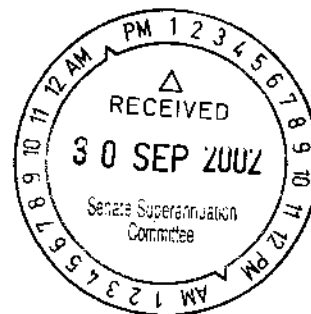




OFFICE OF THE SECRETARY

Our Ref: 2002/315

Ms Sue Morton
Committee Secretary
Senate Select Committee on Superannuation
Parliament House
CANBERRA ACT 2600



Dear Ms Morton

**Questions on Notice from the Committee Inquiry into
Superannuation and Standards of Living in Retirement**

I refer to my letter to the Committee dated 16 September 2002 and your earlier letter of 24 July 2002 seeking a response to questions taken on notice by this Department at the public hearing held by the Committee.

As foreshadowed in my letter, I have attached this Department's responses to the questions concerning Commonwealth superannuation that were taken on notice.

I understand that the Committee has requested that this Department appear at the Committee's final hearing for the inquiry on 8 October 2002. However, I consider that the Department does not have anything further to add since its attendance at the Committee's hearing of 19 July 2002.

Yours sincerely

I J Watt

27 September 2002

Senate Select Committee on Superannuation

Response to Question on Notice to Committee Inquiry into the adequacy of tax arrangements for superannuation and related policy issues

Hansard, p.572 Senator Hogg

"...in relation to the Commonwealth super area will the issue of choice of funds-I am not talking about it from a policy perspective-impact on the issue of adequacy? I am not trying to get into the merit, but if one moves to a different model, will that potentially make a greater liability for the Commonwealth further down the track?"

Hansard, p.572 Senator Hogg

"In terms of the long-term overall benefit, would it leave the government with a gap at the other end, so to speak, that it would have to fund? Has that been looked at?"

Hansard, p.572 Senator Hogg

"Could you take that on notice and give us some assessment?"

Response

Benefits paid under the Commonwealth's superannuation arrangements for its employees contribute to the income of those employees in retirement. For some employees, the benefits paid under these arrangements will not be sufficient in retirement and will be supplemented by other income or by the Commonwealth topping-up that income to bring it to the safety-net social welfare level. As at 30 June 2001, the average PSS and CSS pensions were \$14,253 and \$19,468 per annum respectively which would suggest that some former PSS and CSS members may need to supplement their pension with other income or through Commonwealth assistance.

It is not possible to determine the number of Commonwealth employees who may need to supplement their benefits at any one time irrespective of their superannuation arrangements. The determinants in this issue would be similar, if not the same as, those identified by Treasury in their Submission to the Committee dated July 2002 as affecting the assessment of the adequacy of superannuation. Like other superannuation arrangements, these variables would include, the length of time the person is a member of the scheme, the level of personal contributions to the scheme, the earnings of the Funds, the level of salary on which the benefit is based, the amount of any disbursement of lump sums received and the amount of other income that the person has available to them in retirement, eg, from other employment, investments or superannuation.