

Northern Territory Police Supplementary Benefit Scheme

ANNUAL REPORT

2022-23

Published by the Department of Treasury and Finance

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ISSN 2201-2060 (print)

ISSN 2204-5767 (online)

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NORTHERN TERRITORY POLICE SUPPLEMENTARY BENEFIT SCHEME

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The Honourable Eva Lawler MLA
Treasurer
GPO Box 3146
DARWIN NT 0801

Dear Treasurer

In accordance with the provisions of clause 13 of the Northern Territory Police Supplementary Benefit Scheme Trust Deed, we are pleased to provide you:

- the report on the operations of the Northern Territory Police Supplementary Benefit Scheme for the financial year ended 30 June 2023
- the audited financial statements of the Northern Territory Police Supplementary Benefit Scheme for the financial year ended 30 June 2023.

Yours sincerely

Mark McAdie
Trustee

Daniel Bacon
Trustee

Alex Pollon
Trustee

14 December 2023

List of acronyms

AASB	Australian Accounting Standards Board
ATO	Australian Taxation Office
CHA	Central Holding Authority
CPI	consumer price index
CSS	Commonwealth Superannuation Scheme
GST	goods and services tax
NTSSS	NT Supplementary Superannuation Scheme
PSBS	Northern Territory Police Supplementary Benefit Scheme
NTPA	Northern Territory Police Association
RBA	Reserve Bank of Australia
ASIC	Australian Securities and Investments Commission
JANA	JANA Investment Advisors Pty Ltd
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
HOGA	Heads of Government Agreement
CSC	Commonwealth Superannuation Corporation

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1

Report on
operations

Introduction

The objective of this annual report is to provide information to the Treasurer, members and other interested parties on the operations of the Northern Territory Police Supplementary Benefit Scheme (PSBS), including the management, financial position and investment performance of the PSBS fund as well as current superannuation issues.

PSBS was established under the Northern Territory Police Supplementary Benefit Scheme Trust Deed (Trust Deed) dated 15 June 1984, which was last amended on 19 June 2019.

PSBS provides a supplement to the benefits payable from the Commonwealth Superannuation Scheme (CSS) for eligible members of the Northern Territory Police Force. The PSBS supplement is up to 25% of the CSS pension.

The Northern Territory Government and Public Authorities' Superannuation Scheme replaced the CSS and PSBS for police recruited from 1 January 1988. PSBS has been closed to new members since that date.

Highlights

During the year:

- three former police officers commenced a supplementary pension
- benefits of \$3.36 million were paid to former police officers and the spouses of former police officers (known as 'reversionary' pensioners)
- the PSBS fund's investment return was 7.53%.

At 30 June 2023:

- there were five contributing members
- there were two former members who were yet to commence a pension
- there were 186 former police officers and 31 reversionary pensioners receiving a pension
- the value of the PSBS fund was \$0.51 million
- the value of the liability associated with paying PSBS pensions was \$69.8 million.

The scheme

PSBS is a defined benefit scheme that pays two types of superannuation benefits:

- a lifetime pension for members who qualify for a supplementary benefit with the option to commute (convert) the pension to a lump sum
- or a refund of member contributions and investment earnings for members who do not qualify for a supplementary benefit from PSBS (such as if they die before starting a pension or when they receive an invalidity pension).

Members contribute 1% of their after-tax salary to the PSBS fund. When a PSBS benefit is claimed, the member's contributions and earnings on those contributions are either transferred to the Territory (for members entitled to the PSBS supplementary benefit) or repaid to the member. PSBS pensions are unfunded, which means the Territory finances the supplementary benefit directly from the Central Holding Authority (CHA). Pensions are guaranteed by the Territory under clause 22 of the Trust Deed.

The Appendix provides information on how the PSBS works.

Governance

Trustees

The PSBS has had three individual trustees. Under the Trust Deed, one trustee is nominated by the Commissioner of Police, one by the Northern Territory Police Association (NTPA) and one by the Under Treasurer. As at 30 June 2023, the PSBS trustees are:

- Mark McAdie (Commissioner of Police nominee)
- Daniel Bacon (NTPA nominee)
- Alex Pollon (Under Treasurer nominee).

Trustee meetings

The trustees met once during the year and also considered and approved a number of matters out of session as the need arose.

