



JOINT PRESS RELEASE

SUBJECT: Improvements to Superannuation Legislation

CONTENT

The Minister for Treasury, the Rt Hon Sir Rabbie L Namaliu CSM KCMG MP, and the Governor of the Bank of Papua New Guinea, Mr L Wilson Kamit CBE, have announced details of the Government's decision to propose a set of improvements to the legislation governing the superannuation industry.

The proposed changes flow from recommendations made by a Joint Task Force established by the Government in 2005 and chaired by Lady Mina Siaguru, which submitted its report in 2006. Other recommendations of the Task Force, about the prudential supervision of superannuation funds by the Bank of Papua New Guinea, have already been implemented by the Bank.

The Government accepted advice from the Bank of Papua New Guinea and the Department of Treasury which reviewed the Task Force's recommendations for changes to the *Superannuation (General Provisions) Act 2000* and the Regulation made under that Act. Some of the Task Force's recommendations are being adopted in full and some in modified forms, while others are being set aside or will be re-examined in the light of developments in the superannuation industry.

Main Points for Employers

- The threshold for compulsory superannuation coverage, in terms of the number of employees in a business, is due to be lowered from 20 to 15 in May 2007 under the existing law (Section 3B of the Regulation). The Government has decided to leave this provision in place, but not to legislate for a further lowering of the threshold to 10 employees as the Task Force recommended.
- Employers with a number of employees above the threshold are already obliged by the existing law to deduct superannuation contributions from their employees' pay, and to make additional contributions themselves to their employees' superannuation. The legislative changes will:
 - make it a legal requirement for employers to provide, together with their contributions to superannuation funds, the names of employees and the amounts being contributed in respect of each;
 - give the Bank of Papua New Guinea the right, when it thinks it necessary, to make inspections of employers' businesses to establish whether they are complying with the legislative requirements; and

- require those associated with the employer's business to cooperate with such inspections.
- Rather than remove the provisions of the Act which include non-citizens of PNG in mandatory superannuation coverage, which is what the Task Force recommended, the Government has decided to suspend for a further year, to 9 May 2008, the application of those provisions. It will be considered further whether those provisions should apply, and if so with wider exemptions.
- Employers who opt to transfer from one superannuation fund to another will be required to organize a secret ballot of their employees, so that the employees are assured of an opportunity to confirm or overturn the transfer.

Improvements for Members and Beneficiaries

- There will be a clarification of the basis in law for employees to withdraw part of their superannuation contributions in order to help finance the purchase of housing.
 - The limit on housing withdrawals will be reset at 100% of what has accumulated from the member's own contributions, to align with the tax exemption for such withdrawals.
 - These withdrawals will remain available only for financing an employee's principal place of residence; but that will be defined to include housing bought in the five years before retirement as the intended residence after retirement.
- The provision for determining who receives an employee's superannuation entitlement, in the event of the employee's death without having made a nomination of beneficiaries as required, will be improved.
 - Provision will be added for a mediation process, so as to make it more probable that the interests of dependants — the spouse and children — are protected in such circumstances.
- The requirements for each superannuation fund to inform its members annually about the fund's financial performance and management expense, and about each member's account balance, will be strengthened.

Timing of Legislation

The Government intends to have an amending Bill ready shortly for submission to Parliament. We hope the Parliament's schedule will allow for this Bill to be considered and passed before the mid-year national election.

Some changes to the Regulation which do not depend on amendment of the Act will be made in the meantime.

Issues for Further Review

During this year the Bank of Papua New Guinea and the Treasury Department will consult the superannuation industry and other stakeholders on the best way of making superannuation available to the self-employed and workers in the informal sector.

They will also review the issue of whether to extend, in due course, mandatory superannuation coverage based on the following considerations:

- It would improve social security to make superannuation coverage available more widely, both on a voluntary basis and as a requirement in formal-sector employment.
- However, the Government needs to take into account the effects of extending superannuation coverage on the cost of employing labour, especially for small businesses, and the revenue effects of the tax treatment of superannuation contributions and pay-outs.

As noted above, this process of further review will include the question of mandatory superannuation coverage for non-citizens.

This work will provide a basis for advising the incoming Government after the national election on these matters.

MR SIMON TOSALI
Secretary
Department of Treasury
Date