

National Commission of Audit Report

The Government has released today the report of the National Commission of Audit. The Commission was established to review and report on the performance, functions and roles of the Commonwealth government. The Government is considering the recommendations and the Minister for Finance has said that its response will be in the Budget on 13 May. It is important to recognise that these are recommendations only – they may or may not be implemented by the government.

The 'fiscal rules' the Commission proposed be adopted by Government are:

- (a) Achieve a surplus of 1% by 2023/24;
- (b) Substantially reduce net debt over the next decade; and
- (c) Ensure tax receipts remain below 24% of GDP.

From CSC's perspective, there are several important recommendations and proposals:

- Close Military Super to new entrants.
- Establish a new accumulation plan for new Australian Defence Force members.
- The Government should move over time to a 'funded' model for its defined benefit schemes, where the employer contribution would be paid to the superannuation trustee, the Commonwealth Superannuation Corporation, rather than retained in consolidated revenue. This is the arrangement the Commonwealth currently follows for its accumulation schemes.
- In recognition of the upfront costs of a 'funded model' approach, the Government should consider allowing earlier drawdowns from the Future Fund to offset the costs of the new military accumulation scheme and future funding of existing defined benefit schemes.
- Extend the current phased increase in the preservation age by an extra four years so the preservation age reaches 62 by 2027.
- Increase the preservation age in conjunction with the Commission's proposed increases in the Age Pension age thereafter – ie 5 years below the Age pension.
- Consider consolidating ComSuper into the Commonwealth Superannuation Corporation, which is its only client.

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