

## **Chapter 7:**

# **LIABILITIES MANAGEMENT: DEBT AND SUPERANNUATION**

**7.1 Overview**

**7.2 Debt**

**7.3 Superannuation**



## 7.1 OVERVIEW

The overall financial position of New South Wales is strong with the level of net debt continuing to improve. The ratio of net debt to adjusted revenue<sup>1</sup> is forecast to fall from 68.0 per cent at 30 June 1992 to 51.7 per cent at 30 June 1997. Over the same period, net debt per capita is expected to fall to \$3,011 - a drop of \$275 per capita.

Total State net debt as a percentage of Gross State Product (GSP) has declined from 14.3 per cent to 11.1 per cent over the four years to 30 June 1996 and is expected to continue to fall to 8.4 per cent by 30 June 2000. The forecast reductions in debt reflect the Government's commitments under the General Government Debt Elimination Act.

Superannuation is the State's single largest unfunded liability. In order to reduce superannuation liabilities, the Government is phasing-in full funding of the accruing liability. On current trends, full funding should be achieved by 2020 with the unfunded liability expected to be eliminated by 2045. As a proportion of GSP, unfunded superannuation liabilities have fallen from 10.7 to 9.1 per cent of GSP between June 1992 and June 1996. By 30 June 2000, unfunded superannuation liabilities are forecast to represent only 7.6 per cent of GSP.

**Table 7.1: New South Wales Financial Position - Summary Indicators**

Year ending 30 June	1992	1993	1994	1995	1996	1997 (est)
Net Debt/GSP (%)	14.3	13.5	13.3	12.3	11.1	10.6
Net Debt/Capita (\$)	3,286	3,174	3,256	3,195	3,059	3,011
Net Debt/Adjusted Revenue* (%)	68.0	68.1	59.3	55.2	51.7	51.7
Unfunded Superannuation Liabilities/GSP (%)	10.7	10.5	9.8	9.3	9.1	8.8

\* Source: Standard and Poor's Rating Report on New South Wales Government, April 1997

Both Standard and Poor's and Moody's credit rating agencies have recently confirmed New South Wales' AAA/Aaa rating for long term local currency debt and have stated that the rating outlook is stable. This confirmation that the State has the highest possible credit rating reflects the continuing reduction in the State's net debt, a low level of unfunded superannuation liabilities as a percentage of GSP, the State's sound financial position and its diversified economic base.

<sup>1</sup> The ratio of net debt to adjusted revenue is sourced from Standard and Poor's April 1997 publication. Standard and Poor's uses a slightly narrower definition of financial assets which results in a higher level of recorded net debt. Adjusted revenue (or budgetary revenue) is defined by Standard and Poor's to include all revenues including user charges, asset sale proceeds and reimbursements.

## 7.2 DEBT

### NEW SOUTH WALES DEBT SUMMARY

Table 7.2: Outstanding Current Capital Value\* at 30 June

	1992	1993	1994	1995	1996	1997 (est)
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Budget Sector Gross Debt</b>						
<b>Commonwealth</b>						
Financial Agreement	4,618	3,529	3,175	2,539	2,189	1,771
Specific Purpose advances	2,055	2,018	1,986	1,947	1,908	1,868
<b>State</b>						
Treasury Corporation and Other	9,910	12,056	12,926	13,269	12,753	12,978
<b>Budget Sector Gross Debt</b>	<b>16,583</b>	<b>17,603</b>	<b>18,087</b>	<b>17,755</b>	<b>16,850</b>	<b>16,617</b>
Financial Assets	3,640	3,719	3,191	2,810	3,378	3,411
<b>Budget Sector Net Debt</b>	<b>12,943</b>	<b>13,884</b>	<b>14,896</b>	<b>14,945</b>	<b>13,472</b>	<b>13,206</b>
<b>Non Budget Sector Gross Debt</b>	<b>15,617</b>	<b>14,091</b>	<b>15,345</b>	<b>13,635</b>	<b>14,748</b>	<b>14,966</b>
Financial Assets	9,047	8,979	10,601	9,131	9,375	9,455
<b>Non Budget Sector Net Debt</b>	<b>6,570</b>	<b>5,112</b>	<b>4,744</b>	<b>4,504</b>	<b>5,373</b>	<b>5,511</b>
<b>Total State Gross Debt</b>	<b>32,200</b>	<b>31,694</b>	<b>33,432</b>	<b>31,390</b>	<b>31,598</b>	<b>31,583</b>
Total Financial Assets	12,687	12,698	13,792	11,941	12,753	12,866
<b>Net Debt</b>	<b>19,513</b>	<b>18,996</b>	<b>19,640</b>	<b>19,449</b>	<b>18,845</b>	<b>18,717</b>

