The Commissioner of Superannuation's Annual Report

2020-21

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The Honourable Michael Gunner MLA
Treasurer
GPO Box 3146
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Dear Treasurer

In accordance with the provisions of section 40 of the *Superannuation Act 1986*, I am pleased to provide to you my report on the operation and management of the following superannuation and pension schemes for the financial year ended 30 June 2021:

- Northern Territory Government and Public Authorities' Superannuation Scheme
- Northern Territory Supplementary Superannuation Scheme
- Northern Territory Government Death and Invalidity Scheme
- Legislative Assembly Members' Pension Scheme
- Administrators Pension Scheme.

Yours sincerely

James Richards
Commissioner of Superannuation
22 November 2021

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About this annual report

Welcome to the Commissioner of Superannuation's Annual Report 2020-21.

Under section 40 of the *Superannuation Act 1986*, the Commissioner is required to report annually to the Treasurer on the operation and management of each superannuation and pension scheme for which the Commissioner had responsibility during the financial year (collectively referred to as the Northern Territory Government (NTG) schemes). For 2020-21, the NTG schemes are:

- Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS)
- Northern Territory Supplementary Superannuation Scheme (NTSSS)
- Northern Territory Government Death and Invalidity Scheme (NTGDIS)
- Legislative Assembly Members' Pension Scheme (LAMS)
- Administrators Pension Scheme (APS).

This report is available electronically, on the website to download or by email.

During the 2020-21 financial year, the Commissioner administered the Northern Territory Police Supplementary Benefit Scheme (NTPSBS) under a delegation from the trustees of that scheme. These trustees have separate annual reporting obligations to the Treasurer. Consequently, this report does not cover the operation or management of NTPSBS in any detail.

Similarly, the Commissioner is not involved in administering the Supreme Court Judges Pension Scheme (JPS), but the Northern Territory Superannuation Office (NTSO), a division of the Department of Treasury and Finance, undertakes reporting for this scheme to the Australian Taxation Office (ATO). Additionally, the Commissioner and NTSO are not involved in administering the Commonwealth Superannuation Scheme (CSS), but are responsible for coordinating the Territory's obligations to contribute, as an employer, toward the cost of CSS pensions by reimbursing the Commonwealth.

Objective

The objective of this report is to provide the Treasurer (as the minister responsible for public sector superannuation policy and administration), members of the NTG schemes and other interested parties with information on the administration, operation and management of the NTG schemes during the 2020-21 financial year.

Reporting requirements

Section 40 of the *Superannuation Act 1986* requires, within six months of the end of each financial year, the Commissioner to provide a report to the Treasurer, as responsible minister, on the operation and management of each of the NTG schemes.

The Treasurer is required to table the report in the Legislative Assembly within six sitting days of its receipt.

Report structure

Each of the NTG schemes are administered by the Commissioner, with support from staff of the NTSO. Consequently, a number of operational and management issues are common to the NTG schemes. With this is mind, the report is presented in three major sections:

- year in review – a summary of major operational and management issues relating to the NTSO and NTG schemes, particularly where they apply to more than one scheme
- governance arrangements – summarises the governance arrangements for the NTG schemes
- scheme performance – an overview of each NTG scheme, operation and management issues specific to that scheme, and relevant performance information.

Year in review

Management and administration reforms

There were no significant management or administration reforms affecting the NTG schemes during 2020-21.

Territory liability

The Territory's liability to pay superannuation and pension benefits for the NTG schemes and NTPSBS is actuarially assessed each year and reported in the Treasurer's Annual Financial Report, which also includes the Territory's liability for Supreme Court judges' pensions and pensions under the CSS.

The assumptions used in calculating the liabilities for each NTG scheme are set out in the *Actuarial services* section and explanations regarding why the liabilities have changed are in that scheme's *Actuarial review* section in the *Scheme performance* section of this report, and in the *Actuarial summary* section of the 2020-21 NTPSBS Annual Report.

The liabilities for the NTG schemes, NTPSBS, the JPS and CSS are summarised in Table 1 and comprise the Territory's liability to both current members and former members who are yet to claim their benefits.

Table 1: Territory-funded scheme liabilities

	Liability at 30 June 2021	Liability at 30 June 2020
	$M	$M
NTGPASS	863.7	984.8
NTSSS	209.4	243.3
NTGDIS	102.0	114.0
LAMS	105.8	132.6
APS	3.3	3.9
NTPSBS	89.4	83.8
JPS	104.7	123.4
CSS	2 394.4	2 582.9

Commonwealth superannuation law reforms

The Commonwealth announced and implemented a number of different measures affecting superannuation during 2020-21. While not all these measures directly affect the NTG schemes, they may impact the members of those schemes.

Originally introduced into Commonwealth Parliament in February 2020, the *Treasury Laws Amendment (Reuniting More Superannuation) Act 2021* commenced on 22 March 2021. The purpose of this Act is to facilitate the closure of eligible rollover funds (ERFs), requiring them to transfer accounts with balances below $6,000 to the Commonwealth Commissioner of Taxation by 30 June 2021, with all remaining accounts required to be transferred by 31 January 2022. This Act also gives the Commissioner of Taxation the ability to reunite amounts received from ERFs with a member's active superannuation account.

As part of the Commonwealth's Economic Response to COVID-19, eligible individuals were able to withdraw up to $10,000 from their superannuation in 2019-20 and a further $10,000 in 2020-21. Unlike many superannuation withdrawals, if approved, the ATO did not deduct tax from the withdrawal amount. However, this measure has now ceased and did not apply to any of the NTG schemes or NTPSBS as it did not apply to defined benefit schemes.

