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Overview

PSS

Table 4: PSS Overview

Established	The PSS was established on 1 July 1990 by the <i>Superannuation Act 1990</i> and closed to new members on 30 June 2005
Type	Defined-benefit plan
Funds under management as at 30 June 2006	\$9 billion+
Members as at 30 June 2006	240 500+
Employer agencies as at 30 June 2006	223

PSSap

Table 5: PSSap Overview

Established	The PSSap was established on 1 July 2005 by the <i>Superannuation Act 2005</i>
Type	Accumulation plan
Funds under management as at 30 June 2006	\$100 million+
Members as at 30 June 2006	21 000+
Employer agencies as at 30 June 2006	223

Description of the 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. A member's accrued benefit multiple depends on the rate at which contributions are made to the scheme and the period of membership. Members may contribute between 2% and 10% of salary. 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 earnings. Investment earnings are allocated to members accounts when they cease membership and claim a benefit.

2. An employer-financed component, which includes two parts:

- The first part comprises the superannuation productivity contributions paid by the employer into the Fund plus 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.



Description of the PSSap

The PSS accumulation plan (PSSap) is an accumulation plan. It is a 'profit for members' fund which means that, after fees and taxes, investment earnings are returned to members.

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

Members can make before tax (salary sacrifice) and after tax (personal) contributions to the PSSap.

The retirement benefit will be a lump sum amount and will generally consist of the following components:

Table 6: Retirement benefit components

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

SIS compliance

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

Actuarial review of the PSS

The most recent actuarial review of the PSS was completed by Mercer Human Resource Consulting Pty Ltd during 2005/06. The PSS 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/super/docs/PSS__CSS_LTCR_2005.pdf).

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

Table 7: Results of actuarial reviews

	30 June 2005	30 June 2002	30 June 1999
Net assets	7.6	4.5	3.5
Unfunded liability	13.8	9.1	5.7
Notional Commonwealth employer contribution rate (including 3% productivity contribution) as a percentage of salaries	15.6%	15.4%	14.2%

The notional employer contribution rates are the employer contribution rates necessary to ensure that employer financed benefits payable from the 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 PSS in any year is equal to the total benefit paid to existing 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 PSS Fund.

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

Table 8: Actuarial projections

Year ending 30 June	Estimated Australian Government PSS costs \$m
2006	459
2007	454
2008	452

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

Functional chart

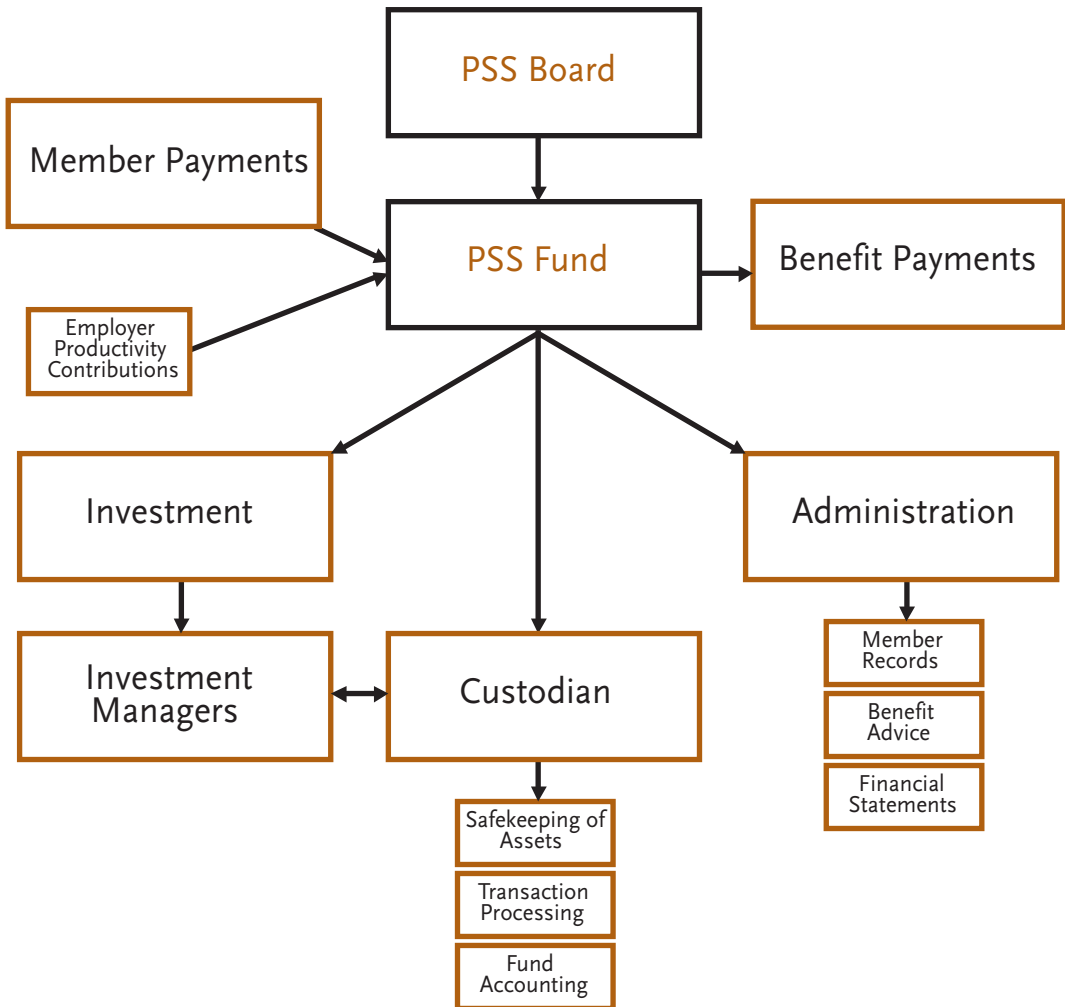


Illustration 1: Functional chart