Trustee remuneration and other expenses

Payments to trustees are made in accordance with a determination under the *Assembly Members and Statutory Officers (Remuneration and Other Entitlements) Act 2006*, which sets the rates payable to board members and trustees for attendance at meetings, travel and other trustee-related activities. Remuneration is not payable where a trustee is also an employee of the Northern Territory Public Sector, the Commonwealth or a state public service. All trustee expenses are met by the PSBS fund.

During 2022-23, one trustee was entitled to receive sitting fees, amounting to \$174.

Conflicts of interest

At the commencement of each meeting conducted face-to-face, trustees are required to sign a conflict of interest register and any disclosures are recorded in the minutes of the meeting. For meetings conducted virtually, trustees are asked to advise whether they have any conflicts and this is recorded in the meeting minutes.

Trustees must disclose if they have a direct or indirect pecuniary interest in any matter being considered, unless:

- the interest stems from being a member of the PSBS
- or they are a shareholder of a large company (but not a director).

Where a disclosure is made in relation to a matter being considered, the trustee cannot take part in deliberations or decisions made on that matter and the member is disregarded for constituting a quorum on that matter.

There were no conflicts of interest relating to the PSBS recorded during the year.

Delegations

The trustees have delegated a number of their functions and powers to the Commissioner of Superannuation and other staff working in the Northern Territory Superannuation Office. This allows these individuals to perform the delegated functions and powers on behalf of the trustees.

Review of decisions

The Trust Deed provides that the trustees (or delegates) are required to make a decision upon receiving an application to claim a benefit within 30 days for death benefits or 90 days for other benefits. Once a decision is made, the applicant can seek a review of that decision within 30 or 90 days (depending on the benefit type), and the trustees (or delegates) have the same number of days to review the decision. If the applicant is aggrieved by the trustees' decision on review, the Trust Deed gives them a right to apply to the Northern Territory Civil and Administrative Tribunal for a further review of the decision.

There were no requests for a review of any decisions made during the year.

Trustee education

The trustees are responsible for the operation of PSBS. The trustees keep themselves informed on superannuation issues and industry practices through updates from the Northern Territory Superannuation Office, the PSBS investment consultants, industry memberships and their own resources.

Investments

The 2022-23 investment return for the PSBS fund was 7.53%. This was applied to the accounts of the five contributing members and two members who are entitled to but are yet to commence a pension.

The PSBS fund invests in units in the JANA Investment Advisors Pty Ltd (JANA) Moderate Trust.

The PSBS fund assets at 30 June 2023 were \$0.51 million, a decline from \$0.69 million at 30 June 2022. The primary reason for this decline was the transfer of member benefits of \$0.23 million for three members from the PSBS fund to the Territory (through CHA) at the time members commenced their PSBS pensions.

Crediting rate policy

The crediting rate policy of the trustees is to fully distribute the investment returns of the PSBS fund each year among members of the scheme.

Investment overview

The past few years have witnessed significant volatility in financial markets with the global and domestic economic environments impacted by the residual effects of the COVID-19 pandemic and the ongoing Russia-Ukraine conflict. Despite ongoing market volatility, the Australian economy remained relatively resilient. For financial year 2022-23 the PSBS fund generated positive returns of 7.53%.

As most of PSBS's funds are invested in Australian and international shares, the investment returns are influenced by performance in Australian and international markets. The final return for PSBS in 2022-23 was driven by increases in the global and domestic share markets, despite major central banks continuing to tighten monetary policy in response to persistently high inflation. In response to inflation concerns, the Reserve Bank of Australia (RBA) increased the cash rate from 0.85% in June 2022 to 4.10% in June 2023.

Investment objective

The investment objective of the trustees is to achieve a rate of return at least 3% above the consumer price index (CPI) on fund assets measured over a five-year period. PSBS is an exempt public sector superannuation scheme and therefore not regulated by the Australian Securities and Investments Commission (ASIC). Nonetheless, for information purposes, long-term returns, calculated as the compound average effective rate of net earnings, have been calculated consistently with the financial services regulations overseen by ASIC. Fund returns over the last five years, and the fund's five-year and 10-year average returns are presented in Table 1.