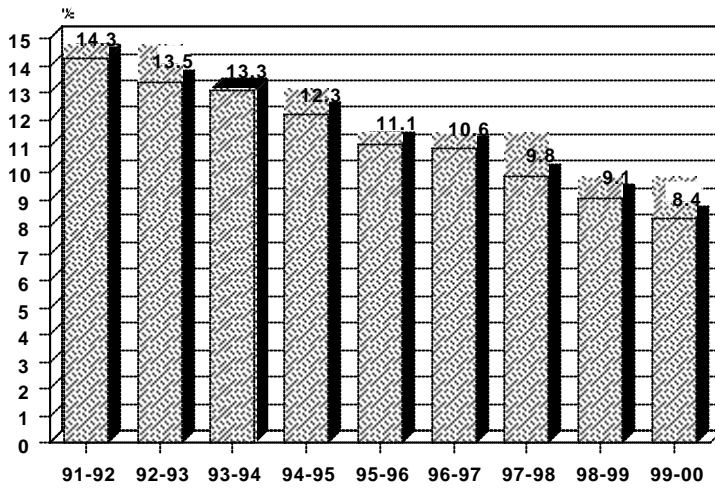
\* Current Capital Value represents face value less any unamortised discount.

In 1996-97, total State net debt is expected to fall marginally reflecting the improved Budget Sector result and continuing cash surpluses in the Non-Budget Sector. While Non Budget Sector net debt is projected to increase in 1996-97, this is in fact due to the transfer of certain Workcover cash reserves to the Workers Compensation (Dust Diseases) Board. This Board is defined by the Australian Bureau of Statistics as a Public Financial Enterprise and therefore the transfer of cash increases the net debt of the non-financial public sector.

### NEW SOUTH WALES NET DEBT POSITION

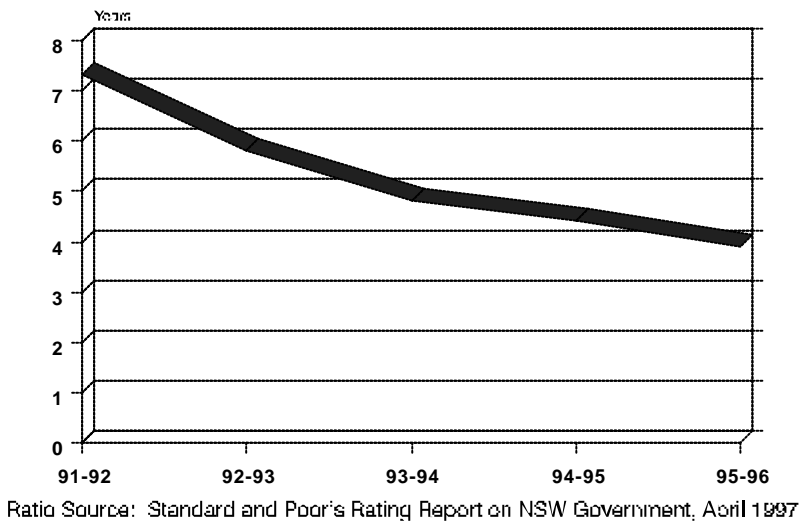
Since June 1992, Public Sector Net Debt as a percentage of GSP has fallen significantly as shown in Figure 7.1. Excluding the impact of the TAB privatisation, net debt as a proportion of GSP is expected to fall by around 40 per cent over the course of the decade with the largest reductions being concentrated in the Non Budget Sector.

**Figure 7.1**  
**NSW Public Sector Net Debt as Percentage of Gross State Product**



As a result of the reduction in net debt, the payback period<sup>2</sup> for debt has almost halved in the 4 years since 30 June 1992 as shown in Figure 7.2.

**Figure 7.2**  
**NSW Public Sector Net Debt Payback in Years**



<sup>2</sup> Net Debt Payback Period is net debt expressed as a percentage of internally available funds (i.e. operating balance plus net capital revenue and grants).