The *Treasury Laws Amendment (Your Future, Your Super) Act 2021* was announced as part of the Commonwealth's 2020-21 Budget and commenced on 22 June 2021. This Act has four key elements that are intended to increase the amount of information available to holders of superannuation accounts, improve decision-making by superannuation fund trustees and prevent new superannuation accounts from being opened whenever a person starts a new job.

The four elements are:

- A new YourSuper comparison tool for individuals to compare key data on MySuper products. The NTG schemes do not include MySuper products, so are excluded from this tool.
- A new superannuation fund under-performance assessment to be conducted by the Australian Prudential Regulation Authority and published on the ATO's website.
- A change to the duties of trustees of superannuation funds to act in the best financial interest of their members. Prior to this change, trustees were required to only act in the best interest of their members.
- From 1 November 2021, where new employees do not choose a superannuation fund, most employers will have to check with the ATO to determine whether the employee has an existing superannuation account, known as a 'stapled superannuation fund', in which to pay the employee's superannuation guarantee entitlements.

Changes announced as part of the Commonwealth's 2021-22 Budget, intended to commence from 1 July 2022 but yet to be legislated, include:

- Removal of the $450 monthly income threshold for superannuation guarantee. Presently, an employer is not obliged to pay superannuation guarantee where an employee's salary or wages do not exceed $450 in a month.
- Increasing the withdrawal limit for First Home Super Saver Scheme from $30,000 to $50,000.
- Removal of the superannuation contribution 'work test' for those aged between 67 and 74. The current work test requires a person to be employed for at least 40 hours in a consecutive 30-day period during the financial year before any superannuation concessional or non-concessional contributions can be accepted by their fund.
- Lower the age threshold for the superannuation downsizer scheme. The eligibility for downsizer contributions will be lowered from age 65 to 60, allowing retirees to contribute up to $300,000 to their superannuation following the sale of their home. Couples may be eligible to contribute up to $300,000 each.

Eligible rollover fund

An ERF is a specialised superannuation fund dedicated to trying to reunite lost superannuation fund members and members not eligible to continue membership of a fund with their unclaimed superannuation.

The primary reason for engaging an ERF is to increase the chance lost members will be reunited with their superannuation. The NTSO commenced transferring unclaimed and lost accounts to an ERF in 2016 when the Superannuation Trustee Board and Commissioner selected AUSfund for this purpose.

The commencement of the *Treasury Laws Amendment (Reuniting More Superannuation) Act 2021* means ERFs have not been able to accept lost and unclaimed accounts from 1 June 2021. Further, ERFs will be required to transfer all account balances held in their funds to the Commonwealth Commissioner of Taxation by 31 January 2022.

From 1 July 2020 to 31 May 2021 (after which ERFs could no longer accept lost and unclaimed superannuation benefits), 565 unclaimed NTGPASS and NTSSS accounts, worth a total of $1.02 million, were transferred to AUSfund (compared to 791 accounts worth $3.81 million in 2019-20).

Anti-money laundering and counter-terrorism financing

The Commonwealth's anti-money laundering and counter-terrorism financing (AML/CTF) legislation imposes a range of governance and operational obligations on superannuation funds and other entities involved in the financial services industry, designed to combat money laundering and terrorism financing activities.

The main governance and operational obligations require compliance with an AML/CTF program, which include a detailed risk assessment, member identification requirements, staff training and due diligence programs, as well as maintaining a range of records and regular reporting to the Australian Transaction Reports and Analysis Centre (AUSTRAC).

The AML/CTF programs for NTGPASS and NTSSS were implemented by the NTSO in early 2008, and are reviewed annually and updated as appropriate. An annual compliance report is submitted to AUSTRAC in March each year. AUSTRAC further strengthened the identification requirements under the AML/CTF Act during the year and these additional measures have been incorporated into the NTSO's AML/CTF programs.

AUSTRAC has provided a reporting exemption for the other NTG schemes, however they remain subject to AML/CTF legislation.

Member education

The NTSO aims to provide information to assist members in understanding their entitlements under their defined benefit superannuation schemes. Relevant information is kept up to date and new items are developed as required. A review of forms and information sheets available to members was commenced in the 2020-21 financial year. Phase 1 of this review has now been completed.

NTSO staff engage with members over the phone, by email or in person through arranged appointments. Members are encouraged to seek the services of a qualified professional as the NTSO cannot provide personal financial advice. Table 2 shows the range of member contacts (including enquiries and service requests) with the NTSO in the 2020-21 financial year.

Table 2: NTSO member contacts during 2020-21

Event/topics	No. of enquiries
Benefit quote request	345
Scheme rules	95
Contributions	115
Taxation	34
Member information statement	195
Hardship	1
Invalidity	14
Death	53
Family law	17
COVID-19 early release	53
Total contacts	**922**

The NTSO did not hold any face-to-face member seminars during 2020-21 but intends to introduce alternative seminar arrangements during 2021-22 to enable the safe delivery of member information.

Online member information

The annual member information statement provides key information to each member of NTGPASS, NTSSS and the NTPSBS about his or her defined benefit, and for NTPSBS, his or her accumulation account balance. Current members who have access to ePASS can view their information statements from previous years at ntgpass.nt.gov.au.

Professional memberships

All staff of the NTSO and trustees of the NTPSBS are members of the Association of Superannuation Funds of Australia (ASFA). ASFA is a national not-for-profit and apolitical organisation that represents the interests of superannuation funds, trustees and members. Membership fees are paid from the NTSO's budget. ASFA is the peak industry body for Australia's superannuation funds. It undertakes extensive analysis and research on superannuation, and provides education and professional development courses for trustees and fund administrators.

