISSUES

**INCLUDING GUIDELINES FOR
REPORTING SUPERANNUATION EXPENSES AND
LIABILITIES**

Prepared by:

Department of Treasury and Finance

May 2006

PUBLIC SECTOR SUPERANNUATION ISSUES INCLUDING GUIDELINES FOR REPORTING SUPERANNUATION EXPENSES AND LIABILITIES

APPLICATION

These Guidelines have been prepared to assist Government Business Enterprises (GBEs) with general matters associated with superannuation. The Guidelines apply to GBEs that have employees covered by the Retirement Benefits Fund (RBF) operated schemes.

Part A outlines some background in relation to public sector superannuation arrangements in Tasmania and deals with a number of administrative issues relating to both the defined benefit and accumulation schemes operated by the RBF.

Part B details the requirements for the recognition, treatment of annual movements and disclosure in relation to the RBF defined benefit scheme.

A reference in this document to a GBE includes a reference to any entity (including State-Owned Companies) whose enabling legislation specifies that the *Government Business Enterprises Act 1995* Treasurer's Instructions apply.

A reference to the State Actuary means a person or organisation, appointed by the Governor, for the purposes of undertaking actuarial functions in accordance with the *Retirement Benefits Act 1993* (1993 Act).

BACKGROUND

Retirement benefit schemes are arrangements whereby an entity provides benefits for its employees on or after termination of service, either in the form of a lump sum payment or as an annual income stream.

Under a defined benefit scheme, the amounts to be paid to members are determined by reference to a formula based upon employees' remuneration and years of service. The RBF contributory scheme is a defined benefit scheme.

Under an accumulation scheme, amounts to be paid to members are determined by reference to accumulated contributions to the fund, together with investment earnings thereon. The Retirement Benefits Fund - Tasmanian Accumulation Scheme (RBF-TAS) is such a scheme.

A. RETIREMENT BENEFITS FUND - ADMINISTRATIVE ISSUES
--

1. Responsible Officer

- 1.1 A GBE is required, under Regulation 131 of the *Retirement Benefits Regulations 2005* (2005 Regulations) to appoint a Responsible Officer. The Responsible Officer conducts the business of the GBE relating to the RBF defined benefit scheme or RBF-TAS.
- 1.2 The duties of a Responsible Officer in respect of the RBF defined benefit scheme are detailed in those regulations (Regulation 131 is reproduced as Attachment 1), and in respect of RBF-TAS these duties are outlined in Clause 9.5 of the Trust Deed (Attachment 2).

2. Apportionment of Employer Costs in respect of transferring employees

- 2.1 It is often the case that an employee will transfer between GBEs or to or from a GBE to the on-budget sector. In cases where the employee is a member of the RBF defined benefit scheme there can be an apportionment of employer costs in respect of these employees when the employee transfers.
- 2.2 Regulation 111 of the 2005 Regulations enables an apportionment of superannuation liabilities between employing authorities at the time of transfer on such basis as the RBF Board certifies to be equitable. These apportionment provisions are subject to time limits. Further guidance on apportionment is available in the 2005 Regulations or from the Intergovernmental and Financial Policy Branch, Department of Treasury and Finance.

3. RBF-TAS

- 3.1 The *Public Sector Superannuation Reform Act 1999* (Reform Act) closed the RBF defined benefit scheme to new entrants (with certain limited exceptions) with effect from 15 May 1999. The Reform Act also provided for the establishment of RBF-TAS, a fully funded accumulation scheme with employer superannuation contributions equivalent to those specified in the Commonwealth's *Superannuation Guarantee (Administration) Act 1992*.
- 3.2 RBF-TAS is a subfund of the Retirement Benefits Fund that commenced on 25 April 2000. Under the terms of the Reform Act, all RBF non-contributory scheme members were transferred to RBF-TAS on that date. Given that the RBF non-contributory scheme was an unfunded, untaxed arrangement and RBF-TAS is a fully funded, fully taxed arrangement, the Reform Act and the Trust Deed provided a mechanism for the non-contributory scheme member's accounts to be adjusted to take account of taxation.
- 3.3 Temporary employees who commenced employment prior to 15 May 1999 were able to join the RBF defined benefit scheme after two years continuous service (either full-time or part-time), within twelve months of qualifying. This provision did not apply to RBF-TAS members who were, or are, casual employees. The RBF advised all non-contributors at the commencement of their employment that they are eligible to join the defined benefit scheme after two years service.
- 3.4 It was important that Responsible Officers notified eligible RBF-TAS members of their eligibility to join the RBF defined benefit scheme after two years service (see the *Public Sector Superannuation Reform Regulations 1999*). Documentation of the notification and the employees' response should still be maintained on each employee's file.