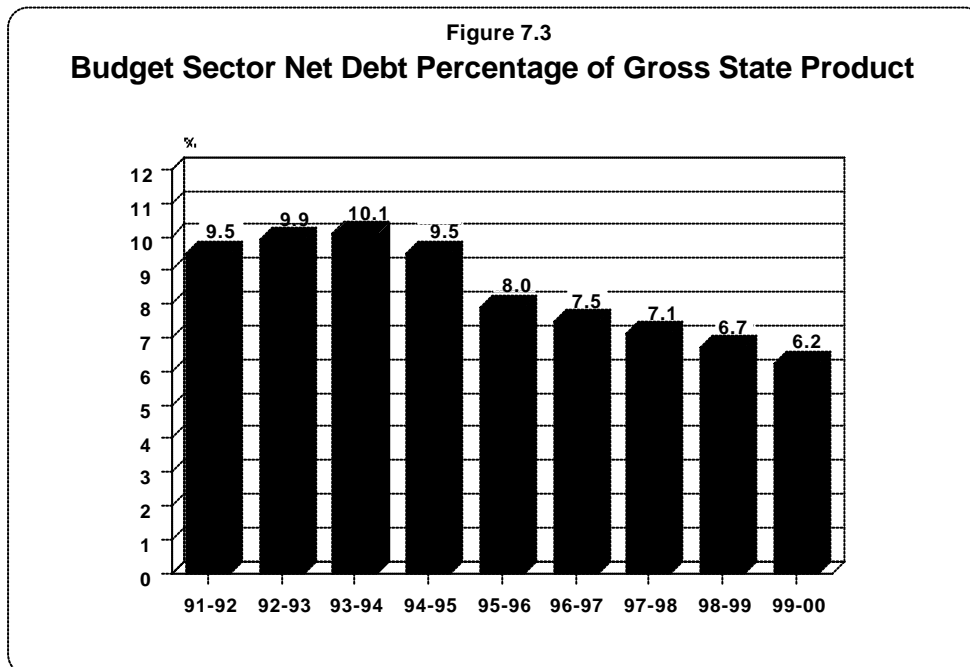
## Budget Sector Net Debt

Since peaking in June 1994, Budget Sector gross debt has fallen by \$1.2 billion with a further fall of around \$200 million expected this financial year. Over the same period, net debt is expected to fall by \$1.7 billion with the ratio to GSP falling from 10.1 to 7.5 per cent.

The reduction in net debt since 1994 was achieved principally by using the equity restructure receipts from the electricity distribution industry and other agencies as well as the proceeds from the sale of the State Bank to repay Budget Sector debt. This is consistent with principles set out in the General Government Debt Elimination Act which seeks to reduce net debt and to manage it in a prudent manner.

Over the next 3 years, Budget Sector net debt is expected to continue to fall relative to GSP before account is taken of any privatisation proceeds.

The following graph shows the movement in Budget Sector net debt over the five year period ended 30 June 1996 as well as forecasts for the four year period ending 30 June 2000.



## NEW SOUTH WALES CREDIT RATING

In part, the cost of debt is determined by the creditworthiness of the State. Both Standard and Poor's and Moody's Investors Service have placed New South Wales in the highest possible category based on the State's economic strength and the government's prudent fiscal and financial management. Only Queensland receives the same rating as New South Wales from both credit rating agencies.

The following table compares the States' ratings -

**Table 7.3: Credit Ratings of States\***

	NSW	Vic	Qld	WA	SA	Tas
Standard & Poor's	AAA	AA+	AAA	AA+	AA	AA-
Moody's Investors Service	Aaa	Aa1	Aaa	Aaa	Aa2	Aa2

\* Based on long term domestic currency borrowings

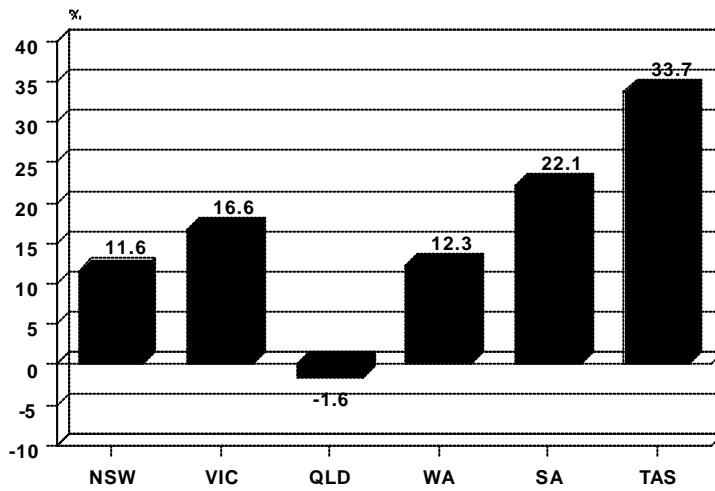
Victoria's rating was increased from Aa2 to Aa1 by Moody's due largely to the reductions in public sector net debt flowing from the privatisation of electricity industry assets. Queensland's ratings are based on the State's sound financial condition and its low level of indebtedness.

Western Australia's debt ratios have improved recently in line with fiscal consolidation in that State and the privatisation of BankWest. South Australia has ongoing financial challenges with relatively high levels of debt. Further progress towards debt reduction is expected to be gradual. Tasmania has a relatively high debt level and a limited economic base making the outlook for that State difficult.

