

Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Finance and Administration Portfolio

Department of Finance and Administration

Estimates Hearings 14-18 February 2005

Question: F2

Outcome 1, Output 1.2.3

Topic: Closure of the Public Sector Superannuation Scheme (PSS) Defined

Benefit Plan from 1 July 2005

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Senator Sherry asked:

In relation to the closure of the PSS Defined Benefit Plan to new members from 1 July 2005, what are the components of the budget estimates that reflect the closure.

Answer:

Estimates of the unfunded superannuation liabilities are informed by triennial actuarial reviews, supplemented by annual reviews which take account of actual experience in the preceding 12-month period. The next triennial review is due to be undertaken after the end of the 2004-05 financial year.

The budget estimates have been adjusted to take account of the closure of the PSS Defined Benefit Plan after 30 June 2005. The primary adjustment involves a reduction in the PSS members' accrual expense to reflect that there will be no new members joining the PSS Defined Benefit Plan (and thereby adding to the members' accrual expense) after 30 June 2005.

The reductions in the PSS Defined Benefit Plan members' accrual expense also result in a reduction in the notional interest expense associated with the liability.

The adjustments to the PSS accrual expense estimates are as follows:

	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Reduction in PSS Defined Benefit Plan employee accrual expense	0	-32	-99	-172	-250
Reduction in interest expense	0	-0.9	-2.9	-5.2	-7.5