4. Superannuation Provision Account (T780)

- 4.1 Those GBEs providing for their superannuation liability through the Superannuation Provision Account (SPA) within the Special Deposits and Trust Fund administered by Treasury are required to remit these contributions to Treasury each pay-day. The payments for RBF defined benefit scheme members are based on the rate determined by the Treasurer in light of advice received from the State Actuary.
- 4.2 Returns in relation to SPA contributions each pay period are to be submitted on the appropriate form provided by Treasury.

5. Superannuation Guarantee

- 5.1 The Tasmanian Government is subject to the Commonwealth's *Superannuation Guarantee (Administration) Act 1992* (SG Act). The RBF scheme (including RBF-TAS) has been designed to ensure that employing authorities satisfy the requirements of the SG Act.
- 5.2 The Annual Report of each GBE is required to include a certification from the Chief Executive Officer that, if it is the case, the GBE has met its obligations under the SG Act in respect of any employee who is or becomes a member of a complying superannuation scheme to which the GBE contributes, other than RBF-TAS or the RBF defined benefit scheme (section 13 of the Reform Act).
- 5.3 In ensuring that all obligations under the SG Act are being met useful references and guides are available from the Australian Taxation Office including *Superannuation guarantee – a guide for employers – Helping you meet your superannuation guarantee obligations*. This publication and more information about superannuation are available at www.ato.gov.au/super or www.superchoice.gov.au.

B. RBF DEFINED BENEFIT SCHEME – ACCOUNTING RECOGNITION AND DISCLOSURE REQUIREMENTS

1. Recognition of RBF Defined Benefit Scheme Liability

- 1.1 The 2005 Regulations require that the State Actuary must make an investigation as to the state and sufficiency of the RBF defined benefit scheme every three years, and that in preparing this report the State Actuary must examine the circumstances of every prescribed authority. The State Actuary provides annual reports on the scheme as at 30 June each year.
- 1.2 Following the receipt of membership data from the RBF (expected to be in mid June each year) the State Actuary will determine the liability for each GBE. It is envisaged the Actuary's report should be available to the GBE by the end of June. Information regarding the actual timetable each year is available from Treasury.
- 1.3 GBEs must recognise RBF defined benefit liabilities consistent with the requirements of AASB 119 *Employee Benefits*.
- 1.4 GBEs must recognise RBF defined benefit liabilities on the basis of advice provided by the State Actuary.
- 1.5 The costs of the actuarial updates each 30 June are to be met by the GBE.

2. Recognition of Movements in the RBF Defined Benefits Liability

- 2.1 GBEs must recognise movements in the RBF defined benefit liabilities consistent with the requirements of AASB 119 *Employee Benefits*.
- 2.2 In relation to movements in actuarial gains and losses, despite the options available under AASB 119 *Employee Benefits*, full recognition of movements through profit and loss is considered the most appropriate method for GBEs as it reports the movement in the most transparent manner.
- 2.3 Unless a GBE instructs Treasury otherwise, the State Actuary will be preparing information for all entities with liabilities accruing under the RBF defined benefits scheme on the basis that actuarial gains and losses are recognised through profit and loss. Should any GBE wish to use a different approach, the State Actuary has advised that there will be additional costs incurred. Any additional costs incurred will be the responsibility of the GBE choosing an alternative approach.
- 2.4 Information provided to Treasury for whole-of-government reporting purposes must be provided on the basis of full recognition of movements in actuarial gains and losses through profit and loss.
- 2.5 GBEs should refer to the *Manual for the National Taxation Equivalent Regime*, included with Treasurer's Instruction GBE 10-66-01 *National Taxation Equivalent Regime – Implementation*, for guidance on the deductibility of superannuation expenses for tax purposes.

3. Disclosure in relation to RBF Defined Benefits Liability

- 3.1 GBEs must make disclosures in relation to the RBF defined benefit liabilities consistent with the requirements of AASB 119 *Employee Benefits*.