New South Wales has the second lowest net debt to GSP and net interest paid to net revenue ratios in Australia as shown in Figures 7.4 and 7.5 -

**Figure 7.4**

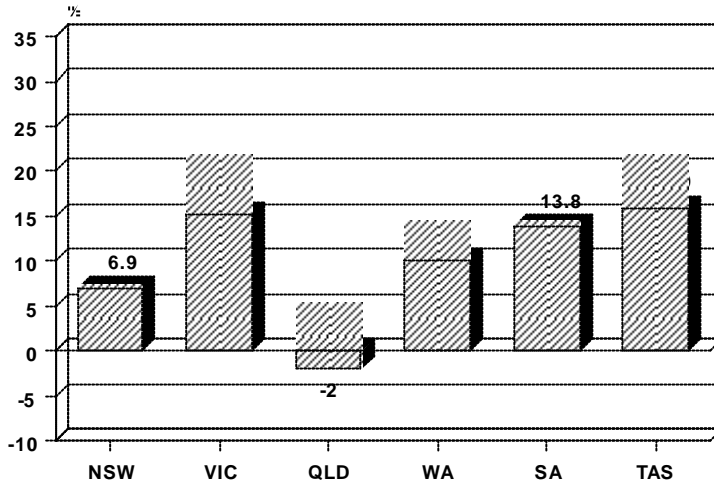
**Australian States Net Debt as Percentage of Gross State Product as at 30 June 1996**



Source: Australian States Report. Moody's Indepth Analysis, April 1997

Figure 7.5

**Australian States Net Interest Paid as Percentage of Net Revenue  
as at 30 June 1996**



Source: Australian States Report, Moody's In-depth Analysis, April 1997

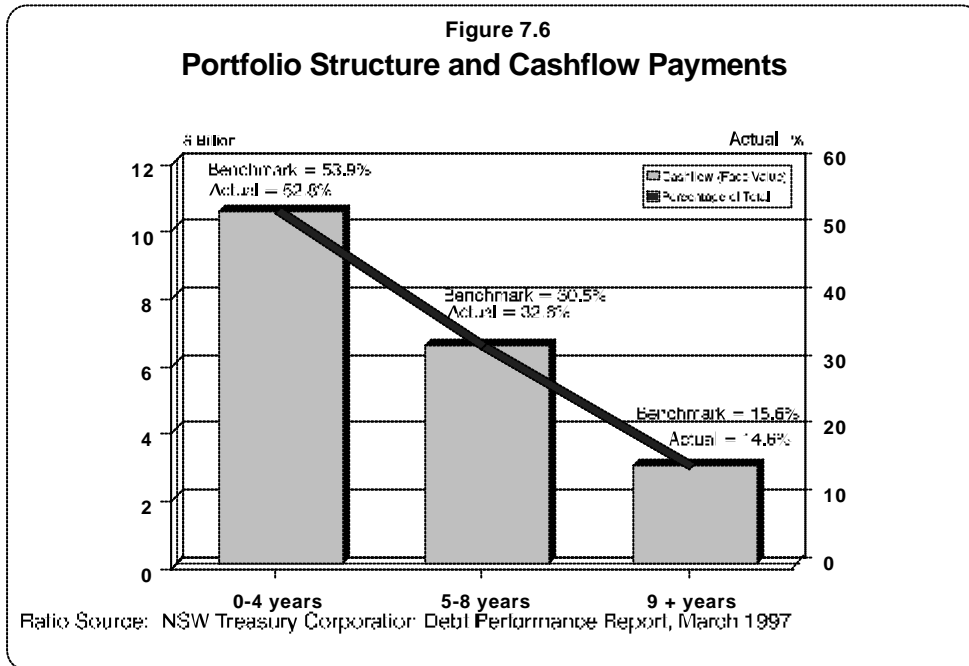
**DEBT MATURITY PROFILE**

New South Wales' debt comprises borrowings from three sources -

- borrowings from the Commonwealth under the Financial Agreement 1995 and Commonwealth repayable specific purpose advances covering a variety of projects of which housing is predominant;
- TCorp; and
- own name borrowings by statutory authorities.

The majority of State debt is actively managed through TCorp with maturities being concentrated in the Corporation's highly liquid benchmark bonds, ranging in maturity from 1 to 11 years.

The following graph displays the portfolio structure for 0 to 4 years, 5 to 8 years and greater than 9 years and the forecast cashflow payments relating thereto.



### **FIXED INTEREST MARKET ENVIRONMENT: JULY 1996 TO APRIL 1997**

Short term interest rates declined approximately 1.5 per cent during 1996-97 following three 0.5 per cent reductions in the overnight interest rate by the Reserve Bank of Australia. The Bank cited the significant slowing in economic activity and the associated decline in price inflation and inflationary expectations as explanation for its decision to ease monetary conditions in Australia.

Long term bond yields fell in the first half of 1996-97 reflecting the softening of economic activity, a reduction in long term inflationary expectations among financial market participants and falling international long term interest rates. However since December 1996, there has been an increase in long term interest rates both internationally and domestically reflecting, in part, events in the United States.

## BUDGET SECTOR DEBT MANAGEMENT

Under the provisions of the Treasury Corporation Act 1983, TCorp has been given the responsibility for the raising of loans on behalf of all New South Wales Public Sector organisations.

