

# **Protection of Employee Entitlements in the event of employer insolvency**

**IAAust BIENNIAL CONVENTION 2003**



# Background

- **Public debate has occurred**
- **Actuaries well placed to assist**
  - long service leave
  - superannuation funding
- **Institute wishes to establish our interest in the area**



# Action

- **Action to date**
  - discussed at Financial Services Forum
  - background paper has been prepared
  - superannuation excluded as needs separate consideration
- **Future action**
  - concurrent session to receive input from membership
  - second paper addressing possible solutions
  - engage in public debate



# Objectives of session

- **Summarise first paper**
- **Obtain feedback on first paper**
- **Discuss possible solutions**
  - those identified in the first paper
  - any other solutions raised at session
- **Discuss actuaries involvement in this area**
- **Discuss how the Institute should establish our creditability in the area**



# Types of benefit

- **Excluded from consideration**
  - sick leave
  - employee share plans/ Option schemes
  - other packaged benefits
  - Workers Compensation
- **Included in consideration**
  - Annual leave
  - Long service leave
  - Payment in lieu
  - Severance pay
  - Unpaid salary/superannuation contributions



# Existing arrangements

- **GEERS**
- **ALP proposal**
- **NEST**
- **Pre-funding through trusts**
  - long service leave
  - redundancy



# Potential loss

Benefit	Amount
<u>Currently accrued</u>	
Long service leave	\$16b
Annual leave	\$19b
Total	\$ 35b
<u>Additional</u>	
Long service leave	\$ 0b
Payment in lieu	\$19b
Serverance	\$43b
Unpaid salary/super conts	\$ 9b
Total	\$ 71b
Grand total	\$106b



# Possible solutions

- **Existing**

- GEERS, ALP proposal, NEST
- Separate trusts
- Insurance
- Bank guarantees

- **New**

- Cashing out entitlements
- Secured on employer assets
- Transfer to third parties
- Using superannuation
- National scheme financed out of general government revenue