Table 1: Fund returns over the last five years, together with 5-year and 10-year average returns

	Fund return (crediting rate)	CPI	Real rate of return ¹
	%	%	%
2018-19	8.02	1.60	6.32
2019-20	- 2.27	- 0.30	- 1.98
2020-21	20.98	3.80	16.55
2021-22	- 8.90	6.10	- 14.14
2022-23	7.53	6.00	1.44
5-year average	4.58 ²	3.41	1.13
10-year average	6.58 ²	2.65	3.82

1 Real rate of return = $\frac{\text{Fund return} - \text{CPI}}{1 + \text{CPI}}$

2 Compound average effective rate of net earnings.

The five-year average annual real rate of return on the fund was 1.13% per annum, which is below the investment objective set by the trustees. At least part of the explanation for this result is the -14.14% real rate of return for 2021-22, which arose from a combination of negative investment returns of -8.90% and a very high CPI rate of 6.1%. The 10-year average annual real rate of return was 3.82% per annum.

Investment returns can be either positive or negative. The current investment structure of the fund has moderate to low volatility, which means the possibility of a negative annual crediting rate is not expected to exceed, on average, five in every 20 years.

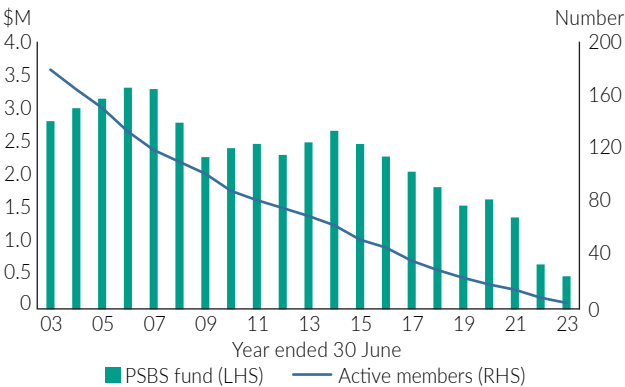
The PSBS fund has performed in line with this expectation, despite negative investment returns during the last 20 years experienced for each of 2007-08, 2008-09, 2011-12, 2019-20 and 2021-22.

Fund investments

PSBS has been closed to new members since January 1988. It has reached a stage where the accumulation accounts transferred to CHA for members exiting the scheme exceed the value of compulsory contributions received into the fund from active members. This means the size of the fund is declining despite any positive investment earnings.

The relationship between active PSBS members and the size of the PSBS fund can be seen in Figure 1.

Figure 1: PSBS fund versus active members



Despite the decline in the size of the PSBS fund, Figure 2 shows the average account balance of active PSBS members has significantly increased over the last 20 years. The drop in average account balances in 2022 is attributable to the owners of several high value accounts commencing their pensions in 2021-22.

Figure 2: Average active member account balance



Fund investments are managed by JANA.

Composition of the fund's assets as at 30 June 2023, which comprise a mix of growth and defensive assets, is presented in Table 2.

Table 2: Fund portfolio composition

	% of portfolio
Australian equities	28.6
International equities	34.6
Property	4.5
Diversified alternatives	7.0
Diversified debt	22.5
Infrastructure	0.8
Enhanced cash	2.0
	100.0

Investment returns over the year resulted in a net increase of \$42,147 in the fund's assets, offset by redemptions of \$223,000, leading to reduced investments of \$180,853. At 30 June 2023, the fund had \$0.51 million in assets, of which \$0.47 million was invested with JANA and \$35,686 held in cash at bank.

Fees

JANA charged a fee of about 0.5% (after rebates) for managing the funds invested. The investment returns are net of these fees.

No administration or account-keeping fees are deducted from member accumulation accounts, as the day-to-day running costs of PSBS are met by the Territory.

Scheme membership

Contributions and benefit payments

Members contribute 1% of their salary to the PSBS fund. During 2022-23, member contributions to the fund totalled \$12,184 (down from \$19,679 in 2021-22).

Members who do not qualify for a supplementary benefit when exiting the scheme receive a refund of their contributions plus investment earnings on those contributions. If a member qualifies for a supplementary benefit on exit, then his or her member accumulation account, comprising contributions and investment earnings, is transferred from the fund to CHA, with the Territory then paying the supplementary benefit from CHA. Total PSBS benefits paid in 2022-23, compared with 2021-22 are outlined in Table 3.

