



Australian Government
Department of Finance and Deregulation

Reference: RMS10/02185
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Ms Christine McDonald
Committee Secretary
Senate Standing Committee on Finance and Public Administration
P0 Box 6100
Parliament House
CANBERRA ACT 2600

Dear Ms McDonald

CORRECTION TO ANSWER TO QUESTION ON NOTICE

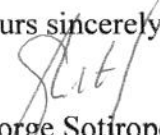
At Budget Estimates Hearing 2010, Senator Gary Humphries asked the question: "I understand that the costings for the proposed changes to pension indexation - that is, whichever is the greater of the CPI or 25 per cent of MTAW - contained an assumption that members of the MSBS and PSS would take an increased proportion of their entitlement as a pension benefit rather than as a lump sum. Can you tell me the dollar amounts and percentages by which that assumption increased the estimated cost of a change to the indexation methodology?"

I provided the answer: "I can. I would just like to clarify that the actuary, Mercer, prepared all the estimates on our behalf. As to the assumption in terms of proportions, currently the estimates allow for 60 per cent of members in the civilian schemes to take a pension, but they have increased that to 70 per cent on the basis that the pension would become even more valuable than it currently is." This reference is in Hansard on Page 84.

The correct response to Senator Humphries question was: "that Mercer had assumed that an additional 10% of benefits would be taken as a pension if the more favourable indexation arrangements were introduced (ie the proportion taking pensions increases from 50% to 60%)."

I apologise for the inconvenience caused.

Yours sincerely


George Sotiropoulos
Assistant Secretary
Superannuation Branch
17 June 2010