Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
SUPPLEMENTARY BUDGET ESTIMATES 2016-17

Finance Portfolio
18 October 2016

Department/Agency: Department of Finance
Outcome/Program: 1/1.2
Topic: Valuation discount rates per annum

Senator: McAllister
Question reference number: F10
Type of question: Hansard Proof, F&PA Committee, Pages 37-38, 18 October 2016
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Number of pages: 1

Question:

Senator McALLISTER: … Can you just clarify whether it is a six per cent per annum discount rate or a 6½ per cent per annum discount rate?
Dr Helgeby: I am sorry; I am just looking at the document.
Senator Cormann: On economic assumptions, I am looking here at some discount rates. The rate for all schemes is six per cent per annum.
Dr Helgeby: Can we take it on notice? We just need to check with the actuary. There may be a difference between the valuation of the discount rate that has been referred to here and the discount rate for all schemes that appears on the previous page.

Answer:

There are two different discount rates, which are used for different purposes.

The reference to a discount rate of 6.0 per cent is a reference to the discount rate used in the Long Term Cost Reports that valued the superannuation liability as at 30 June 2014. The discount rate for the liability represents an estimate of the long term cost of borrowing to Government.

The Target Asset Level (TAL) Declaration issued by the Designated Actuary on 14 September 2016 uses a 6.5 per cent discount rate for the calculation of the TAL. This valuation discount rate represents the return expected by the Designated Actuary on Future Fund assets.