TCorp raises funds through the issue in Australia of inscribed stock and promissory notes, as well as overseas issues of bonds and commercial paper. All borrowings are government guaranteed. Issues of domestic term stock are concentrated into "benchmark" lines which, because of their volume and the market support provided by TCorp, are the most liquid and actively traded in the Australian market, with the exception of Commonwealth Government bonds. With the strength of the New South Wales Government guarantee and a AAA credit rating, TCorp is able to borrow at very economical interest rates.

TCorp has been contracted by Treasury to manage the Budget Sector debt portfolio (with the exception of loans undertaken by Roads and Traffic Authority) with a view to outperforming the debt costs of a specified benchmark portfolio. This is an active debt management approach where TCorp positions the portfolio with regard to its market risk characteristics so as to achieve a lower economic cost than the benchmark portfolio, given the expected movements in the yield curve. Performance is assessed primarily by measuring the change in total market value of the budget sector debt portfolio, relative to the change in the benchmark portfolio.

Historical TCorp debt management performance is detailed below -

**Table 7.4: Budget Sector Debt Management Performance**

Year	Basis Points Variation From Benchmark	Debt Saving
		\$m
1991-1992	0.41	67
1992-1993	0.60	105
1993-1994	(-) 0.96	(-) 157
1994-1995	0.54	91
1995-1996	0.05	7
1996-1997 to 31 March	0.24	33

The benchmark portfolio embraces a neutral borrowing strategy in which debt is issued evenly across the yield curve. Currently the Budget Sector benchmark portfolio has a maximum maturity of 13 years resulting in a modified duration, average portfolio maturity term, of 3.2 years.

## BUDGET SECTOR INTEREST COSTS

Interest costs of the Budget Sector are influenced by average interest rates, portfolio maturity profile and variations in debt levels.

**Table 7.5: Trends in Interest Costs**

		1991-92	1992-93	1993-94	1994-95	1995-96	1996-97 (est)
Debt Costs -							
Commonwealth Loans	\$m	738.7	647.1	507.0	462.7	349.0	313.4
Other Loans	\$m	1,131.5	1,224.1	1,218.5	1,240.6	1,297.0	1,108.9
		1,870.2	1,871.2	1,725.5	1,703.3	1,646.0	1,422.3
Debt Cost/Budget Sector Receipts	%	11.2	10.6	9.0	8.5	7.8	6.3

Estimated reductions in interest costs in 1996-97 are mainly due to the retirement of debt utilising electricity industry equity restructure payments towards the end of 1995-96 and an overall fall in interest rates.

## BUDGET SECTOR DEBT MANAGEMENT REVIEW

As part of Treasury's ongoing continuous improvement program, Bankers Trust Risk Management Advisory were engaged, following a tender process, to undertake an independent external review of the institutional and operational arrangements relating to the debt management of the Budget Sector portfolio and the benchmarks used for measuring the performance of TCorp.

The review, which was completed in March 1997, analysed the existing governance framework, arrangements and practices, the contractual arrangements between Treasury and TCorp and other issues such as roles and responsibilities, performance measurement, approach towards market risk etc.

Treasury's debt management committee is currently considering the review's recommendations which have been adopted in principle. It is relevant to note that the Bankers Trust report stated that TCorp enjoys a strong reputation in the financial markets as a professional and competent manager of debt and that they found TCorp's framework for strategy formulation and transaction execution process to be sound.

## **7.3 SUPERANNUATION**

### **KEY STRATEGIES**

The Government is committed to effective management and eventual elimination of the State's public sector superannuation liabilities.

Under the General Government Debt Elimination Act, the Government aims to -

- phase in full funding of accrued past service employer superannuation liabilities of both the general government and public trading enterprise sectors to eventually eliminate all unfunded liabilities. According to current projections, this will be achieved by 2044-45; and
- phase in full funding of accruing current service employer superannuation liabilities of both the general government and public trading enterprise sectors. With respect to Budget Sector agencies, this will be achieved by 2019-20, according to current projections. Non Budget Sector agencies and commercial activities of Budget Sector agencies, on the other hand, are already required to fully fund their current service superannuation costs.

Progress towards the implementation of the above funding policies commenced in 1992, with the establishment of the First State Super (FSS) scheme and the closure of the State Authorities Superannuation Scheme (SASS) and the State Authorities Non-contributory Superannuation (SANCS) Scheme, otherwise known as the Basic Benefit scheme.

### **CURRENT DEVELOPMENTS**

#### **Restructure of Public Sector Superannuation Administration**

Following a comprehensive review of the structural and legislative arrangements for the administration of superannuation in the New South Wales public sector, a new structure was put in place as at 1 July 1996.

