

**COAL INDUSTRY SUPERANNUATION AMENDMENT BILL 2013**

*Introduction and First Reading*

Bill introduced, on motion by Minister for Mines and Petroleum, and read a first time.

Explanatory memorandum presented by the minister.

*Second Reading*

**MR W.R. MARMION (Nedlands — Minister for Mines and Petroleum)** [12.11 pm]: I move —

That the bill be now read a second time.

The principal act that the bill proposes to amend is the Coal Industry Superannuation Act 1989, which relates to coalminers in Western Australia. The act allows for the provision of a superannuation scheme for coalminers employed in the coalmining industry in Western Australia and its administration by the Coal Industry Superannuation Board. The original legislation was the Coal Mine Workers (Pensions) Act 1943, which provided pensions for coalminers from age 60—the age at which they had to compulsorily retire—until they were eligible for the federal age pension at age 65.

That legislation was repealed and replaced by the Coal Industry Superannuation Act in 1990 to comply with federal government changes in superannuation. Following extensive consultation between the Coal Industry Superannuation Board, the coalmining unions, the coalmining companies and the Coal Industry Superannuation Board's actuaries, it was proposed to amend the Coal Industry Superannuation Act 1989.

The major reasons for the amendments are to allow for a successor fund transfer in order to merge the Coal Industry Superannuation Fund with another federal government-complying superannuation fund, to terminate the Coal Industry Superannuation Board, to maintain the defined benefit structure under the legislation and to provide for a full review of the legislation by the Department of Treasury within three years of proclamation.

Federal government regulatory changes to superannuation come into force on 1 July 2013. These changes include: Stronger Super, which was introduced following the Cooper review; SuperStream, which requires more efficient administration systems; revised Australian Securities and Investments Commission disclosure requirements; and additional Australian Prudential Regulation Authority reporting requirements. These changes will cause significant additional costs, both initially and going forward, for superannuation funds.

In light of the impending changes, the Coal Industry Superannuation Board began a strategic review of the operations of the Coal Industry Superannuation Fund, in consultation with PricewaterhouseCoopers, about 12 months ago. The review was considered necessary in order to assess the impact of the regulatory changes on member benefits over the foreseeable future. The Coal Industry Superannuation Fund has an asset base of approximately \$185 million and a membership of approximately 750 active members and 450 retained members—a very small fund by today's standards. To comply with just the SuperStream and Australian Prudential Regulation Authority reporting changes would require a significant upgrade to its existing administration system and incur a cost in excess of \$500 000, which is a significant amount for such a small fund. In addition, ongoing compliance costs were significant, with the review indicating that by merging with another fund, savings of up to \$250 000 per annum could be achieved. It was therefore concluded that it would be in the best interests of members to pursue a merger with a larger superannuation fund.

The Coal Industry Superannuation Fund currently provides both defined benefits and accumulation benefits. The defined benefit arrangement is considered extremely beneficial by the members and the respective unions, especially as members' benefits were not impacted in recent years during the global financial crisis, when investment markets were in turmoil and investment returns poor. It was therefore requested that provisions to provide for the defined benefit arrangement be protected in the future and included in an amended Coal Industry Superannuation Act and regulations.

Under the requirements of federal superannuation law, in order for a successor fund transfer to occur, the trustee of a superannuation fund must be able to satisfy itself on two major criteria before the transfer can proceed: firstly, that the transfer will provide members with equivalent rights in respect of benefits transferred—that is, the retention of the defined benefit structure; and secondly, that the transfer is in the best interest of its members, which is what the review conducted for the Coal Industry Superannuation Board clearly indicated. The Coal Industry Superannuation Board sought legal advice to ensure that these two criteria would be met by the proposed amendments.

The need for state legislation to remain was fully investigated by the Coal Industry Superannuation Board in consultation with the Department of the Premier and Cabinet and Department of Treasury. It was agreed that, due to the current restructuring and ownership changes of the coal industry in Western Australia, a repeal of the

act is not recommended at this time. However, it was agreed that a review of the legislation would be undertaken within three years from the date of proclamation. The review will be undertaken by Treasury to specifically address the legislative restriction compelling current and future coal industry employers to contribute to a superannuation fund, following the proposed merger and winding up of the Coal Industry Superannuation Board.

Other amendments included in the bill are to terminate the Coal Industry Superannuation Board, as its function will no longer be required once the successor fund transfer is finalised. Further amendments are of a minor nature, mainly to remove sections of the act that are no longer required. Part 1 of the bill deals with the short title and commencement day on which the act will receive royal assent. Part 2 of the bill deals with the immediate amendments required to allow for the successor fund transfer of the Coal Industry Superannuation Fund to another federal government-complying superannuation fund, which will commence the day following royal assent in part 1. Part 3 of the bill deals with the amendments when superannuation rules are made by the successor fund to allow for the transfer and the transfer agreement is entered into with the Coal Industry Superannuation Fund. The coal industry superannuation regulations will include a commencement provision to come into operation when part 4 of the amendment bill commences. Part 4 deals with amendments when benefits are transferred. This outlines the practical requirements for the actual transfer from the Coal Industry Superannuation Fund to the successor fund transfer superannuation fund on and after the day of transfer. Part 5 of the bill deals with amendments following the successor fund transfer to wind up the Coal Industry Superannuation Board.

I commend the bill to the house.

Debate adjourned, on motion by **Ms S.F. McGurk**.