

Standing Committee on Finance and Public Administration

ANSWER TO QUESTION ON NOTICE

Budget Estimates Hearing – May 2010

Finance and Deregulation Portfolio

Outcome 1, Program 1.2

Topic: Pension Indexation in Australian Government Civilian and Military Superannuation Schemes

Question reference number: F33

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Senator Humphries asked:

Senator Sherry—It was the Government Actuary that did the military side. He is publicly available at estimates, through Treasury, if you want to speak to him. The private actuary was Mercer. I am sure we could make those details available, but I will to take that on notice for the minister.

Senator HUMPHRIES—Thank you.

Answer:

The Matthews report in relation to military superannuation pensions relied on the assumptions used in the preparation of the 2005 Long Term Cost Reports for the MSBS and DFRDB relating to mortality rates. Those mortality rates are reproduced below:

Pensioner mortality

The Table below shows the mortality rates assumed for pensioners in the 2005/2006 year.

Pensioner mortality (per 1,000 pensioners)

	Males		Females	
Age	Age Retired	Invalid Retired	Age Retired	Invalid Retired
20	-	6.50	-	6.50
30	0.24	6.50	0.48	6.50
40	0.73	6.50	0.72	6.50
50	2.18	11.01	2.04	11.01

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55	3.78	12.41	3.36	12.41
60	6.55	15.15	5.14	15.15
65	11.35	22.50	8.09	22.50
70	19.66	45.24	13.49	45.24
75	34.06	67.91	22.64	67.91
80	59.00	92.35	38.59	92.35
90	161.91	197.73	129.39	197.73
100	244.79	353.55	238.27	353.55

Widows are assumed to have the same mortality rates as female age retirements. Likewise widowers are assumed to have the same mortality rates as male age retirements.

Improvements in pensioner mortality

The following table summarises the assumed rates of improvement in future mortality of age retirements. No allowance has been made for future improvements in mortality for invalid retirements.

Assumed rates of mortality reduction (per cent per annum)

Age	Male	Female
60	2.4	1.9
70	2.0	2.0
80	1.5	1.9
90	1.1	1.3
100	1.3	1.1