The former trustee, the State Authorities Superannuation Board, was replaced by two trustee boards -

- the FSS Trustee Corporation (FTC) which is responsible for the State's two accumulation schemes, the FSS and the Public Sector Executives Superannuation Scheme (PSESS); and
- the SAS Trustee Corporation (STC) which is responsible for the State's closed defined benefit schemes, the State Superannuation Scheme (SSS), SASS, Police Superannuation Fund (PSF) and SANCS. These schemes are collectively known as the Pooled Fund.

The former scheme administrator and funds manager, the State Superannuation Investment and Management Corporation, was replaced by two agencies -

- the Superannuation Administration Authority (SAA), which is responsible for scheme administration of the STC funds and which may compete to provide scheme administration of the FTC funds; and
- the Axiom Funds Management Corporation (Axiom), which is responsible for the investment management of the funds held in the Pooled Fund (currently around \$18.8 billion). It also managed the FTC funds until 30 September 1996, when the management of some of these funds was allocated to other investment managers.

Subsequently, the Government has decided to sell Axiom. The sale is likely to be completed by the end of the 1996-97 financial year and will assist in reducing the State's unfunded superannuation liabilities.

### **Local Government and Electricity Authorities Superannuation Schemes**

The Government has approved the establishment of two new public sector superannuation schemes. One scheme will cover Local Government employees and another scheme will cover employees of the 6 electricity distributors and Transgrid.

A Treasury Task Force has been established to facilitate the implementation of the Government's decision to create separate schemes by the beginning of 1997-98. The impact of this initiative on the Government's unfunded liability and employer contribution figures is not expected to be material and is not reflected in the data provided in this chapter.

### **Review of University Employee Superannuation Costs and Liabilities**

Some employees of universities and former Colleges of Advanced Education in New South Wales have remained members of State public sector superannuation schemes, rather than transfer to the Superannuation Scheme for Australian Universities (SSAU).

Under the current cost sharing arrangements between the Commonwealth and New South Wales, the State meets about half of the annual benefit payments associated with these employees.

New South Wales has instigated a review to clarify the allocation of superannuation liabilities between the Commonwealth and the State and the basis for current and future superannuation cost sharing arrangements. A working party, incorporating representatives from several States and chaired by the Commonwealth, has commenced preliminary work on the review which is not expected to be completed before the end of 1997-98.

## **Independent Actuarial Review of Superannuation Issues**

An independent actuarial review into a number of superannuation related matters is currently being finalised. This includes a review of -

- the 1994 actuarial investigation (i.e. Triennial Review) of the four closed schemes in the Pooled Fund;
- the Budget Sector long-term funding plan relating to the four closed schemes in the Pooled Fund;
- the amount and status of the unallocated funds in the SSS Contributors' Reserve;
- the method of superannuation accounting used by Government Trading Enterprises and other public sector agencies; and
- the development of a monitoring system relating to the Budget Sector long-term funding plan.

It is anticipated that most of these reviews will be completed by the end of 1996-97 and their findings, where appropriate, acted upon during 1997-98.

### **Allocation of Funds in the State Superannuation Scheme Contributors' Reserve**

An independent actuarial investigation has been undertaken to determine, amongst other things, the ownership of the unallocated funds currently held in the SSS Contributors' Reserve.

A majority of the unallocated funds in the Contributors' Reserve arose in 1988-89. Up to that year, the SSS was comprised of a single pool of funds for both employers and employees. This pool of funds was disaggregated by splitting it into a separate reserve for each employer and a single reserve for all contributors.

The unallocated amount in the Contributors' Reserve was estimated to be around \$986 million as at 30 June 1992. About \$622 million of the \$986 million arose from the fact that during disaggregation, the contributions of members were double counted. It is accepted that this portion of the Contributors' Reserve belongs to employers. Accordingly, legislation was enacted in 1996 to enable the distribution of this portion to employers' reserve accounts. The distribution will be carried out in conjunction with the allocation of Pooled Fund tax credits to individual employers.

The independent actuarial review has found that the balance of the SSS Contributors' Reserve (about \$528 million as at 30 June 1995) will ultimately benefit employers under existing funding arrangements. The SSS is a defined benefit scheme and therefore precludes the notion of a "surplus" in the fund that may be considered as belonging to employees.

It is expected that the resolution of each of these issues will have the effect of reducing the current level of reported public sector unfunded liabilities.

## **1997 Triennial Review**

The preliminary stage of the 1997 Triennial Review into the state and sufficiency of the four closed schemes in the Pooled Fund has commenced. The process and methodology used in the Triennial Review will incorporate, where appropriate, the recommendations made in the independent actuarial review of the 1994 Triennial Review.

## **NEW SOUTH WALES PUBLIC SECTOR SUPERANNUATION SCHEMES**

Over the last decade, there has been a general move in the public sector throughout Australia away from expensive and inflexible defined benefit superannuation schemes towards less costly, more flexible accumulation schemes. Consequently, defined benefit schemes have been closed to new entrants in most Australian jurisdictions.

