**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: F31**
**Type of Question: Hansard F&PA 84, 26 May 2010**
**Date set by the committee for the return of answer: 9 July 2010**

**Number of Pages: 1**
**Senator Gary Humphries asked:**

If that assumption is not accurate you can get back to us about that. Can you tell me how that changed the dollar amount in the calculation?

**Answer:**

The Australian Government Actuary did assume a higher take up rate of pensions as a result of higher indexation. The following is an extract from the Australian Government's Actuary's letter to the Department of Defence on pension indexation costs dealing with demographic assumptions including, in particular, pension take up rates:

"We generally have used the same economic and demographic assumptions as were used for the Long Term Cost Report as at 30 June 2005. In particular, the Long Term Cost Report assumes that the number of serving members of the Defence Forces remains constant and we have retained this assumption for these costings.

We have, however, altered some assumptions from those used for the Long Term Cost Report for these costings. We have assumed that in the MSBS, the more attractive pension terms would lead to a higher take up of pensions. For these costings we have assumed officers take 90% of the employer component in pension form (compared to 75% for the Long Term Cost Report) and other ranks take 80% for the employer component in pension form (compared to 60% for the Long Term Cost Report)."

The Australian Government Actuary has advised that they did not carry out costings assuming unchanged pension take up rates. Accordingly, no figures are available on the costs assuming unchanged pension take up rates.