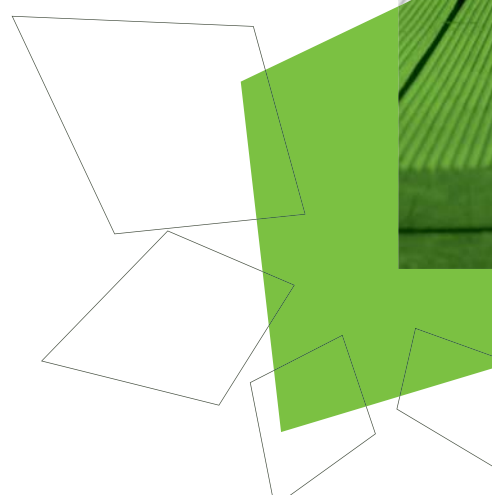


6 Overview

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Overview

Overview

Table 4: Overview of the schemes

	CSS	PSS	PSSap
Established	The CSS was established on 1 July 1976 by the <i>Superannuation Act 1976</i>	The PSS was established on 1 July 1990 by the <i>Superannuation Act 1990</i>	The PSSap was established on 1 July 2005 by the <i>Superannuation Act 2005</i>
Type	Combination of accumulation and defined benefit plans	Defined benefit plan	Accumulation plan
Funds under management as at 30 June 2008	\$6 billion+	\$11 billion+	\$892 million+
Members* as at 30 June 2008	149 000+	252 000+	73 000+
Employer agencies as at 30 June 2008	230	230	161

*Includes: contributing, preserved, deferred and pension members

Description of the schemes

CSS

The CSS is a hybrid superannuation scheme, with benefits generally being made up of two components:

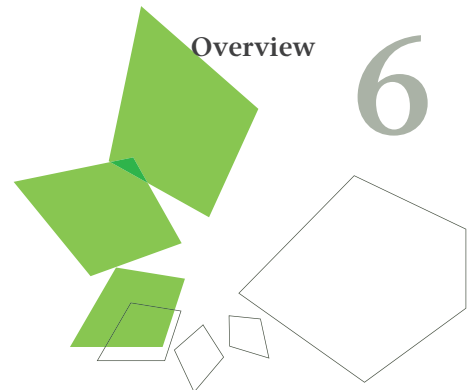
- 1. A member-financed component**
This benefit is based on the contributions paid by the member into the Fund plus Fund earnings.
- 2. An employer-financed component, which includes two parts:**
The first part, which in most circumstances is paid as a non-commutable indexed pension out of Consolidated Revenue, is a defined amount. The amount payable depends on the reason for exit and has regard to several factors including final salary, age and length of contributory membership.

The second part of the employer component is the employer productivity superannuation contribution, which comprises employer contributions and Fund earnings.

The CSS closed to new members on 30 June 1990.

PSS

The PSS is a defined benefit superannuation scheme. For contributing members, final benefits are calculated as a multiple of Final Average Salary and an Accrued Benefit Multiple (ABM). A member's ABM depends on the rate at which contributions are made to the PSS and the length of membership. Members may contribute between 2% and 10% of salary. From 1 July 2008, members



may elect to reduce contributions to zero. The employer contribution rate varies with the member contribution rate, subject to a cap in any ten years of total membership.

For preserved benefit members, investment performance has a more direct impact on their final benefit. Any member and productivity components will grow with the performance of the Fund, while the employer component grows in line with CPI.

Retirement benefits can be paid as lump sums with the option to exchange the lump sum (or part of it) for an indexed pension. The benefits are generally made up of two components:

1. **A member-financed component**
This part comprises the contributions paid by the member into the Fund plus Fund earnings.
2. **An employer-financed component, which includes two parts:**
The first part comprises the employer productivity superannuation contribution paid by the employer into the Fund plus Fund earnings.
The second part of the employer component is the 'benefit balance', which is determined at the time the member exits from the PSS. The amount is the balance after the member and productivity components are deducted from the (defined) total lump sum benefit.