Governance

Key changes

During the year there were no changes to the governance and administration arrangements of any NTG schemes. The Commissioner and NTSO are responsible for the administration and management of each of these schemes.

Trustee arrangements

The Commissioner is the formal trustee of NTGPASS, NTSSS, NTDGIS and LAMS. The Commissioner is also the de facto trustee of the APS, as this role is responsible for managing the APS.

Review of decisions

Section 49C of the *Superannuation Act 1986* provides a mechanism for members of NTG schemes, and other persons dissatisfied by a decision of the Commissioner, to apply to the Commissioner to reconsider a decision about the operation or management of an NTG scheme in relation to a particular person. The Act provides that a decision in relation to the operation or management of an NTG scheme as a whole is not a reviewable decision (as the decision will not relate to a particular person).

Three applications were made to the Commissioner during 2020-21 for decisions to be reviewed. Two of these matters were resolved during 2020-21: in both cases the delegate upheld the Commissioner's original decision.

Northern Territory Civil and Administrative Tribunal

Once the Commissioner has reviewed a decision under the *Superannuation Act 1986*, the person who requested the review can apply to the Northern Territory Civil and Administrative Tribunal (NTCAT) for a further review of the decision under section 49G of this Act.

NTCAT has the power to vary the Commissioner's decision. Information on how to make an application to NTCAT is available on the website ntcat.nt.gov.au.

No applications were made to NTCAT during 2020-21, nor did it consider any applications made in prior years.

Complaints

The NTSO has a complaints management policy and internal complaints management framework. The objective of the policy is to ensure complaints are dealt with fairly, promptly, and in an efficient and confidential manner. No complaints were received during 2020-21.

Compliance with Commonwealth superannuation legislation

The superannuation industry is regulated by an extensive and diverse legislative framework.

All the NTG schemes are exempt public sector superannuation schemes and therefore not regulated under the Commonwealth *Superannuation Industry (Supervision) Act 1993* (SIS Act). SIS legislation treats exempt public sector superannuation schemes as complying funds for concessional taxation and superannuation guarantee purposes.

A Heads of Government Agreement between the Territory and the Commonwealth provides that, despite not being regulated under the SIS Act, the Territory's schemes will be administered in accordance with the Commonwealth's retirement income policies and principles, including those relating to preservation, vesting and portability of benefits. The schemes remain subject to other legislation affecting superannuation, such as relating to income tax, the superannuation surcharge and splitting of benefits under the *Family Law Act 1975*.

Each scheme was a complying fund for the purposes of the *Income Tax Assessment Act 1997* during the reporting period. Consequently, income tax is assessable at 15% on net investment earnings and net taxable contributions, and 10% on realised capital gains, with tax exemptions provided on ordinary earnings from assets held to support current pension income streams.

Audits

The Northern Territory Auditor-General's Office provides audit services to the fund associated with NTPSBS, with the audited financial statements included in the 2020-21 NTPSBS Annual Report.

Actuarial services

Actuarial services for the NTG schemes are provided under a panel contract. The contract, which runs until 31 March 2026, has Cumpston Sarjeant Pty Ltd and PricewaterhouseCoopers Securities Ltd on the panel.

Details of the actuarial firms responsible for each NTG scheme are as follows:

NTG scheme	Actuary
NTGPASS	PricewaterhouseCoopers Securities Ltd
NTSSS	PricewaterhouseCoopers Securities Ltd
NTGDIS	PricewaterhouseCoopers Securities Ltd
LAMS	Cumpston Sarjeant Pty Ltd
APS	Cumpston Sarjeant Pty Ltd

Cumpston Sarjeant Pty Ltd also provides actuarial services for the NTPSBS.

Under the terms of the Heads of Government Agreement, there is an expectation the Territory will undertake regular actuarial reviews of the NTG schemes and NTPSBS. In this regard, the *Superannuation Act 1986* requires an actuarial review of NTGPASS and NTGDIS every three years, the *Legislative Assembly Members' Pensions Act 1979* (LAMS Act) requires an actuarial review of LAMS every three years and the NTPSBS Deed requires an actuarial review of NTPSBS every three years. For NTSSS and APS, there is no legal requirement for regular actuarial reviews, however these are undertaken every three years in line with the other schemes. The actuaries update their reviews annually to take into account changes to scheme membership, member wages and investment markets, with these updates used to report the Territory's superannuation scheme liabilities.

Actuarial reviews examine the experience of each scheme during the previous three years and provide projections of the Territory-financed cash flows and accrued liabilities.

In addition to undertaking actuarial reviews, the actuaries provide advice on superannuation policy matters, including advice on the offset provisions that apply where a member is retired on the grounds of invalidity and entitled to workers compensation benefits due to an injury (relevant to NTGPASS and NTGDIS). The actuaries have also assisted with advice in relation to taxation deductions available to funds historically associated with the different schemes.

The most recent actuarial review of each NTG scheme was undertaken as at 30 June 2021, with a summary of the actuary's report and estimates of future cash flows needed to fund the Territory-financed component of benefits and accrued liabilities of each scheme provided in the *Scheme performance* section of this report.

All the actuarial reviews were undertaken using the same key assumptions regarding discount rates, salary rates, inflation and the imputed cost of interest, which are set out in Table 3.

