

## EXPLANATORY STATEMENT

ISSUED BY THE MINISTER FOR FINANCE AND DEREGULATION

**SUPERANNUATION (PRODUCTIVITY BENEFIT) ACT 1988**

**DECLARATION UNDER PARAGRAPH 3E(1)(b)**

**SUPERANNUATION (PRODUCTIVITY BENEFIT) (2010-2011 SECOND INTEREST FACTOR) DECLARATION 2010**

The *Superannuation (Productivity Benefit) Act 1988* (the PB Act) provides superannuation arrangements, based on the minimum employer superannuation requirements in the *Superannuation Guarantee (Administration) Act 1992*, for certain Australian Government employees, office holders and contractors (employees).

The superannuation arrangements under the PB Act were closed to new employees from 1 July 2006. However, they continue to apply to persons who were covered by the Act on 30 June 2006 until they cease relevant employment or become a member of an Australian Government superannuation scheme.

The employer superannuation contributions provided for under the PB Act are guaranteed to employees where an employer fails to join the employee to a fund to receive those contributions. In such cases, extra amounts are payable by the employer in respect of interest that may have been earned had those contributions been paid to a fund. These additional amounts are calculated by applying the first interest factor for a financial year to the contributions that were due to be paid, but were not paid, in that year and the second interest factor in respect of any later years.

Paragraph 3E(1)(b) of the PB Act requires the Minister to declare, before each financial year, the factor ascertained using a specified formula that is to be the declared second interest factor for that year.

The Declaration, cited as the **Superannuation (Productivity Benefit) (2010-2011 Second Interest Factor) Declaration 2010**, specifies the formula for the second interest factor to be used for the 2010-2011 financial year. The formula is based on the 10 year Treasury Bond rate for April 2010 of 5.71 per cent.

The second interest factor is used in section 8A of the PB Act to accrue interest for 2010-2011 on the amounts of unpaid employer contributions for previous financial years and the interest that has been applied to those amounts in previous years using either the first interest factor or the second interest factor for those years.

The declaration should be read in conjunction with the *Superannuation (Productivity Benefit) (2010-2011 First Interest Factor) Declaration 2010*.

The Declaration is a legislative instrument for the purposes of the *Legislative Instruments Act 2003* (LI Act).

No consultation was undertaken in relation to the Declaration. In accordance with paragraph 18(2)(a) of the LI Act, consultation was considered to be unnecessary because the instrument is of a minor or machinery nature.

The Declaration commences on 1 July 2010.