The PSS closed to new members on 30 June 2005.

PSSap

The PSSap is an accumulation plan. This means members and their employers pay money into the Fund and ARIA credits investment earnings (positive or negative) to the account after deducting fees, taxes and charges.

Employers are required to make a 15.4% p.a. contribution to the PSSap on behalf of each contributing member.

Additionally, members can make before-tax (salary sacrifice) and after-tax (personal) contributions to the PSSap. The retirement benefit is a lump sum amount and generally consists of the following components:

Table 5: PSSap retirement benefit components

	Employer contributions
+	Any member contributions (before or after tax)
+	Any super co-contributions and transfers from other funds
+	Investment earnings
-	Fees and charges
-	Insurance premiums if applicable
-	Taxes
=	Retirement benefit

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Overview

SIS compliance

The CSS, PSS and PSSap are complying funds under the *Superannuation Industry (Supervision) Act 1993* (SIS) and accordingly continue to be eligible to have tax payable on their net income assessed at the concessional rate of 15%.

Actuarial review

The most recent actuarial review of the CSS and PSS was completed by Mercer Human Resource Consulting Pty Ltd during 2005/06. The results were included in the 2005 PSS and CSS Long Term Cost Report tabled in

Parliament on 14 June 2006 (a copy of the actuarial review is available at <http://www.finance.gov.au/superannuation/docs/pss-css-tcr-2005.pdf>).

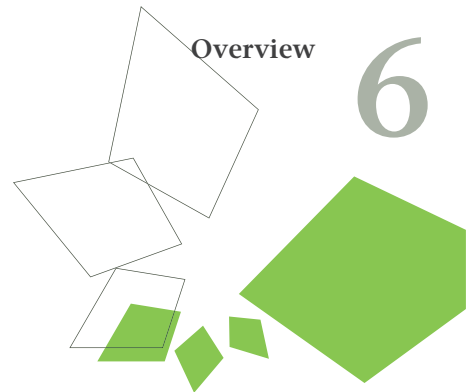
A new actuarial review of the CSS and PSS will be performed in 2008/09.

The PSSap is an accumulation plan and as such the cost to the government is limited to the contributions made by Australian Government employers and no actuarial review is required.

The results of the 2005 actuarial review and the previous two reviews are summarised below.

Table 6: Results of actuarial reviews

	30 June 2005		30 June 2002		30 June 1999	
	CSS	PSS	CSS	PSS	CSS	PSS
Net assets	\$6.0b	\$7.6b	\$5.3b	\$4.5b	\$5.6b	\$3.5b
Unfunded liability	\$50.6b	\$13.8b	\$49.3b	\$9.1b	\$40.3b	\$5.7b
Notional Commonwealth employer contribution rate (including 3% productivity contribution) as a percentage of salaries	28.2%	15.6%	28.3%	15.4%	21.9%	14.2%



The notional employer contribution rates are the employer contribution rates necessary to ensure that employer financed benefits payable from the CSS and PSS would remain fully funded in three years time, if they were fully funded at the time of the actuarial review.

The Australian Government’s outlay on the CSS and PSS in any year is equal to the total benefit paid to exiting members in that year, less the accumulated balance of member and productivity contributions of those members plus actual productivity superannuation contributions made by the Australian Government to the Funds.

The 2005 review provided the following actuarial projection of the Australian Government’s estimated costs for the CSS and PSS over the three years to 30 June 2008 (adjusted to 2005 dollars using a discount rate of 6%).

Table 7: Actuarial projections

Year ending 30 June	Estimated Australian Government costs	
	PSS	CSS
2006	\$459m	\$2 601m
2007	\$454m	\$2 512m
2008	\$452m	\$2 455m

Further projections of estimated costs are included in the 2005 PSS and CSS Long Term Cost Report.