Table 3: Actuarial assumptions for valuing scheme liabilities as at balance date and for the following year

	30 June 2021	30 June 2020
	%	%
Discount rate (gross of tax)	1.49	0.90
Short-term salary rate	nil	2.50
Long-term salary rate	3.00	3.00
Inflation (pensions)	1.50	1.50
Imputed cost of interest	0.90	1.30
Tax rate for employer contributions	nil	nil

Scheme performance

Northern Territory Government and Public Authorities' Superannuation Scheme

Scheme overview

NTGPASS is a defined benefit superannuation scheme that provides members with a lump sum benefit upon resignation, age retirement, retrenchment, death or invalidity. NTGPASS is established under the *Superannuation Act 1986*, which sets out the arrangements for management and administration of the scheme, and the NTGPASS Rules that provide for the calculation of NTGPASS benefits.

Prior to 8 May 2019, NTGPASS lump sum benefits comprised two components: a member accumulation component and a Territory-financed component.

The member accumulation component comprises member contributions, rollovers and investment earnings. Members are required to contribute from 2% to 6% of their contribution salary to their accumulation account from their after-tax income. All NTGPASS member accumulation accounts were transferred to Statewide Superannuation on 8 May 2019. The transfer of these funds did not change the rules or entitlements as they relate to members, that is, members must still make contributions (whether to Statewide Superannuation or another fund chosen by the member) and they remain entitled to a Territory-financed component.

The Territory-financed component is calculated according to a formula based on the member's length of membership in the scheme, final average salary (referred to as the member's 'benefit salary') and contribution rate during membership. NTGPASS benefits are paid by the Territory from the Central Holding Authority (CHA) at the time scheme membership ceases, which for most members occurs when their employment ceases. NTGPASS members are also entitled to a separate Territory-financed benefit from the NTSSS. The activities of NTSSS for the year are provided separately in this report.

NTGPASS was closed to employees whose employment with the Territory Government or a public authority commenced on or after 10 August 1999.

NTGPASS Rule change

There were no changes to the NTGPASS Rules during 2020-21.

Operational activity

Table 4 reports on the activities of the NTSO in its administration and management of NTGPASS. It shows the actual performance against targets, some of which are also published in the Department of Treasury and Finance Annual Report.

Most contact with members during the year arose in responding to member inquiries regarding benefit status, scheme rules, statement requests and contributions.

Table 4: NTSO performance

	2020-21 Target	2020-21 Actual
Member statements issued within approved timeframes (%)	100	100
Average days to make benefit payments:		
• from date of receipt of all information[1]	30	10
• where there is a delay in the receipt of information[2]		18

1 As a non-APRA-regulated superannuation fund, benefits are processed as soon as practicable but within 30 days.

2 All necessary information from the member and the employing agency must be received before a benefit can be paid.

Benefit payments

Table 5 reports the different categories of NTGPASS benefits paid. Of members ceasing NTGPASS membership, age retirement was the most common type of benefit category and had the greatest monetary value. During 2020-21, 141 superannuation benefits were paid, totalling $57.08 million, $7.94 million less than the 164 benefits paid in 2019-20. The reduced number of benefits and their value is primarily attributable to fewer resignations and age retirements during 2020-21.

Table 5: Total NTGPASS benefits paid for the year ended 30 June

	2020-21		2019-20	
Type	Members	Total paid	Members	Total paid
	No.	$M	No.	$M
Resignation	22	7.68	29	10.24
Age retirement	96	40.72	106	44.94
Retrenchment	12	4.81	16	6.65
Invalidity	2	1.19	3	0.96
Death	5	2.33	2	1.00
Family law split	4	0.33	8	1.23
Total	**141**	**57.06**	**164**	**65.02**

Membership profile

During the year, active membership of NTGPASS decreased by 6% from 2,189 to 2,056 due to members claiming their benefits and exiting the scheme. In contrast, in 2019-20 active membership decreased by 6.7% from 2,436 to 2,189.

Active members

Active members of NTGPASS are those members employed by the Territory or one of its public authorities who are required to make contributions under the NTGPASS Rules and eligible to receive a Territory-financed benefit when they leave employment or exit the scheme. Table 6 illustrates the changes in active NTGPASS membership during 2020-21 and 2019-20.

Table 6: Changes to active NTGPASS members

	2020-21	2019-20
Active members at beginning of period	2 189	2 346
Less exits:		
Resignation	25	29
Age retirement	92	95
Retrenchment	8	17
Invalidity	2	2
Death	1	6
Opt out	5	8
Total exits	133	157
Members at 30 June	**2 056**	**2 189**

Note: due to benefit application and payment processing timeframes, not all benefits for exiting members were paid during the financial year.

Member contribution rates

Active members must contribute 2% to 6% of their contribution salary to their nominated complying superannuation fund.

Of active members, 85.9% on 30 June 2021 (85.5% on 30 June 2020) chose to contribute at the highest rate of 6%.

Membership by age and gender

Women represent the majority of active members at 63% of total membership. Just under half (49.7%) of active members are in the 50 to 59 age group, with 20.8% under age 50 and 29.5% aged 60 and over. Table 7 shows the membership of the scheme by age and gender as at 30 June 2021.

Table 7: NTGPASS members broken down by age and gender at 30 June 2021

Age	Females	Males
< 35	–	–
35 to 49	274	155
50 to 59	629	393
60 to 65	292	158
66+	102	53
Total	**1 297**	**759**

Actuarial review

The last triennial actuarial review of NTGPASS was performed as at 30 June 2019 by Catherine Nance FIAA, from PricewaterhouseCoopers Securities Ltd and the results were provided in her report dated 30 August 2019.

