Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Question: bet 80

Topic: **Future Fund**

Hansard Page: **E58**

Senator SHERRY asked:

Has Treasury done any work on examining where the Future Fund, without the higher education fund, is placed in terms of its ability to meet the latest actuarial calculated funding super liabilities; and if it can meet them by 2020?

Mr Martine—We have done some modelling on that.

Senator SHERRY—What is your conclusion?

Mr Martine—When I say 'modelling', without downplaying the expertise of my staff, it is a very simple sort of modelling in terms of taking the assets as you described earlier in the budget papers. It is the asset balance at 30 June 2007, which is expected to be $52 billion, and just simply projecting that out, taking the earnings rate, the mid-point of the investment mandate less costs, and projecting that out from now until 2020 and beyond.

…

Senator SHERRY—Given the $52 billion and given for 2007 you said you took the mid-point, do you know what the actual rate of return would need to be to get to $148 billion by 2020?

Mr Martine—No, I do not. We have not worked backwards that way, but it would be an easy thing for anyone to do.

Senator SHERRY—You might take that on notice. We could use a superannuation calculator to do it.

Answer:

In August 2007 the Government contributed a further $7 billion to the Fund from the 2006-07 Budget surplus. The allocation of this amount, when combined with the proceeds from the second instalment of the sale of Telstra 3 in May 2008, will on current indications see the Future Fund accumulate sufficient assets to fully offset the Government's unfunded public sector superannuation liabilities by 2020.