Table 3: Benefits paid

	2022-23	2021-22
	\$	\$
By the fund:		
Refunds of accumulated contributions		
Transfers to the Territory for members who qualify for benefits	229 416	685 033
	229 416	685 033
By the Territory:		
Pensions	3 362 691	3 256 947
Surcharge tax	1 452	4 549
Total benefits paid	3 364 143	3 261 496

Membership

Changes in active membership for the year ended 30 June are provided in Table 4.

Table 4: Active contributing members

	2022-23	2021-22
Members at beginning of period	10	18
Less exits:		
Pension	3	8
Refunds of accumulation accounts		
	7	10
Less creditors¹	2	1
Active members as at 30 June	5	9

¹ Members who have ceased employment but not claimed their benefit.

The total number and types of pensioners and number of creditors at 30 June are provided in Table 5.

Table 5: Pension recipients and creditors

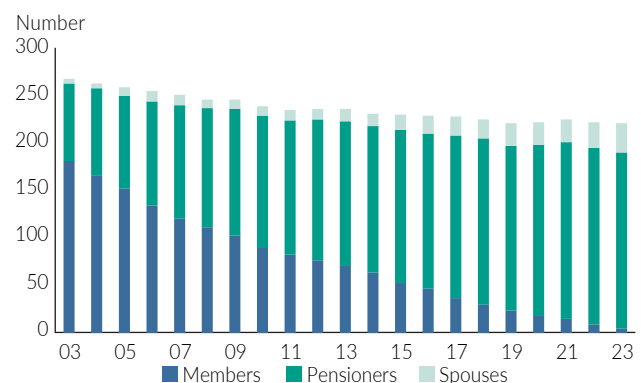
	2022-23	2021-22
Pensioners	186	187
Reversionary (spouse) pensioners	31	27
Creditors ¹	2	1
Total pension recipients and creditors as at 30 June	219	215

¹ Members who have ceased employment but not claimed their benefit.

Over time the make up of PSBS has changed from a majority of active members to a majority of pensioners or spouses. This can be seen in Figure 3. The youngest active PSBS member will be eligible to commence a pension in 2025, making it possible there will be no further active members in that year or shortly afterwards. Once this occurs:

- the PSBS fund will cease to exist, as all of its remaining assets will have transferred to CHA
- responsibility for managing the PSBS can change from the current trustee arrangement, to the Commissioner of Superannuation
- operations of the PSBS will be focused on the Territory paying PSBS pensions and reporting those payments to regulatory authorities.

Figure 3: Changes in PSBS member and pensioner composition



Administration

Compliance and taxation status of the scheme

PSBS is an exempt public sector superannuation scheme and therefore not regulated under the *Superannuation Industry (Supervision) Act 1993* (SIS Act).

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

The PSBS is also a complying fund for the purposes of the *Income Tax Assessment Act 1997* as amended. Consequently, income tax is assessable at 15% on net investment earnings and net taxable contributions, and 10% on realised capital gains.

Audit

A financial statement audit of PSBS was conducted by the Northern Territory Auditor-General's Office as at 30 June 2023. The audit opinion is presented at pages 12 to 14 of this report.

The Northern Territory Superannuation Office operates a one-in-three-year compliance audit, self-certifying to the Commonwealth on its endeavours to comply with Commonwealth retirement policy as outlined in HOGA. The SIS Act/HOGA compliance audit is not mandated by legislation.

The triennial assurance review of PSBS was conducted internally by DTF at 30 June 2021. The review provided assurance that PSBS is administered in accordance with the Commonwealth retirement income policy and there were no improvement recommendations to consider for PSBS. The next triennial review will consider compliance with the Commonwealth's retirement policy at 30 June 2024.

Actuarial services

Actuarial services to the scheme were provided by Cumpston Sarjeant Pty Ltd, under the panel contract arrangements for actuarial services to the Territory. Advice was received during the year in relation to PSBS. The actuary conducts detailed triennial reviews and then an annual update between these reviews.

An annual actuarial investigation of PSBS was carried out at 30 June 2023. A summary of the updated report is provided on page 10. The next triennial review is due in 2024.