The triennial review dealt with the Territory-financed employer liabilities, which are guaranteed by the Territory under the *Superannuation Act 1986* and met on an emerging-cost basis. The future employer cash flows and accrued liabilities were projected to the year 2054.

The scheme started in 1986 and was closed to new employees commencing employment with the Territory Government or a public authority on or after 10 August 1999.

Accrued liabilities of NTGPASS were updated by Ms Nance in a report dated 7 September 2021. This report indicated that at 30 June 2021, the accrued liability estimate for the year was $859.3 million, compared to a liability estimate of $978.6 million at 30 June 2020. The $119.3 million decrease in accrued liability is due to:

- increased interest costs of $8.6 million
- increased accruing costs of $39.9 million
- a decrease of $112.6 million due to changes in the valuation basis and experience, explained as follows:
  - a decrease of about 8.9% ($86.3 million) due to the introduction of a four-year wage freeze assumption
  - a decrease of about 4.4% ($42.9 million) due to an increase in the discount rate from 0.9% to 1.49%
  - an increase of 1.7% ($16.6 million) due to experience differing from expectations
- member exits during the year, with those members entitled to benefit payments of $55.3 million (with not all benefits paid during the financial year).

The employer cash flow (entitlement to benefit payments) for the year ended 30 June 2021 was $55.3 million (excluding invalidity and death benefits paid by the Territory). Over the longer term, using a forecast discount rate of 2.45%, rather than the current discount rate of 1.49%, it is expected the cash flow will be higher next year ($96.6 million) and from there it will generally fall each year, declining slowly to become zero by 2053.

The actuarial estimates of future cash flows to fund the Territory-financed component of NTGPASS benefits and accrued liabilities of the scheme (based upon nominal values) have been updated based on 2020-21 information as shown in Table 8.

Table 8: Estimated NTGPASS Territory-financed benefit costs, year to 30 June

	Estimated cash flow	Estimated accrued liability
	$M	$M
2022	96.6	756.7
2025	77.8	645.5
2030	69.3	443.6
2035	53.1	241.8
2040	29.9	92.8
2045	10.4	19.5
2050	1.4	1.2

NTGPASS member contributions are paid into an externally administered complying superannuation fund nominated by the member. The financial soundness of NTGPASS arises from the legislated guarantee that the Territory will pay benefit entitlements as they are due. This is an appropriate way to meet benefits in a public sector scheme, provided the extent and nature of the liabilities are disclosed and included within public sector accounts, as is the case with NTGPASS.

Northern Territory Supplementary Superannuation Scheme

Scheme overview

The NTSSS was established by an instrument signed on 4 January 1989 (the NTSSS Instrument) by the then Treasurer.

The NTSSS is administered by the Commissioner and staff of the NTSO.

The NTSSS is a non-contributory scheme (that is, neither the member nor the Territory make contributions). It provides a lump sum employer-financed superannuation benefit on exit at the rate of 3% of a member's final salary for each year of full-time service since 1 October 1988. The NTSSS closed to employees who commenced employment with the Territory Government or a Territory Government public authority on or after 10 August 1999 (employees who transfer between these employers are entitled to ongoing membership). While open, the NTSSS covered most Territory public sector employees (including permanent, temporary, casual or irregular employees) and many office holders.

NTSSS benefits are paid by the Territory from CHA at the time scheme membership ceases, which for most members occurs when their employment ceases. There is no NTSSS fund and therefore no member contributions or rollovers can be accepted.

The Territory introduced the *Superannuation Guarantee (Safety Net) Act 1993* following the introduction of superannuation guarantee legislation by the Commonwealth, to ensure it met its superannuation guarantee obligations. For some employees, the *Superannuation Guarantee (Safety Net) Act 1993* authorises their NTSSS benefits to be increased above the 3% level provided in the NTSSS instrument in order to meet superannuation guarantee requirements. This was necessary because many NTSSS members did not belong to NTGPASS for a sufficient time to earn an employer-funded benefit under that scheme, making NTSSS their sole superannuation benefit.

NTSSS Instrument

There were no changes to the NTSSS Instrument during 2020-21.

Operational activity

The NTSSS is closed to new members so the key operational activities relating to that scheme are:

- recording member service and salary details, to enable benefits to be calculated and paid
- calculating and reporting member benefits at different points in time (for example, for proceedings under the *Family Law Act 1975*, at 30 June each year when providing the ATO with account information and members with their annual statement)
- calculating and paying member benefits when members claim those benefits
- explaining benefit calculations and scheme rules to members and their financial advisers.

Membership profile

Table 9 illustrates changes in NTSSS membership. Of note is that 8,617 accounts were created in 2017-18 following a review of historical payroll records. These accounts relate to the service of past employees prior to 10 August 1999.

Table 9: Changes to NTSSS membership

	2020-21	2019-20
Members at beginning of period	9 620	11 294
Plus new accounts	6	–
Less exits:		
Resignation	271	1 101
Age retirement	1 103	526
Retrenchment	14	17
Invalidity	3	4
Death	112	25
Other[1]	1	–
Total exits	1 504	1 674
Members at 30 June	**8 122**	**9 620**

1 Members identified during the year who are ineligible for an NTSSS or superannuation guarantee benefit.

Women represent the majority of NTSSS members at 67.6% of total membership (63.5% in 2020). Of the total NTSSS members, 43.5% are in the 50 to 59 age group, with 22.3% under age 50 and 34.2% aged 60 and over.

Benefit payments

Table 10 reports on the number and type of NTSSS benefits paid during the last two financial years, as well as their value.

