

# Appendix 7

## Treasury ‘cameo’ modelling

This appendix reproduces ‘cameo’ modelling of the retirement income of a single male, retiring in 2032 at various ages, income levels and after various periods in the workforce. It is based on Treasury’s submission to the inquiry.<sup>1</sup>

**Table A1**

**Scenario: Single Male**  
**Retirement Year = 2032**                      **Benefit taken as LIFE PENSION**  
**CPI = 2.5%, Wage Inflation = 4%, Projected Fund Earning Rate = 7%**  
**Tax Indexation = CPI**                              **Pension Indexation = AWE**  
**Life Expectancy = 83 (84 if retiring at 70)**

Retirement Age	70	70	70	65	65	65	
Career Length (Years)	25	30	40	25	30	40	
<b>Multiple of AWOTE:</b>	0.75	0.75	0.75	0.75	0.75	0.75	
<b>PARAMETER in \$2001-02 (CPI deflated)</b>							
Final salary	50,711	50,711	50,711	50,711	50,711	50,711	
Tax on Final salary	12,404	12,404	12,404	12,404	12,404	12,404	
Exp last year at work	38,307	38,307	38,307	38,307	38,307	38,307	
Average salary	42,832	41,420	38,808	42,832	41,420	38,808	
Average tax on salary	9,855	9,411	8,640	9,855	9,411	8,640	
Expenditure avg working life	32,977	32,010	30,168	32,977	32,010	30,168	
Gov Pension 1st year	16,923	16,923	16,923	16,923	16,923	16,714	
Gov Pension avg	18,623	18,414	17,989	19,076	18,771	18,203	
Full Age Pension 1st year	16,923	16,923	16,923	16,923	16,923	16,923	
Full Age Pension avg	18,709	18,709	18,709	19,266	19,266	19,266	
Private Income including drawdowns (pa)	9,629	12,333	16,634	8,447	10,818	14,592	
1st year retirement expenditure	24,925	26,844	29,898	24,085	25,768	28,330	
<b>Avg retirement expenditure \$2001-02 (CPI deflated)</b>	<b>26,617</b>	<b>28,419</b>	<b>31,235</b>	<b>26,260</b>	<b>27,773</b>	<b>30,134</b>	
1st year retirement income tax	1,628	2,412	3,659	1,285	1,973	2,975	
Average income tax in retirement	1,635	2,328	3,388	1,263	1,816	2,661	
<b>Average Pension as percentage of maximum pension</b>	<b>100%</b>	<b>98%</b>	<b>96%</b>	<b>99%</b>	<b>97%</b>	<b>94%</b>	
<b>REPLACEMENT RATIOS</b>							
<b>Retirement Concept</b>	<b>Working Life Concept</b>						
Average Retirement Expenditure	Final Working Life Expenditure	69%	74%	82%	69%	73%	79%
Average Retirement Expenditure	Average Working Life Expenditure	81%	89%	104%	80%	87%	100%
First Retirement Year Expenditure	Final Working Life Expenditure	65%	70%	78%	63%	67%	74%
<b>IMPROVEMENT FROM SUPERANNUATION</b>							
<b>Retirement Concept</b>	<b>Working Life Concept</b>						
Average Retirement Expenditure	First Year Full Rate Pension	157%	168%	185%	155%	164%	178%
Average Retirement Expenditure	Average Full Rate Pension	142%	152%	167%	136%	144%	156%
First Retirement Year Expenditure	First Year Full Rate Pension	147%	159%	177%	142%	152%	167%

<sup>1</sup> Submission 78, Treasury, p.40.

**Table A2**

**Scenario: Single Male**  
**Retirement Year = 2032**                      **Benefit taken as LIFE PENSION**  
**CPI = 2.5%, Wage Inflation = 4%, Projected Fund Earning Rate = 7%**  
**Tax Indexation = CPI**                              **Pension Indexation = AWE**  
**Life Expectancy = 83 (84 if retiring at 70)**