Further information

Further information can be provided by contacting the Superannuation Office on 1800 631 630 or at ntsuperannuation@nt.gov.au.

Summary of the report of the actuarial investigation of the Northern Territory Police Supplementary Benefit Scheme

as at 30 June 2023

In accordance with clause 19 of the Trust Deed, the triennial actuarial review of PSBS was carried out as at 30 June 2021 by John Rawsthorne FIAA, of Cumpston Sarjeant Pty Ltd, and the results were presented in a report dated 2 September 2021. The next triennial review is scheduled for 2024. An annual update was undertaken for 2022-23.

The Territory's liability for accrued benefits has been determined by reference to expected future salary levels, a risk-free discount rate and other relevant actuarial assumptions.

PSBS was closed to new members from 1 January 1988. Members contribute 1% of after-tax salaries to the fund, which is accumulated with the earnings of the fund. On exit, the member's accumulation account is transferred to the Territory, except in the now-unusual circumstance where a member leaves the scheme without a Territory-financed benefit, in which case the member's accumulation account is refunded to the member. Apart from refunds on accumulations, all benefit payments from the scheme are made directly by the Territory, rather than through the fund.

The investigation has focused on Territory liabilities, examining recent experience, establishing demographic assumptions to apply in future, calculating the present value of future benefit payments, and projecting both emerging costs and liabilities for accrued benefits into the future. The 2023 annual review considered the 2022 prevailing demographic assumptions with updated economic assumptions.

The actuarial valuation of the Territory-financed liability at 30 June 2023 reports a decrease in the value of that liability of \$1.0 million from \$70.8 million in the 2022 advice to \$69.8 million in 2023. The most significant changes in assumptions between 2022 and 2023 were the discount rate leading to a decrease of the liability of \$3.5 million, partially offset by changes to the CPI growth assumptions increasing the liability by \$2.9 million. The actual CPI indexation of pensions was slightly lower than expected in the 2022-23 financial year, decreasing the liability by \$0.3 million compared to expectations.

The contributory membership at 30 June 2023 was five members, down from nine contributors 12 months prior. Contributory membership will continue to decline as members reach retirement age and claim benefits. The number of pensioners continues to increase, and now stands at 217. At 30 June 2023 there were also two deferred pensioners.

The Territory's emerging costs are expected to be around \$3.4 million in 2023-24 and will continue to rise slowly in nominal terms until around 2034 to about \$4.0 million per annum. Liabilities are close to their peak in real terms, and are expected to gradually decline as membership declines.

2

Financial statements



Auditor-General

Independent Auditor's Report to the Northern Territory Police Supplementary Benefit Scheme Trustees

Northern Territory Police Supplementary Benefit Scheme

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Opinion

I have audited the accompanying financial report of the Northern Territory Police Supplementary Benefit Scheme, which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, and the statement by the Trustees.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Northern Territory Police Supplementary Benefit Scheme as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the Northern Territory Police Supplementary Benefit Scheme in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The Trustees are responsible for the Other Information. The Other Information obtained at the date of this auditor's report comprises the Report on Operations included in the Annual Report for the year ended 30 June 2023, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the Other Information and I do not and will not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the Other Information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.



Auditor-General

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The Responsibility of the Northern Territory Police Supplementary Benefit Scheme Trustees for the Financial Report

The Trustees of the Northern Territory Police Supplementary Benefit Scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the Trustees determine is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Trustees are responsible for assessing the ability of the Northern Territory Police Supplementary Benefit Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Northern Territory Police Supplementary Benefit Scheme or cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for overseeing the financial reporting process of the Northern Territory Police Supplementary Benefit Scheme.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control within the Northern Territory Police Supplementary Benefit Scheme.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.