In New South Wales, the closed defined benefit schemes are the SSS, SASS, SANCS and PSS. These schemes are components of the Pooled (Superannuation) Fund. The Judges Pension Scheme (JPS) and the Parliamentary Contributory Superannuation Scheme are the only defined benefit schemes which remain open to new entrants.

The Commonwealth Government's Superannuation Guarantee (Administration) Act 1992 prescribes the minimum level of superannuation support that must be provided by employers for all employees. The FSS scheme is a fully funded accumulation scheme that was introduced in 1992 to meet these requirements.

## **LIABILITIES OF NEW SOUTH WALES PUBLIC SECTOR SCHEMES**

In the past, successive Governments have adopted a policy of largely funding public sector superannuation liabilities on an emerging payment basis. That is, the cost of the benefits was met when the benefits were paid. Additionally, some improvements were made to benefits without accompanying increases in employer or employee contributions.

Consequently, New South Wales, like the Commonwealth and most other States, has accumulated substantial unfunded liabilities. A significant portion of those unfunded liabilities relates to the Budget Sector, which has increased (in nominal dollars) from \$7.7 billion at June 1989 to an estimated \$14.7 billion at June 1997.

However, as a result of the Government's move towards full funding of employee entitlements, combined with an expected improvement in fund investment earnings, the latest actuarial estimates indicate that the level of unfunded liabilities (in real terms) will decline gradually over the long term and will be extinguished by 2044-45.

Figure 7.7 shows that Budget Sector unfunded liabilities expressed in 30 June 1997 dollars are expected to peak in June 1997 at around \$14.7 billion followed by a gradual decline to about \$11.3 billion by 30 June 2007. This result is conditional on the actuarial assumptions underlying the forecast being borne out in practice.

It is noted that the forecast level of unfunded liabilities reflected in Figure 7.7 may reduce materially once a number of currently outstanding matters are resolved. These matters have been covered earlier in this chapter and include the allocation of funds in the SSS Contributors' Reserve, the allocation of Pooled Fund tax credits and the sale of Axiom.

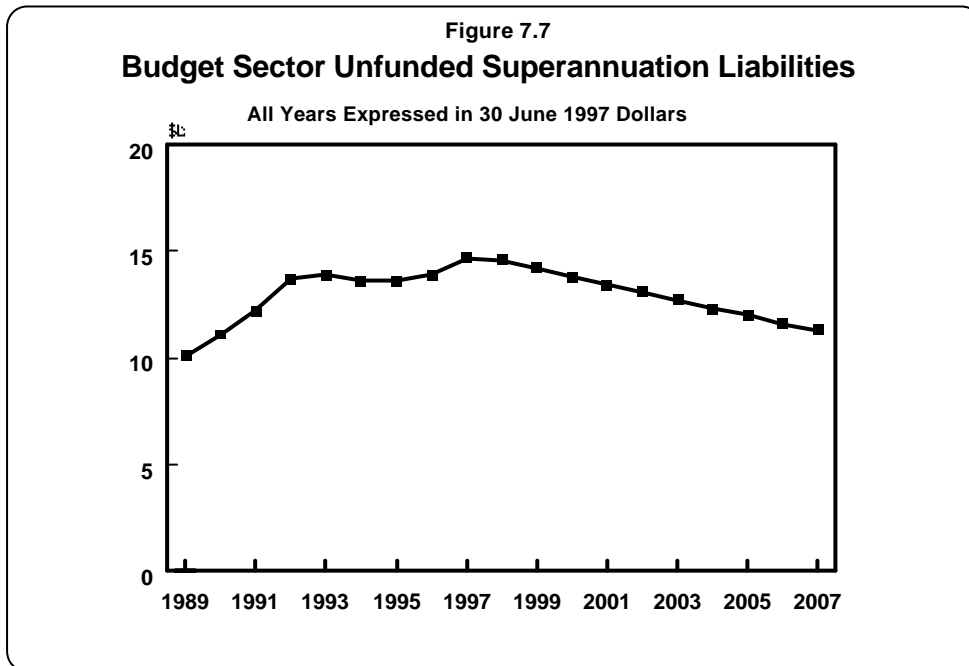


Table 7.6 shows that while total public sector unfunded liabilities at June 1997 are expected to increase marginally (\$70 million) compared to June 1996, Budget Sector unfunded liabilities have increased by \$1,029 million and Non Budget Sector unfunded liabilities have decreased by \$959 million over the same period. These changes are mainly due to the fact that the Crown has assumed the unfunded liabilities of some Non Budget Sector agencies which have been restructured and corporatised in line with the Government's Competition Reform Policy. The State Rail Authority is the largest example of such an agency, with about \$812 million of its unfunded liabilities to be assumed by the Crown in 1996-97.