Table 10: Total NTSSS benefits paid for the year ending 30 June

	2020-21		2019-20	
Type	Benefits	Total paid	Benefits	Total paid
	No.	$	No.	$
Resignation	378	3 194 836	1 107	4 133 312
Age retirement	1 110	10 384 051	530	11 881 714
Retrenchment	14	1 300 260	17	1 521 854
Invalidity	3	196 984	4	206 711
Death	6	515 341	24	238 229
Family law	1	39 362	–	–
Total	**1 512**	**15 630 834**	**1 682**	**17 981 821**

Note: the majority of the NTSSS benefit payments in Table 9 relate to periods of employment prior to the financial year in which they were paid. That is, 1,373 of the benefits paid in 2020-21 (valued at $2,588,847) relate to members whose employment ended before the 2020-21 financial year, and 1,524 of the benefits paid in 2019-20 (valued at $3,555,662) relate to members whose employment ended before the 2019-20 financial year.

Actuarial review

The last triennial actuarial review of the NTSSS scheme was performed as at 30 June 2019 by Catherine Nance FIAA, from PricewaterhouseCoopers Securities Ltd and the results were provided in her report dated 30 August 2019.

The triennial review dealt with the employer liabilities, which are guaranteed by the Territory under the NTSSS instrument and met on an emerging-cost basis. The future employer cash flows and accrued liabilities were projected to the year 2055.

The scheme started in 1989 and was closed to employees commencing on or after 10 August 1999.

Accrued liabilities of NTSSS were updated by Ms Nance in a report dated 7 September 2021. This report indicated that at 30 June 2021, the accrued liability estimate for the year was $206.4 million, compared to a liability estimate of $239.1 million at 30 June 2021. The $32.7 million decrease in accrued liability is due to:

- increased interest costs of $2.1 million
- increased accruing costs of $8.8 million
- decreases of $27.1 million due to changes in the valuation basis and experience, explained as follows:
  - a decrease of about 9.4% ($22.1 million) due to the introduction of a four-year wage freeze assumption
  - a decrease of about 4.0% ($9.3 million) due to an increase in the discount rate from 0.9% to 1.49%
  - an increase of 1.8% ($4.3 million) due to experience differing from expectations
- member exits during the year, with those members entitled to benefit payments of $16.5 million (with $15.7 million of those payments made during the financial year).

The employer cash flow (entitlement to benefit payments) for the year ended 30 June 2021 was $16.5 million. Over the longer term, using a forecast discount rate of 2.45%, rather than the current discount rate of 1.49%, it is expected the cash flow will be higher next year ($22.4 million) and from there it will generally fall each year, declining slowly to become zero by 2053.

The financial soundness of NTSSS arises from the guarantee the Territory will pay benefit entitlements as they are due. This is an appropriate way to meet benefits in a public sector scheme, provided the extent and nature of the liabilities are disclosed and included within public sector accounts, as is the case with NTSSS.

Northern Territory Government Death and Invalidity Scheme

Scheme overview

NTGDIS provides free death and invalidity benefits to eligible employees up to age 60. The scheme was introduced in 2007 as part of amendments to the *Superannuation Act 1986* intended to provide death and invalidity benefits equivalent to those provided to members of NTGPASS. NTGDIS benefits are payable in addition to any private insurance cover purchased through a life insurance provider or a superannuation fund.

NTGDIS is administered by the Commissioner of Superannuation and the NTSO.

NTGDIS membership covers the following employees up to age 60, where they are not current members of NTGPASS:

- employees under the *Public Sector Employment and Management Act 1993* who are:
  - a permanent employee (full time or part time)
  - a temporary employee on a fixed-term contract of at least six months
  - a temporary employee on a short-term contract who has had at least six months continuous employment
- police officers
- executive contract officers.

Members of the Legislative Assembly (MLAs) elected for the first time at the general election held on 18 June 2005 or a later general election or by-election are also members of NTGDIS.

Eligibility and entitlement to NTGDIS benefits automatically cease when an employee ceases NTG employment. Casual employees are not eligible for NTGDIS benefits.

Under NTGDIS, a death benefit is only payable when the member is survived by one or more dependants. At the time of death, a dependant includes:

- a spouse/de facto partner (including same sex)
- children and adopted children of any age
- a person who had an 'interdependency relationship' (as defined in the SIS Act) with the deceased.

An invalidity retirement benefit can only be paid where an NTGDIS member (or former member) has been assessed by the Commissioner, based on specialist medical information, as being totally and permanently incapacitated for any form of employment as at the date his or her employment ceased.

NTGDIS benefits are calculated according to a formula that takes into account the member's nominal retirement age, which is age 65 for most members. Once a member reaches age 50 the level of their benefit progressively reduces such that members aged 60 and older have no entitlement to benefits from the scheme.

If an employee is entitled to payments under workers compensation legislation, or a workers compensation agreement such as a 'Hopkins' agreement, the NTGDIS benefit will be reduced by the amount of that workers compensation benefit.

If a workers compensation payment is paid periodically, the notional redemption value of the compensation benefit will be actuarially calculated to determine the value of that workers compensation benefit.

In most cases, the NTGDIS benefit will be completely offset by a member's workers compensation payment.

Operational activity

The primary operational activities relevant to NTGDIS are:

- providing advice regarding the scheme's operation and entitlements to members, dependants, financial advisers and human resource staff
- considering and deciding NTGDIS applications
- paying NTGDIS benefits.

Membership profile

Details regarding current NTGDIS members and the level of cover provided to them as at 30 June 2021 is set out in Table 11.

