

Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7.6 Administered - Defined Benefit Pension Schemes

	2017 \$'000	2016 \$'000
<i>The amounts recognised in the Administered Schedule of Assets and Liabilities are as follows:</i>		
Present value of funded obligations	56,836	54,447
Fair value of plan assets	(37,221)	(36,095)
	19,615	18,352
Present value of unfunded obligations	53,788	61,676
Net liability in schedule of administered assets and liabilities	73,403	80,028
<i>Movements in the net liability recognised in the Administered Schedule of Assets and Liabilities as follows:</i>		
Net liability at the start of the year	80,028	71,908
Exchange differences on foreign plans	(3,213)	(254)
Net expense recognised in the Administered Schedule of Comprehensive Income	3,559	3,683
Net actuarial (gains) / losses	(2,991)	8,618
Contributions by employers	(3,980)	(3,927)
Net liability at the end of the year	73,403	80,028
<i>Reconciliation of opening and closing balance of the defined benefit obligation:</i>		
Opening liability	116,122	113,793
Exchange differences on foreign plans	(5,351)	(5,168)
Service cost	1,106	1,100
Interest cost	3,647	3,828
Contributions by plan participants (funded schemes)	59	70
Actuarial (gains) due to experience	(514)	(1,919)
Actuarial (gains) / losses due to changes in financial assumptions	(1,676)	1,630
Actuarial losses due to changes in demographic assumptions	1,783	7,561
Benefits paid	(4,552)	(4,773)
Closing liability	110,624	116,122
<i>Reconciliation of opening and closing balance of the fair value of plan assets:</i>		
Opening assets	36,095	41,886
Exchange differences on foreign plans	(2,138)	(4,915)
Expected return on plan assets	1,194	1,245
Contributions by plan participants (funded schemes)	59	70
Contributions by employer	973	858
Actuarial (gains) / losses	2,584	(1,346)
Benefits paid	(1,546)	(1,703)
Closing liability	37,221	36,095

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	2017	2016
	\$'000	\$'000
<i>The amounts recognised in the Administered Schedule of Comprehensive Income are as follows:</i>		
Current service cost	1,106	1,100
Net interest on net defined benefit (asset) / liability	2,453	2,583
Total included 'employee benefit expense account'	3,559	3,683
<i>Amounts recognised directly in administered equity</i>		
	2017	2016
	\$'000	\$'000
Actuarial gains / (losses)	2,991	(8,618)
<i>Cumulative amounts of gains and losses recognised in administered equity</i>		
	2017	2016
	\$'000	\$'000
Actuarial (losses)	(44,064)	(47,055)
<i>Pension scheme assets</i>		
<i>The fair value of scheme assets is represented by:</i>		
	2017	2016
UK equities	0.0%	0.0%
Overseas equities	0.0%	0.0%
Long dated UK corporate bonds	12.0%	12.1%
Long dated UK gilts	9.9%	11.0%
Cash	0.2%	0.2%
Insured Pensioner	1.4%	1.5%
Investment in LIC India	3.8%	3.3%
Diversified Growth Fund	72.7%	71.9%
<i>Fair value of pension scheme assets</i>		
The fair value of scheme assets does not include amounts relating to:		
- any of DFAT's (and the Australian Government's) own financial instruments, and		
- any property occupied by, or other assets used by DFAT (or the Australian Government).		
<i>Principal actuarial assumptions at the reporting date (expressed as weighted averages):</i>		
	2017	2016
Discount rate at 30 June	3.11%	3.09%
Expected return on assets at 30 June		
Salary growth	2.95%	2.72%
Price inflation	3.12%	2.98%
Pension growth	2.94%	2.80%

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Historical information

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Present value of defined benefit obligations	(110,624)	(116,122)	(113,794)	(88,666)	(76,459)
Fair value of scheme assets	37,221	36,095	41,886	30,669	27,307
(Deficit) in the scheme	(73,403)	(80,028)	(71,908)	(57,997)	(49,152)
Actuarial gains / (losses) - net liabilities	2,991	(8,618)	(7,108)	(7,069)	(5,133)
Effect of exchange rate gains / (losses)	3,213	254	(10,877)	(453)	(3,380)

Expected employer contributions

	2018 \$'000	2017 \$'000
Expected employer contributions ¹	4,094	3,709

Notes

1. This represents the employer contributions, which are paid in the schemes fund.

Scheme information

DFAT administers on behalf of the Australian Government, defined benefit pension schemes for locally engaged staff across a number of agencies at posts in London and New Delhi, and also the North American Pension Scheme. All schemes, with the exception of the New Delhi Gratuity Scheme, have been closed to new employees and provide pensions that are linked to final salaries. Figures disclosed are based on formal actuarial reviews that are generally conducted triennially and reviewed and updated by the actuary on an annual basis. The New Delhi and London schemes are partially funded and the North American Pension Scheme is fully unfunded. Contributions for the North American Scheme are made to the Consolidated Revenue Fund, which will provide funding for the benefits payable under the scheme.

Weighted average maturity profile of defined benefit obligation

Financial year ended	2017	2016
Weighted average duration of defined benefit obligation (years)	13.95	14.43

Sensitivity to assumptions

DFAT's defined benefit obligation at the reporting date has been determined using actuarial calculations that require assumptions about future events. The estimated sensitivity of the defined benefit obligation to each significant assumption shown below has been determined at an individual scheme level if each assumption were changed in isolation. In practice, the schemes are subject to multiple external experience items which may vary the defined benefit obligation over time. The methods and assumptions used in preparing these sensitivity results remain consistent with those used in previous reporting periods.

The estimated effects of variations in the principal actuarial assumptions on DFAT's defined benefit obligation at the reporting date are as follows:

Increase / (decrease) in defined benefit obligation

	2017 \$'000	2016 \$'000
Discount rate		
Increase of 0.5%	(7,745)	(7,840)
Decrease of 0.5%	8,091	8,220
Future salary increases		
Increase of 0.5%	237	461
Decrease of 0.5%	(220)	(445)
Future inflation increases		
Increase of 0.5%	7,544	7,814
Decrease of 0.5%	(7,282)	(7,516)