Auditor-General

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- conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Northern Territory Police Supplementary Benefit Scheme to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Northern Territory Police Supplementary Benefit Scheme to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory

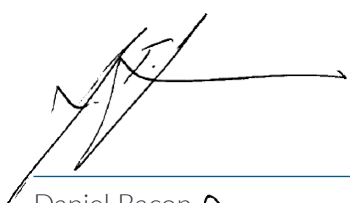
14 December 2023

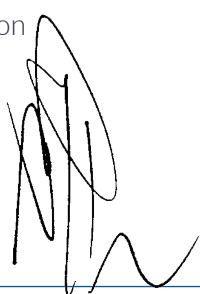
Statement by the trustees

In the opinion of the trustees:

- the accompanying financial statements were prepared in accordance with the Australian Accounting Standards Board (AASB) 101 and other accounting standards and mandatory reporting requirements, and consist of a statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements. They are drawn up to present fairly the financial position of the Northern Territory Police Supplementary Benefit Scheme and the results of its operations for the year ended 30 June 2023
- the financial statements have been prepared in accordance with the requirements of the Northern Territory Police Supplementary Benefit Scheme Trust Deed
- the scheme has been operated in accordance with the provisions of the Northern Territory Police Supplementary Benefit Scheme Trust Deed and Rules, and in compliance with the Commonwealth's retirement income policies and principles during the year ended 30 June 2023.

Trustee  Date: 14 December 2023
Mark McAdie

Trustee  Date: 14 December 2023
Daniel Bacon

Trustee  Date: 14 December 2023
Alex Pollon

Statement of financial position

as at 30 June 2023

	Note	2022-23	2021-22
		\$	\$
Current assets			
Cash and cash equivalents	8(b)	35 686	35 107
Investments	4, 5	465 917	646 769
Current tax asset	7(c)	4 636	1 512
Total current assets		506 239	683 389
Non current assets			
Deferred tax assets	7(d)	5 012	8 480
Total non current assets		5 012	8 480
Total assets		511 251	691 869
Current liabilities			
Sundry liabilities		4 937	4 675
Accumulated contribution balances	6	504 147	683 811
Provision for surcharge tax contributions		1 323	2 724
Total current liabilities		510 407	691 210
Total liabilities		510 407	691 210
Net assets		844	658
Equity			
Unallocated surplus/(deficit)	9	844	658
Total equity		844	658

The statement of financial position should be read in conjunction with the notes to the financial statements.

Statement of comprehensive income

for the year ended 30 June 2023

	Note	2022-23	2021-22
		\$	\$
Investment and operating revenue			
Interest revenue		1 245	128
Distribution from investments	5	13 035	50 135
Net change in fair value of investments	5	29 113	- 101 913
Total investment and operating revenue		43 393	- 51 650
Contributions revenue			
Member contributions		12 184	19 678
Member surcharge payment received		1 452	4 549
Total contributions revenue		13 636	24 227
Total revenue		57 029	- 27 423
Investment and operating expenses			
Bank fees		4	72
Board expenses		174	
Tax agent expenses		4 763	10 032
Total investment and operating expenses		4 941	10 104
Benefits expense			
Decrease in member liabilities		- 179 664	- 731 205
Payment of accumulated contributions to the Territory		229 416	685 033
Total benefits expense	6	49 752	- 46 172
Total expenses		54 693	- 36 068
Operating result before income tax expense		2 336	8 646
Income tax expense/(benefit)	7 (a, b)	2 150	- 9 188
Net operating result		186	17 833

The statement of comprehensive income should be read in conjunction with the notes to the financial statements

Statement of changes in equity

for the year ended 30 June 2023

	Note	Unallocated surplus/(deficit)	Total equity
		\$	\$
Opening balance as at 1 July 2022		658	658
Unallocated surplus/(deficit)		186	186
Closing balance as at 30 June 2023		844	844
Opening balance as at 1 July 2021		- 17 175	- 17 175
Unallocated surplus/(deficit)		17 833	17 833
Closing balance as at 30 June 2022		658	658

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Statement of cash flows

for the year ended 30 June 2023

	Note	2022-23	2021-22
		\$	\$
Cash flow from operating activities			
Interest received		1 245	128
Payments for goods and services		- 4 679	- 10 192
Member contributions		13 636	24 227
Payments to the Territory		- 229 364	- 684 945
Contribution and surcharge taxes		- 1 452	- 4 549
Tax expense		- 1 807	- 5 047
Net cash flow from operating activities	8(a)	- 222 421	- 680 377
Cash flow from investing activities			
Proceeds from redemption of investments		223 000	684 000
Distribution income		45 312	94 090
Purchase of investments		- 45 312	- 94 090
Net cash flow from investing activities		223 000	684 000
Net increase (decrease) in cash		579	3 623
Cash at the beginning of the financial year		35 107	31 484
Cash at the end of the reporting period	8(b)	35 686	35 107

The statement of cash flows should be read in conjunction with the notes to the financial statements.