Table 11: NTGDIS membership and benefits profile at 30 June

	2021	2020
Female members	12 943	12 512
Male members	6 903	6 643
Average age (years)	40.0	40.1
Total annual salary of all members ($M)	2 037	1 917
Average annual salary ($)	102 646	100 072
Total death/invalidity cover[1] ($B)	8.5	8.0
Average death/invalidity cover ($)	428 144	417 823

1 The total amount of death or invalidity benefits payable if all NTGDIS members were to die, leaving dependants, or become subject to invalidity at the reporting date.

Benefit payments

Details of NTGDIS benefits paid up to 30 June 2021 and 2020 is set out in Table 12.

Table 12: NTGDIS benefit payments up to 30 June

	2021	2020
Death benefits		
Number paid	13	9
Value of benefits ($)	2 519 083	3 142 116
Invalidity benefits		
Number paid	3	4
Value of benefits ($)	395 352	529 429

Actuarial review

The last triennial actuarial review of NTGDIS was performed as at 30 June 2019 by Catherine Nance FIAA, from PricewaterhouseCoopers Securities Ltd and the results were provided in her report dated 30 August 2019.

The triennial review dealt with the liability to pay benefits, which is guaranteed by the Territory under the *Superannuation Act 1986* and met on an emerging-cost basis.

Through NTGDIS, the Territory has extended death and invalidity cover to all public sector employees under choice of fund arrangements. The cover is self-insured, with the Territory Government meeting the cost as the amounts become payable. The scheme formally commenced from 1 July 2007 and is open to new members.

The benefits payable in the event of death or invalidity retirement are set out in the *Superannuation Act 1986*. These benefits are the same as for NTGPASS, that is, 17.5% of salary for each year of future service to age 65 for members up to age 50, but decreasing to nil at age 60.

The amount of benefits payable are reduced in the case where:

- workers compensation benefits are payable
- in the event of death under age 60, there are no dependants.

Accrued liabilities of NTGDIS were updated by Ms Nance in a report dated 7 September 2021. As at 30 June 2021, the accrued liability estimate was $87.2 million, a decrease from $96.1 million at 30 June 2020. The $8.9 million decrease in accrued liability is due to:

- a decrease of about 10.5% ($10.1 million) due to the introduction of a four-year wage freeze assumption
- a further decrease of about 5.6% ($5.4 million) due to an increase in the discount rate from 0.9% to 1.49%.

The above decreases are partially offset by an increase of about 8.8% ($8.5 million) due to a change in the level of cover being provided ($8.0 billion at June 2020 to $8.5 billion at June 2021). This is mainly due to the increase in the number of NTGDIS members over the year of 3.6% and the increase in average salary, which for continuing members was 5.2% (2.6% higher than the expected increase of 2.5%).

The financial soundness of NTGDIS arises from the legislated guarantee that the Territory will pay benefit entitlements as they are due. This is an appropriate way to meet benefits in a public sector scheme, provided the extent and nature of the liabilities are disclosed and included within public sector accounts, as is the case with NTGDIS.

Legislative Assembly Members' Pension Scheme

Scheme overview

LAMS was established by the LAMS Act and provides a superannuation defined benefit for eligible MLAs, their surviving and former spouses and de facto partners. LAMS commenced operation on 23 September 1979 and was closed to new members on 9 May 2005. Since that date, parliamentarians elected to the Legislative Assembly for the first time have had superannuation contributions paid for them to their nominated complying superannuation fund.

The defined benefits provided under LAMS are either:

- a lifetime pension for members who have been elected on at least three occasions to the Legislative Assembly and who have served eight years. Members may elect to commute (cash) all or part of their pension to a lump sum within six months of leaving the Legislative Assembly
- or a lump sum benefit equal to 2.5 times the member's own contributions and investment earnings on those contributions for members who do not meet the eligibility criteria for a pension.

The surviving spouse/de facto partner of a LAMS member who has died is also entitled to a defined benefit based on the entitlements of the deceased member (five-sixths of the deceased member's pension). Ex spouses/de facto partners may also receive a LAMS defined benefit in accordance with the superannuation-splitting provisions of the *Family Law Act 1975*.

Operational activity

Following the August 2020 Northern Territory Election, all LAMS members are now receiving a pension. Consequently, the only operational activities relevant to this scheme at the end of 2020-21 are ensuring pensions are paid correctly and reported properly to the ATO.

Membership profile

The members of LAMS are pensioners who are either former MLAs, or the surviving spouses/de facto partners or ex spouses/de facto partners of former MLAs.

Table 13 provides details of the membership of LAMS, broken down by member category.

Table 13: Changes in LAMS membership at 30 June

	2021	2020
Former assembly member pensioners	32	32
Spouse/de facto pensioners	5	3
Ex spouse/de facto pensioners	2	2
Contributing members	0	1
Suspended pensioners	0	1
Total	**39**	**39**

Benefit payments

During 2020-21, LAMS pensions totalled $4.23 million, an increase from the $4.07 million paid in 2019-20. The increase in pension payments is solely due to two members commencing their pensions following the August 2020 Northern Territory general election.

Actuarial review

The triennial actuarial review of LAMS was carried out as at 30 June 2019 by John Rawsthorne FIAA of Cumpston Sarjeant Pty Ltd with the results presented in his report dated 15 August 2019.

The reversionary nature of the lifetime pension (that is, surviving spouses and de facto partners receive a pension following the death of former MLAs) means there will be pensions payable from the scheme for many years. The most important assumptions in determining the eventual employer liability are the rate of pension growth and the longevity of pensioners.

