

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

**7.6 Administered - Defined Benefit Pension Schemes**

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| <i>The amounts recognised in the Administered Schedule of Assets and Liabilities are as follows:</i>                |                |                |
| Present value of funded obligations   | 61,970         | 57,712         |
| Fair value of plan assets   | (40,361)       | (37,767)       |
|   | <u>21,609</u>  | <u>19,945</u>  |
| Present value of unfunded obligations   | 56,004         | 49,664         |
| Net liability in schedule of administered assets and liabilities  | <u>77,613</u>  | <u>69,609</u>  |
| <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  | 69,609         | 73,403         |
| Adjustment for addition of Port Louis Scheme net liability  | 76             | -              |
| Exchange differences on foreign plans   | 3,126          | 2,966          |
| Net expense recognised in the Administered Schedule of Comprehensive Income   | 3,792          | 3,802          |
| Net actuarial losses / (gains)  | 5,309          | (6,414)        |
| Contributions by employers  | (4,299)        | (4,148)        |
| Net liability at the end of the year  | <u>77,613</u>  | <u>69,609</u>  |
| <i>Reconciliation of opening and closing balance of the defined benefit obligation:</i>                             |                |                |
| Opening liability   | 107,375        | 110,624        |
| Adjustment for addition of Port Louis Scheme liabilities  | 554            | -              |
| Exchange differences on foreign plans   | 3,860          | 4,714          |
| Service cost  | 1,328          | 1,302          |
| Interest cost   | 3,529          | 3,557          |
| Contributions by plan participants (funded schemes)   | 56             | 55             |
| Actuarial (gains) due to experience   | (1,758)        | (1,223)        |
| Actuarial losses / (gains) due to changes in financial assumptions  | 8,060          | (2,186)        |
| Actuarial (gains) due to changes in demographic assumptions   | (168)          | (3,823)        |
| Benefits paid   | (4,862)        | (5,645)        |
| Closing liability   | <u>117,974</u> | <u>107,375</u> |
| <i>Reconciliation of opening and closing balance of the fair value of plan assets:</i>                              |                |                |
| Opening assets  | 37,767         | 37,221         |
| Adjustment for addition of Port Louis Scheme assets   | 477            | -              |
| Exchange differences on foreign plans   | 734            | 1,748          |
| Expected return on plan assets  | 1,065          | 1,057          |
| Contributions by plan participants (funded schemes)   | 56             | 55             |
| Contributions by employer   | 1,068          | 1,008          |
| Actuarial gains / (losses)  | 825            | (817)          |
| Benefits paid   | (1,631)        | (2,505)        |
| Closing liability   | <u>40,361</u>  | <u>37,767</u>  |

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|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <i>The amounts recognised in the Administered Schedule of Comprehensive Income are as follows:</i> |                |                |
| Current service cost   | 1,328          | 1,301          |
| Net interest on net defined benefit liability  | 2,464          | 2,500          |
| Total included 'employee benefit expense account'  | 3,792          | 3,801          |

*Amounts recognised directly in administered equity*

| Financial year ended       | 2019<br>\$'000 | 2018<br>\$'000 |
|----------------------------|----------------|----------------|
| Actuarial (losses) / gains | (5,309)        | 6,414          |

*Cumulative amounts of losses recognised in administered equity*

| Financial year ended       | 2019<br>\$'000 | 2018<br>\$'000 |
|----------------------------|----------------|----------------|
| Actuarial gains / (losses) | (42,959)       | (37,649)       |

*Pension Scheme Assets*

*The fair value of scheme assets is represented by:*

| Financial year ended          | 2019  | 2018  |
|-------------------------------|-------|-------|
| Cash                          | N/A   | 0.2%  |
| Insured Pensioner             | 1.7%  | 1.3%  |
| Investment in LIC India       | 4.5%  | 4.0%  |
| Diversified Growth Fund       | 76.2% | 76.8% |
| Liability Driven Investments  | 16.3% | 17.7% |
| Deposit Administration Policy | 1.3%  | N/A   |

*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                 | 2019  | 2018  |
|--------------------------------------|-------|-------|
| Discount rate at 30 June             | 2.79% | 3.09% |
| Expected return on assets at 30 June |       |       |
| Salary growth                        | 3.04% | 2.85% |
| Price inflation                      | 3.07% | 2.98% |
| Pension growth                       | 2.82% | 2.72% |

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*Historical Information*

| <b>Financial year ended</b>                  | <b>2019</b>      | 2018      | 2017      | 2016      | 2015     |
|--|------------------|-----------|-----------|-----------|----------|
|  | <b>\$'000</b>    | \$'000    | \$'000    | \$'000    | \$'000   |
| Present value of defined benefit obligations | <b>(117,974)</b> | (110,624) | (116,122) | (113,794) | (88,666) |
| Fair value of scheme assets                  | <b>40,361</b>    | 37,221    | 36,095    | 41,886    | 30,669   |
| (Deficit) in the scheme                      | <b>(77,613)</b>  | (73,403)  | (80,028)  | (71,908)  | (57,997) |
| Actuarial gains / (losses) - net liabilities | <b>(5,309)</b>   | 2,991     | (8,618)   | (7,108)   | (7,069)  |
| Effect of exchange rate gains / (losses)     | <b>(3,126)</b>   | 3,213     | 254       | (10,877)  | (453)    |

*Expected Employer Contributions*

| <b>Financial year ended</b>     | <b>2020</b>   | 2019   |
|---------------------------------|---------------|--------|
|                                 | <b>\$'000</b> | \$'000 |
| Expected employer contributions | <b>4,174</b>  | 4,054  |

*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, Port Louis and New Delhi, and also Ottawa and Washington (the North American Pension Scheme). Port Louis and New Delhi are still open to new employees. All schemes, with the exception of the New Delhi Gratuity Scheme, 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, Port Louis 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*

| <b>Financial year ended</b>                                     | <b>2019</b>  | 2018  |
|---|--------------|-------|
| Weighted average duration of defined benefit obligation (years) | <b>13.55</b> | 13.67 |

*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*

| <b>Financial year ended</b> | <b>2019</b>    | 2018    |
|-----------------------------|----------------|---------|
|                             | <b>\$'000</b>  | \$'000  |
| Discount rate               |                |         |
| Increase of 0.5%            | <b>(8,100)</b> | (7,326) |
| Decrease of 0.5%            | <b>8,419</b>   | 7,612   |
| Future salary increases     |                |         |
| Increase of 0.5%            | <b>554</b>     | 392     |
| Decrease of 0.5%            | <b>(533)</b>   | (377)   |
| Future inflation increases  |                |         |
| Increase of 0.5%            | <b>8,277</b>   | 7,132   |
| Decrease of 0.5%            | <b>(8,033)</b> | (6,930) |