**Table 7.6: Net Unfunded Liabilities of New South Wales Public Sector Superannuation Schemes as at 30 June<sup>(a)</sup>**

		Actual 1993	Actual 1994	Actual 1995	Actual 1996	Estimate 1997 <sup>(b)</sup>
Budget Sector -						
4 closed schemes	\$m	11,662	11,476	11,837	12,764	13,723
other <sup>(c)</sup>	\$m	769	774	850	890	960
Total Budget Sector	\$m	12,431	12,250	12,687	13,654	14,683
Non Budget Sector	\$m	2,359	2,188	2,004	1,781	822
Total State Public Sector	\$m	14,790	14,438	14,691	15,435	15,505
Proportion of Gross State Product -						
Unfunded liabilities (Budget)	%	8.8	8.3	8.0	8.1	8.3
Unfunded liabilities (Non Budget)	%	1.7	1.5	1.3	1.0	0.5
Unfunded liabilities (Total)	%	10.5	9.8	9.3	9.1	8.8

(a) Figures are in nominal dollars.

(b) Unfunded liability figures are based on New South Wales Government Actuary's 1997 estimate.

(c) Includes JPS, PCSF and State's share of unfunded liabilities of university employees in New South Wales.

Total public sector net unfunded liabilities have declined from 10.5 per cent of GSP in 1993 to an estimated 8.8 per cent in 1997. As a result of the Government's policy regarding the management of superannuation liabilities, this trend is expected to continue over the long term.

Table 7.7 shows the average cost to employers of the major schemes based on 1996-97 actuarial estimates.

**Table 7.7: Employer Cost of Major Public Sector Superannuation Schemes**

Scheme	Employer Cost as a Percentage of Salary
First State Superannuation Scheme	6.0 to 9.0 ~
State Authorities Superannuation Scheme	8.6 *
State Superannuation Scheme	8.3 *
Police Superannuation Scheme	15.7 *

~ Currently 6.0 per cent increasing to 9.0 per cent by the year 2002.

\* Excludes 3 per cent entitlement under Basic Benefit Scheme.

## SUPERANNUATION FUNDING

### Budget Sector

Table 7.8 provides a breakdown of payments made from the Consolidated Fund into public sector superannuation schemes for the period 1993-94 to 1997-98. The total payment in 1997-98 is projected to be \$1,442.5 million. This represents a projected increase of \$157.0 million compared to 1996-97 and is consistent with the Government's long-term objective of extinguishing Budget Sector unfunded liabilities by 2044-45.

**Table 7.8: Consolidated Fund Payments into Public Sector Superannuation Schemes <sup>(a)</sup>**

	Actual 1993-94	Actual 1994-95	Actual 1995-96	Estimated Actual 1996-97	Estimate 1997-98
	\$m	\$m	\$m	\$m	\$m
First State Superannuation Scheme	117.2	150.7	194.2	221.9	255.0
The Pooled Fund <sup>(b)</sup>	848.0	846.8	884.6	1,023.6	1,147.9
Other <sup>(c)</sup>	32.8	34.5	35.1	40.0	39.6
<b>TOTAL</b>	<b>998.0</b>	<b>1,032.0</b>	<b>1,113.9</b>	<b>1,285.5</b>	<b>1,442.5</b>

(a) Excludes certain Budget Sector agencies who meet their own superannuation payments (e.g. Roads and Traffic Authority)

(b) Includes SSS, SASS, PSS and SANCS schemes.

(c) Includes JPS, PCSF and the State's share of benefit payments in respect of university employees in New South Wales.

A key element of the Government's strategy to reduce unfunded superannuation liabilities over the medium term is to make cash contributions into the four closed superannuation schemes at levels that are greater than emerging benefit payments.

Based on the latest actuarial advice, the Government's cash payments into the closed schemes will need to be greater than benefits payments by about \$2.9 billion (in 30 June 1997 dollars) over the 10 year period 1997-98 to 2006-07. This is part of the Government's long-term funding strategy that is designed to set future cash payments at a level which, after adjustment for inflation and allowing for the existing level of reserves, will effectively extinguish Budget Sector unfunded liabilities relating to the closed Pooled Fund schemes by the year 2044-45.

## **Non Budget Sector**

Consistent with the Government's overall liability management strategy, Non Budget Sector agencies and commercial activities of Budget Sector agencies are required to fully fund employee entitlements during the year. This is achieved by making employer superannuation contributions at rates equal to the full funding multiples which are actuarially determined every three years.

An additional requirement placed on commercial authorities is to develop a plan to fully fund their superannuation liabilities arising from employees' past service, over a period not exceeding 30 years after taking into account the age profile of fund members. Most authorities have complied with this requirement resulting in a reduction in their unfunded liabilities over time, as shown at Table 7.6.