Following 2019 reforms that transferred the LAMS fund to CHA, the obligation to make pension payments on an emerging-cost basis falls upon CHA.

Accrued liabilities of LAMS were updated by Mr Rawsthorne in a report dated 20 August 2021. The liabilities of LAMS at 30 June 2021 were $105.8 million compared with $132.6 million at 30 June 2020. The liability decrease of $26.8 million is primarily attributable to:

- an increase in the discount rate applied to value the liability (the 30 June 2021 discount rate was 1.49% while the 30 June 2020 discount rate was 0.9%)
- the salary freeze applying to current MLAs, which has a flow-on effect to pension increases under the LAMS Act.

Benefit payments are expected to be about $4.2 million in 2021-22 and will increase in nominal terms to about $5.0 million per annum by 2034, before starting to decrease from 2035.

The financial soundness of LAMS arises from the legislated guarantee that the Territory will pay benefit entitlements from CHA as they are due. This is an appropriate way to meet benefits in a public sector scheme, provided the extent and nature of the liabilities are disclosed and included within public sector accounts, as is the case with LAMS.

Administrators Pension Scheme

Scheme overview

The APS is established under the *Administrators Pensions Act 1981*. It was open from 1 January 1981 to 26 April 2006.

The APS is administered by the Commissioner and staff of the NTSO.

The APS provides former Administrators of the Northern Territory a lifetime pension. For an Administrator who served five years or more, the maximum pension amount is 60% of the annual basic salary of the current Administrator (these salaries are regularly reviewed and set by the Commonwealth Remuneration Tribunal). For an Administrator who served less than five years, their maximum pension is a pro-rata amount of 60% of the annual basic salary of the current Administrator.

Under section 3E of the *Administrators Pensions Act 1981*, if an Administrator received an assessment for the superannuation surcharge (a tax on superannuation contributions that applied between 1997 and 2005), the Administrator could elect to have the Territory pay that tax liability in return for a reduction to their pension. This option was taken up by two former Administrators.

Separately, under section 7 of the *Administrators Pensions Act 1981*, the amount of an Administrator's pension is required to be reduced by the amount of any pension or retiring allowance payable to them in respect of any other remunerative activity they had undertaken, for example, an entitlement to a pension as a consequence of being a former judge of the Supreme Court of the Northern Territory. Similarly, if an Administrator had received a superannuation lump sum in respect of other remunerative activity undertaken, this would also reduce his or her Administrator's pension.

When an Administrator or former Administrator dies, his or her spouse or de facto partner is also entitled to a lifetime pension. That pension is two-thirds of the pension to which the Administrator would have been entitled had they resigned immediately before their death, or if the former Administrator was already receiving a pension, two-thirds of that pension.

The *Administrators Pensions Act 1981* also contains rules regarding who will receive a pension in the event an Administrator or former Administrator dies, leaving both a spouse and a de facto partner.

Operational activity

As the APS is closed to new members, the only operational activity relevant to that scheme is ensuring pensions are paid correctly and reported properly to the ATO.

Membership profile

Three former Administrators receive an APS pension and one spouse of a former Administrator receives a spouse's pension.

Benefit payments

Total APS pension payments during 2020-21 were $351,104, a decrease from the $352,778 paid in 2019-20. The decrease is due to the figure for 2019-20 including a catch-up payment that arose due to the payment of an arrears amount to one pensioner.

Actuarial review

The last triennial actuarial review of the APS was performed as at 30 June 2019 by John Rawsthorne FIAA, from Cumpston Sarjeant Pty Ltd and the results were provided in his report dated 15 August 2019.

The triennial review dealt with the Territory's liabilities as pension sponsor under the APS, which are met on an emerging-cost basis. The future pension cash flows and accrued liabilities were projected to the year 2055.

The scheme started in 1981 and was closed to new members from 26 April 2006.

Accrued liabilities of APS were updated by Mr Rawsthorne in a report dated 20 August 2021. The report indicated that at 30 June 2021, APS liabilities were $3.3 million compared with $3.9 million at 30 June 2020. The liability decrease is attributable to a change in discount rate from 0.9% to 1.49%. Furthermore, lower than expected salary and consumer price index increases also reduced the liability by $0.47 million, which was partially offset by a $0.21 million liability increase due to demographic experience. Due to the age of APS pensioners, it is expected the scheme's cash flow will decline slowly over time, becoming zero by 2055.

Abbreviations and acronyms

AML/CTF	anti-money laundering and counter-terrorism financing
APRA	Australian Prudential Regulation Authority
APS	Administrators Pension Scheme
ASFA	Association of Superannuation Funds of Australia
ATO	Australian Taxation Office
AUSTRAC	Australian Transaction Reports and Analysis Centre
CHA	Central Holding Authority
CSS	Commonwealth Superannuation Scheme
ERF	eligible rollover fund
FIAA	Fellow of the Institute of Actuaries of Australia
JPS	Supreme Court Judges Pension Scheme
LAMS	Legislative Assembly Members' Pension Scheme
LAMS Act	*Legislative Assembly Members' Pensions Act 1979*
MLA	Member of the Legislative Assembly
NTCAT	Northern Territory Civil and Administrative Tribunal
NTG	Northern Territory Government
NTGPASS	Northern Territory Government and Public Authorities' Superannuation Scheme
NTGDIS	Northern Territory Government Death and Invalidity Scheme
NTPSBS	Northern Territory Police Supplementary Benefit Scheme
NTSO	Northern Territory Superannuation Office
NTSSS	Northern Territory Supplementary Superannuation Scheme
SIS Act	*Superannuation Industry (Supervision) Act 1993*