

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 14 – 15 February 2007

Question: aet118

Topic: Defined Benefit Funds

Hansard Page: E38

Senator SHERRY asked:

I noticed in the UK recently that there is a growing trend for the effective buyout of a DB fund—the purchase of the asset/liabilities by a financial institution unrelated to the trust structure and, in many cases, a closure of the trust structure. The buyer effectively undertakes to maintain the promise and holds the assets. Has that occurred at all in Australia? It seems to be quite widespread now in the United Kingdom.

Mr Jones—I am not aware of examples. I can check for you.

Senator SHERRY—Yes.

Answer:

APRA has not seen any such explicit arrangements in Australia. A similar outcome could be achieved by the trustee purchasing an annuity from a life insurance company to fund the pension benefits of a DB member but arrangements of the nature that have occurred in the UK have not happened in Australia.