

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2013-2014

Finance and Deregulation Portfolio

Department/Agency: Commonwealth Superannuation Corporation

Outcome/Program:

Topic: membership of defined benefit arrangements

Senator: Cormann

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Number of pages: 2

Question:

Senator CORMANN: Sorry, the question was how many of your members are in defined benefit arrangements, not just in the pension phase—in defined benefit arrangements all up, both as a proportion of the total number and as an absolute number.

Mr Carrigy-Ryan: There are about 650,000 pensioners, contributors and preservers in all of the schemes and funds for which we are responsible. All of these schemes bar the PSSAP are defined benefit schemes or have defined benefit components. There are roughly 120,000 members in the PSSAP. Your number would 650,000 less 120,000, so approximately 530,000 in defined benefits schemes.

Senator CORMANN: When you talk about both, how many of your members, roughly, have both a defined amount and an accumulation amount?

Mr Carrigy-Ryan: That is a very good question. In the PSS, for example, members can take their benefit as a 100 per cent pension or as a 100 per cent lump sum. The CSS is a split benefit, so there is a member component that is typically taken as a lump sum and an employer financed indexed pension. I can go away and give you some analysis that makes some assumptions, but there is a mix of both.

Senator CORMANN: That would be useful. How many of your members on defined benefit arrangements will be impacted by the increase in the tax for those earning more than \$300,000 a year?

Mr Carrigy-Ryan: Our estimates of that are a reasonably low number. I will take it on notice. I cannot recall.

Senator CORMANN: Roughly 1,000? Or 50? Or 10,000?

Mr Carrigy-Ryan: I cannot remember the exact number. I will get you an exact number. If it is probably easier to do that. It is some time since we did that analysis.

Answer:

At 31 March 2013, there were 526,388 members in the CSC Regulated Schemes that are defined benefit or have a defined benefit component. Of that number 150,364 are pensioners and 376,024 are contributors and preservers.

CSS has both a defined benefit and an accumulation component. The defined benefit part is generally the CPI-indexed pension which is defined by a formula based on final super salary, length of contributory service and age when leaving CSS. The accumulation part is the member contributions plus scheme earnings (the member component) and the employer's fortnightly contributions (the productivity component).

CSS members may take their benefit as a

- CPI-indexed pension and lump sum or
- combination of a CPI-indexed pension, non-indexed pension and lump sum or
- combination of a CPI-indexed pension and non-indexed pension

PSS is a defined benefit superannuation scheme, with the formula is based on the member's

- contribution rate
- final salary
- length of PSS membership.

A PSS retirement benefit can be taken as a

- CPI-indexed pension or
- lump sum amount or
- combination of both.

MilitarySuper is a hybrid defined contribution and benefit scheme where benefits are derived from:

- An accumulation component, comprising member contributions, plus earnings on these amounts
- A defined employer component, based on a member's period of membership and final average salary.

CSC members are therefore able to take their final benefit in a number of ways, depending on their Scheme. A sample of PSS members over a 2 year period, to May 2013, showed that

- 38% elected for 100% pension
- 47% elected for full lump sum
- 7% elected for 50/50 split
- 8% elected for a pension > than 50% but < 100%

As at 21 June 2013, CSC estimates 175 members whose salaries for superannuation purposes are over \$300,000 and who, if their taxable incomes are also over \$300,000, may be subject to the Division 293 Tax. However, CSC does not have details of a member's taxable income. These amounts are assessed by the ATO and could, therefore, be higher or lower than their salary for superannuation purposes.