

Appendix 2

Assumptions made by the Department of Finance and Deregulation in the example provided on 11 September 2009

In order to make comparisons between the superannuation arrangements, the following assumptions have been made:

- the member retires from Parliament in August 2010 at age 60;
- the backbench salary at the time of the member's retirement is the same as the current rate of \$127,060 per annum;
- the member had received the backbench salary (per historic salary data) for the duration of his/her service;
- the PCSS member's retirement is considered involuntary for the purpose of calculating benefits for service periods that are less than 12 years (and thus qualifying the member for a pension entitlement after eight years of service or three occasions);
- for a member covered by the post 2004 arrangements:
 - the member had received employer contributions of 15.4% each year (notwithstanding that Superannuation Guarantee was introduced progressively from 1992) and in addition, has salary sacrificed an amount each year equivalent to the after tax contribution of 11.5% (or 5.75% after 18 years of service) made by a member in the PCSS;
 - the salary sacrificed amounts were calculated based on historic backbench salary and income tax rates (to which a Medicare levy of 1.5% was added);
 - administration fees and insurance fees that are charged by AGEST were applied;
 - 15% contributions tax on employer contributions was applied; and
 - a fund earnings rate, after investment fees and taxes, of 6% (this is based on the target asset return for the Balanced investment option in AGEST of CPI plus 3.5% per annum over the investment timeframe);
 - for the purpose of calculating the after tax superannuation benefits:
 - the member does not have any other assessable income besides the superannuation entitlement; and
 - the tax rates for superannuation benefits in 2009-10 (plus a Medicare levy of 1.5%) were applied.

Based on these assumptions, the tables below provide a comparison of the superannuation entitlements payable from the PCSS and the post 2004 arrangements for a backbencher, given the duration of service.

Under eight years of service (lump sum entitlements only for PCSS members)

Years of service	PCSS Entitlement – Involuntary Lump Sum Benefit (after tax)	Value of benefit under post 2004 arrangements (after tax)
1	\$43,081	\$38,525
2	\$86,162	\$81,070
5	\$208,159	\$212,494
7	\$279,676	\$306,670

Eight years of service or over

Years of service	PCSS Entitlement - full pension	PCSS Entitlement - 50% pension, 50% lump sum		Value of benefit under post 2004 arrangements (after tax)
	Pension pa (after tax)	Pension pa (after tax)	Lump Sum benefit (after tax)	
10	\$62,764	\$33,912	\$302,322	\$455,485
15	\$75,847	\$41,043	\$372,526	\$723,596
20	\$83,390	\$44,943	\$414,326	\$996,809
30	\$83,222	\$44,882	\$413,558	\$1,458,796

Note: the above results are dependent on specific assumptions. Changes to any of the assumptions listed above may lead to a significant change in the results.