

Chapter 3: Membership, data and assets

Data

- 3.1 This report has been based on data supplied by ComSuper who carry out the administration of the schemes. ComSuper put a considerable effort into supplying data in a form suitable for actuarial analysis. We also carried out a number of checks to ensure that the data was sufficiently accurate for the purpose of the report.
- 3.2 Details of the main data checks are included below. These checks indicate that the data is substantially complete and hence we are satisfied that the data is sufficiently accurate for the purposes of this report. A significant proportion of female new entrants in recent years had been recorded as males. As the results are not particularly sensitive to gender, we have carried out the valuation relying on the data as provided in this respect and we are satisfied that the results are sound. While this issue does not materially impact on the valuation results, it should be addressed before the next triennial review.
- 3.3 Checks were also done on the internal consistency of individual records and, where necessary, queries were followed up with ComSuper. Where it could be established that the information on the data supplied was inaccurate, records were amended to enable a more accurate valuation.

Membership

- 3.4 A summary of the contributory membership valued is set out below.

Contributors (as at 30 June 2008)

	MSBS		DFRDB	
	Number	Salaries (\$m)	Number	Salaries (\$m)
Officers	10,780	946	1,761	199
Other ranks	36,830	2,022	3,315	245
Cadets	1,697	50	-	-
Total	49,307	3,018	5,076	444

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- 3.5 The number of MSBS contributors valued is 49,307. The MSBS Annual Report has 49,355 contributors as at 30 June 2008 which is consistent with the membership valued. Data on MSBS contributors provided by the Department of Defence in the context of calculating Superannuation Guarantee contributions showed 49,555 contributors as at the first payday of 2008-09. Checks against the valuation data showed that 418 of these members were being valued as preserved members, suggesting the data used for the valuation was substantially complete. Total superannuation salaries for the members valued were within 0.3 per cent of the Defence payroll for final payday for 2007-08. In my opinion, the MSBS contributor data valued was effectively complete.
- 3.6 The number of DFRDB contributors valued is 5,076. The DFRDB Annual Report has 5,600 contributors as at 30 June 2008. The data provided for Superannuation Guarantee purposes showed 5,254 contributors as at the first payday of 2008-09. Of these, 243 were found on the pension files and valued as pensioners. Total superannuation salaries for the members valued were within 0.3 per cent of the Defence payroll figures for the final pay of the 2007-08 financial year. In my opinion, the DFRDB contributor data valued was effectively complete.
- 3.7 A summary of the pensioners valued is set out below. There are also a number of children's pensions payable.

Pensioners (as at 30 June 2008)

	MSBS		DFRDB	
	Number	Pensions (\$m pa)	Number	Pensions (\$m pa)
Age pensioners	3,028	54	45,799	1,018
Invalid pensioners	3,531	76	2,734	75
Reversionary pensioners	183	3	8,230	144
Associate pensioners	18	0	280	3
Total	6,760	133	57,043	1,240

1. The pension amounts include the July 2008 pension increase.
2. DFRDB figures include DFRB pensioners.
3. Reversionary pensions are pensions that are payable to the surviving spouse following the death of a pensioner or contributory member.
4. Associate pensioners are pensioners who receive a pension as a result of a superannuation split following a Family Law settlement in respect of a pensioner in the MSBS or the DFRDB.

- 3.8 The equivalent figures for pensioners as at 30 June 2005 were 5,509 MSBS pensioners with total annual pension of \$93 million and 56,185 DFRDB pensioners with total annual pension of \$1,107 million.
- 3.9 The 2008 MSBS Annual Report has the number of pensioners as 6,710 compared to the 6,760 valued. The corresponding figures for the DFRDB (excluding children's pensions) are 56,873 and 57,043 respectively.

- 3.10 Checks were also done for both the DFRDB and the MSBS by comparing the pensions valued with the ComSuper pension payroll figures. The payroll figures showed payments being made to 6,794 MSBS pensioners and 57,183 DFRDB pensioners on the first pension payday of the 2008-09 financial year. The amounts paid were \$133 million for the MSBS and \$1,235 million for the DFRDB. This suggests that the pension data was essentially complete.
- 3.11 Preserved benefits from the MSBS are payable on attaining age 55, although in certain limited circumstances they may be payable earlier. There were 71,054 preserved beneficiaries valued, with total nominal preserved benefits of \$4,795 million. The 2008 MSBS Annual Report has 72,812 preserved beneficiaries. At 30 June 2005, there were 57,631 preserved beneficiaries with total nominal preserved benefits of \$2,893 million.
- 3.12 There are a small number of deferred pensioners in the DFRDB. These individuals are entitled to receive a deferred pension payable from the day that they would have been eligible to receive a pension on exit from the DFRDB had they continued as a serving member. This is normally 20 years after joining the DFRDB. To continue to be eligible for a deferred pension, deferred pensioners must be in public employment. At 30 June 2008, there were 15 deferred pensioners in the DFRDB. They have been ignored for valuation purposes.
- 3.13 At 30 June 2008, there were 797 associate beneficiaries in the MSBS with total associate benefit amounts, both funded and unfunded, of \$89 million. Associate benefit accounts are set up in the MSBS as a result of superannuation splits following Family Law settlements. Associate benefits are accumulation style lump sum benefits.

Assets

- 3.14 The assets of the MSBS are invested in a wide range of investments including the short term money market, Australian and overseas fixed interest, Australian and overseas equities, property trusts, private equity, infrastructure and hedge funds. Based on the Financial Statements as at 30 June 2008, the net assets of the MSBS amounted to \$2,934,747,000.
- 3.15 The MSBS assets are unitised and members have a number of investment options from which to choose. The investment strategy for the MSBS assets is structured to be consistent with the investment options chosen by members.
- 3.16 Since 30 June 2008, there has been considerable volatility in equity, property and currency markets with significant falls in asset values. Movements in market values have only a small impact on the Commonwealth cash flows and unfunded liabilities disclosed in this report. This is because most of the MSBS

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Fund relates to members' accounts and ancillary benefits which are paid as accumulation benefits.

- 3.17 For the MSBS, the total of the funded components from all individual records valued, plus the amount of ancillary benefits, was compared to the MSBS Fund as recorded in the Financial Statements. This check again suggested that the data was suitable for valuation purposes.
- 3.18 The DFRDB is totally unfunded and thus does not hold any assets.