Retirement Age	70	70	70	65	65	65	
Career Length (Years)	25	30	40	25	30	40	
<b>Multiple of AWOTE:</b>	1	1	1	1	1	1	
<b>PARAMETER in \$2001-02 (CPI deflated)</b>							
Final salary	67,615	67,615	67,615	67,615	67,615	67,615	
Tax on Final salary	20,127	20,127	20,127	20,127	20,127	20,127	
Exp last year at work	47,488	47,488	47,488	47,488	47,488	47,488	
Average salary	57,109	55,227	51,745	57,109	55,227	51,745	
Average tax on salary	15,273	14,527	13,391	15,273	14,527	13,391	
Expenditure avg working life	41,837	40,700	38,353	41,837	40,700	38,353	
Gov Pension 1st year	16,923	16,923	16,726	16,923	16,717	16,228	
Gov Pension avg	18,358	17,993	17,341	18,694	18,208	17,419	
Full Age Pension 1st year	16,923	16,923	16,923	16,923	16,923	16,923	
Full Age Pension avg	18,709	18,709	18,709	19,266	19,266	19,266	
Private Income including drawdowns (pa)	12,953	16,596	22,452	11,362	14,558	19,694	
1st year retirement expenditure	27,284	29,871	33,918	26,155	28,308	31,681	
<b>Avg retirement expenditure \$2001-02 (CPI deflated)</b>	<b>28,828</b>	<b>31,210</b>	<b>35,003</b>	<b>28,116</b>	<b>30,113</b>	<b>33,318</b>	
1st year retirement income tax	2,592	3,648	5,260	2,131	2,966	4,241	
Average income tax in retirement	2,483	3,379	4,790	1,940	2,653	3,795	
<b>Average Pension as percentage of maximum pension</b>	<b>98%</b>	<b>96%</b>	<b>93%</b>	<b>97%</b>	<b>95%</b>	<b>90%</b>	
<b>REPLACEMENT RATIOS</b>							
<b>Retirement Concept</b>	<b>Working Life Concept</b>						
Average Retirement Expenditure	Final Working Life Expenditure	61%	66%	74%	59%	63%	70%
Average Retirement Expenditure	Average Working Life Expenditure	69%	77%	91%	67%	74%	87%
First Retirement Year Expenditure	Final Working Life Expenditure	57%	63%	71%	55%	60%	67%
<b>IMPROVEMENT FROM SUPERANNUATION</b>							
<b>Retirement Concept</b>	<b>Working Life Concept</b>						
Average Retirement Expenditure	First Year Full Rate Pension	170%	184%	207%	166%	178%	197%
Average Retirement Expenditure	Average Full Rate Pension	154%	167%	187%	146%	156%	173%
First Retirement Year Expenditure	First Year Full Rate Pension	161%	177%	200%	155%	167%	187%

**Table A3****Scenario: Single Male****Retirement Year = 2032****Benefit taken as LIFE PENSION****CPI = 2.5%, Wage Inflation = 4%, Projected Fund Earning Rate = 7%****Tax Indexation = CPI****Pension Indexation = AWE****Life Expectancy = 83 (84 if retiring at 70)**

Retirement Age	70	70	70	65	65	65
Career Length (Years)	25	30	40	25	30	40
<b>Multiple of AWOTE:</b>	1.5	1.5	1.5	1.5	1.5	1.5
<b>PARAMETER in \$2001-02 (CPI deflated)</b>						
Final salary	101,422	101,422	101,422	101,422	101,422	101,422
Tax on Final salary	36,524	36,524	36,524	36,524	36,524	36,524
Exp last year at work	64,899	64,899	64,899	64,899	64,899	64,899
Average salary	85,664	82,841	77,617	85,664	82,841	77,617
Average tax on salary	28,853	27,488	25,372	28,853	27,488	25,372
Expenditure avg working life	56,811	55,353	52,245	56,811	55,353	52,245
Gov Pension 1st year	16,901	16,563	16,013	16,466	16,005	15,257
Gov Pension avg	17,665	17,038	16,022	17,803	17,059	15,851
Full Age Pension 1st year	16,923	16,923	16,923	16,923	16,923	16,923
Full Age Pension avg	18,709	18,709	18,709	19,266	19,266	19,266
Private Income including drawdowns (pa)	19,599	25,123	34,086	17,193	22,038	29,900
1st year retirement expenditure	31,931	35,890	42,870	30,039	33,220	38,984
<b>Avg retirement expenditure \$2001-02 (CPI deflated)</b>	<b>33,159</b>	<b>36,755</b>	<b>43,061</b>	<b>31,757</b>	<b>34,780</b>	<b>39,828</b>
1st year retirement income tax	4,510	5,796	7,230	3,620	4,822	6,173
Average income tax in retirement	4,105	5,406	7,047	3,239	4,317	5,923
<b>Average Pension as percentage of maximum pension</b>	<b>94%</b>	<b>91%</b>	<b>86%</b>	<b>92%</b>	<b>89%</b>	<b>82%</b>

<b>REPLACEMENT RATIOS</b>							
<b>Retirement Concept</b>	<b>Working Life Concept</b>						
Average Retirement Expenditure	Final Working Life Expenditure	51%	57%	66%	49%	54%	61%
Average Retirement Expenditure	Average Working Life Expenditure	58%	66%	82%	56%	63%	76%
First Retirement Year Expenditure	Final Working Life Expenditure	49%	55%	66%	46%	51%	60%

<b>IMPROVEMENT FROM SUPERANNUATION</b>							
<b>Retirement Concept</b>	<b>Working Life Concept</b>						
Average Retirement Expenditure	First Year Full Rate Pension	196%	217%	254%	188%	206%	235%
Average Retirement Expenditure	Average Full Rate Pension	177%	196%	230%	165%	181%	207%
First Retirement Year Expenditure	First Year Full Rate Pension	189%	212%	253%	178%	196%	230%