**ATTACHMENT 1 DUTIES OF RESPONSIBLE OFFICERS UNDER THE
RETIREMENT BENEFITS REGULATIONS 2005**

“131. Duties of responsible officers and Board to provide information

(1) In this regulation –

"relationship status" means the status of being married or in a significant relationship, within the meaning of the *Relationships Act 2003*, or in a caring relationship which is the subject of a deed of relationship registered under Part 2 of that Act.

(2) A responsible officer must –

(a) where an employee becomes a contributor, immediately notify the Board in a form approved by the Board of the following particulars relating to the contributor:

- (i)** his or her surname and given names;
- (ii)** his or her date of birth;
- (iii)** his or her sex and relationship status;
- (iv)** his or her postal address;
- (v)** his or her private address;
- (vi)** his or her employment status and percentage of full-time equivalent hours;
- (vii)** the date of commencement of his or her service;
- (viii)** his or her rate of salary;
- (ix)** his or her tax file number, if the contributor has given permission for it to be provided to the Board; and

(b) on being notified of any changes in the information referred to in paragraph (a)(i), (ii), (iii), (iv), (v) or (ix), notify the Board of those changes; and

(c) notify the Board of any changes in the information referred to in paragraph (a)(vi), (vii) or (viii); and

(d) on resignation, death or retirement of a contributor, furnish the Board with any documents completed by that contributor, his or her surviving partner or his or her legal personal representative and the responsible officer that may be necessary to support the payment of benefits accruing under these regulations.

(3) On receipt of information referred to in subregulation (2), the Board must deliver or forward to the contributor –

(a) any relevant forms, notice of election and brochures required to be provided to the contributor by these regulations; and

- (b)** information and notices required to be provided to the contributor under any law of the Commonwealth for the purposes of these regulations.
- (4)** The Board is to maintain a record in respect of each contributor including in particular a copy of all notifications issued or received under this regulation.
- (5)** In any proceedings against the Board –
- (a)** where a document purporting to be a copy of a notification under this regulation is in the record relating to a contributor, that document is evidence that the notification has been issued to and received by the contributor; and
- (b)** where a document purporting to be a copy of any information given by the Board to a person relating to his or her benefit entitlement under these regulations is in the record relating to that person, that document is evidence that that information was given to that person.”

ATTACHMENT 2 DUTIES OF RESPONSIBLE OFFICERS UNDER THE TRUST DEED OF THE TASMANIAN ACCUMULATION SCHEME

“9.5 DUTIES OF RESPONSIBLE OFFICERS

9.5.1 A **Responsible Officer** must, on the appointment or employment of an **Eligible Employee**, immediately where an **Eligible Employee** becomes a **Member** pursuant to Part 4 of this **Deed**, notify the **Board** in writing, or in a manner approved by the **Board**, of the **Eligible Employee’s**:

- a) surname and given names;
- b) date of birth;
- c) sex and marital status;
- d) postal address;
- e) private address;
- f) tax file number, if the **Member** has given permission for it to be provided to the **Board**;
- g) employment status and percentage of full-time equivalent hours;
- h) commencement date of service; and
- i) rate of salary.

9.5.2 A **Responsible Officer** must:

- a) on being notified by the **Member** of any changes in the information referred to in sub-clause 9.5.1 a), b), c), d), e) or f), immediately notify the **Board** in writing or in any other manner approved by the **Board** of those changes;
- b) immediately notify the **Board** in writing or in any other manner approved by the **Board** of any changes in the information referred to in sub-clause 9.5.1 g), h), or i) and provide a copy of this notification to the **Member**;
- c) on **Resignation, Redundancy, Retirement** or death of a **Member**, furnish the **Board** with any documents completed by the **Member**, that **Member’s Surviving Partner** or **Legal Personal Representative** and the **Responsible Officer** that may be necessary to support the payment of **Benefits** accruing under this **Deed**; and
- d) on an election by a **Member** under section 6 of the **Act** to become a member of another **Complying Superannuation Scheme**, immediately notify the **Board** in writing or in any other manner approved by the **Board** of that **Member’s** election.

9.5.3 On receipt of information referred to in sub-clause 9.5.1, the Board must deliver or forward to the **Member**-

- a) any relevant forms, notice of election and brochures required to be provided to the **Member** by this **Deed**; and
- b) information and notices required to be provided to the **Member** under any law of the Commonwealth for the purposes of this **Deed**.”