

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

7.6 Administered - Defined Benefit Pension Schemes

	2018 \$'000	2017 \$'000
<i>The amounts recognised in the Administered Schedule of Assets and Liabilities are as follows:</i>		
Present value of funded obligations	57,712	56,836
Fair value of plan assets	(37,767)	(37,221)
	19,945	19,615
Present value of unfunded obligations	49,664	53,788
Net liability in schedule of administered assets and liabilities	69,609	73,403
<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	73,403	80,028
Exchange differences on foreign plans	2,966	(3,213)
Net expense recognised in the Administered Schedule of Comprehensive Income	3,802	3,559
Net actuarial (gains)	(6,414)	(2,991)
Contributions by employers	(4,148)	(3,980)
Net liability at the end of the year	69,609	73,403
<i>Reconciliation of opening and closing balance of the defined benefit obligation:</i>		
Opening liability	110,624	116,122
Exchange differences on foreign plans	4,714	(5,351)
Service cost	1,302	1,106
Interest cost	3,557	3,647
Contributions by plan participants (funded schemes)	55	59
Actuarial (gains) due to experience	(1,223)	(514)
Actuarial (gains) due to changes in financial assumptions	(2,186)	(1,676)
Actuarial (gains) / losses due to changes in demographic assumptions	(3,823)	1,783
Benefits paid	(5,645)	(4,552)
Closing liability	107,375	110,624
<i>Reconciliation of opening and closing balance of the fair value of plan assets:</i>		
Opening assets	37,221	36,095
Exchange differences on foreign plans	1,748	(2,138)
Expected return on plan assets	1,057	1,194
Contributions by plan participants (funded schemes)	55	59
Contributions by employer	1,008	973
Actuarial (gains) / losses	(817)	2,584
Benefits paid	(2,505)	(1,546)
Closing liability	37,767	37,221

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2018
\$'000

2017
\$'000

The amounts recognised in the Administered Schedule of Comprehensive Income are as follows:

Current service cost	1,301	1,106
Net interest on net defined benefit (asset) / liability	2,500	2,453
Total included 'employee benefit expense account'	3,801	3,559

Amounts recognised directly in administered equity

Financial year ended	2018	2017
	\$'000	\$'000
Actuarial gains / (losses)	6,414	2,991

Cumulative amounts of gains and losses recognised in administered equity

Financial year ended	2018	2017
	\$'000	\$'000
Actuarial gains / (losses)	(37,649)	(44,064)

Pension Scheme Assets

The fair value of scheme assets is represented by:

Financial year ended	2018	2017
Long dated UK corporate bonds	0.0%	12.0%
Long dated UK Gilts	0.0%	9.9%
Cash	0.2%	0.2%
Insured Pensioner	1.3%	1.4%
Investment in LIC India	4.0%	3.8%
Diversified Growth Fund	76.8%	72.7%
Liability Driven Investments	17.7%	0.0%

Fair Value of pension scheme assets

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).

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

Financial year ended	2018	2017
Discount rate at 30 June	3.09%	3.11%
Expected return on assets at 30 June		
Salary growth	2.85%	2.95%
Price inflation	2.98%	3.12%
Pension growth	2.72%	2.94%

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Historical Information

Financial year ended	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Present value of defined benefit obligations	(107,375)	(110,624)	(116,122)	(113,794)	(88,666)
Fair value of scheme assets	37,767	37,221	36,095	41,886	30,669
(Deficit) in the scheme	(69,608)	(73,403)	(80,028)	(71,908)	(57,997)
Actuarial gains / (losses) - net liabilities	6,414	2,991	(8,618)	(7,108)	(7,069)
Effect of exchange rate gains / (losses)	(2,966)	3,213	254	(10,877)	(453)

Expected Employer Contributions

Financial year ended	2019 \$'000	2018 \$'000
Expected employer contributions	4,054	4,094

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	2018	2017
Weighted average duration of defined benefit obligation (years)	13.67	13.95

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

Financial year ended	2018 \$'000	2017 \$'000
Discount rate		
Increase of 0.5%	(7,326)	(7,745)
Decrease of 0.5%	7,612	8,091
Future salary increases		
Increase of 0.5%	392	237
Decrease of 0.5%	(377)	(220)
Future inflation increases		
Increase of 0.5%	7,132	7,544
Decrease of 0.5%	(6,930)	(7,282)