Index to notes to the financial statements

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Notes to the financial statements

For the year ended 30 June 2023

1. Reporting entity

PSBS (ABN 64 563 356 970) is established under the Northern Territory Police Supplementary Benefit Scheme Trust Deed and Rules and operates for the purpose of providing benefits for or in relation to eligible employees under the *Police Administration Act 1978*. Administration of the scheme is conducted by the Commissioner of Superannuation and the Northern Territory Superannuation Office on behalf of the PSBS trustees. More detail on the trustees is set out in Note 14.

PSBS provides a supplement to the pension payable from the Commonwealth Superannuation Scheme for eligible members of the Northern Territory Police Force. Member contributions are held in custodianship within the PSBS until members are entitled to be paid one of two types of benefits:

- a lifetime pension for members who qualify for a supplementary benefit with the option to commute (convert) the pension to a lump sum payable by the Territory
- a refund of members' contributions and investment earnings for members who do not qualify for a supplementary benefit from PSBS, including where they do not meet vesting requirements.

2. Basis of preparation

a) Statement of compliance

The financial report is a general purpose financial report prepared in accordance with Australian accounting standards and mandatory reporting requirements, the requirements of the Trust Deed, and *Superannuation Industry (Supervision) Act 1993* and Regulations, as well as in compliance with the Commonwealth's retirement income policies and principles.

Unless covered in other notes to the financial statements, the accounting policies applied in preparing these financial statements are set out below. These policies have been applied consistently to all years presented unless otherwise stated.

The financial statements were approved by the trustees on 14 December 2023.

b) Basis of measurement

These financial statements cover PSBS as an individual entity and have been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of PSBS.

d) Comparatives

Where necessary, comparative information for the 2022-23 financial year has been reclassified to provide consistency with current year disclosures.

e) Rounding of amounts

Amounts have been rounded to the nearest dollar except where otherwise noted. Figures in the financial statements and notes may not equate due to rounding.

Notes to the financial statements

For the year ended 30 June 2023

2. Basis of preparation (continued)

f) Use of estimates and judgments

The preparation of financial statements requires the trustees to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

There are no critical accounting estimates and judgments contained in these financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in these financial statements.

a) Financial assets

Assets are included in the statement of financial position at fair value as at reporting date and movements in fair value of assets are recognised in the income statement in the periods in which they occur.

The funds of PSBS held with JANA are managed investment schemes and operate as units in unit trusts.

PSBS recognises financial assets on the date it becomes party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value are recorded in the income statement. Interest earned is recorded as interest revenue.

Estimated costs of disposal are deducted in the determination for fair value and are generally immaterial.

b) Cash and cash equivalents

Cash comprises cash on hand and deposits held at call with financial institutions.

Cash equivalents are short-term, highly liquid investments readily converted to known amounts of cash and subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are reported in the statement of cash flows and classified as cash from investing activities as movements in the fair value of these securities represent the PSBS's main income-generating activity.

c) Financial liabilities

PSBS recognises a financial liability on the date it becomes a party to the contractual provisions of the instrument. Payables include liabilities and accrued expenses owing by PSBS that are unpaid at the end of the reporting period and, other than accumulated contribution balances, are usually unsecured and payable on demand or within short timeframes of less than 60 days.

PSBS recognises financial liabilities (except tax liabilities and accumulated contribution balances) at fair value as at the reporting date with any change in fair values of financial liabilities since the beginning of the reporting period included in the income statement for the reporting period. Fair value approximates to the amortised costs of the liability using the effective interest rate method less estimated transaction costs.

Estimated costs of disposal are deducted in the determination of fair value and are generally immaterial.

Notes to the financial statements

For the year ended 30 June 2023

3. Significant accounting policies (continued)

d) Revenue recognition

Interest revenue

Interest revenue is recognised when PSBS has established its right to receive the interest.

Distributions

Distribution and dividend revenue is recognised when PSBS has established its right to receive the income.

Movement in net market value of investments

Changes in fair market value of investments are recognised as income and determined as the difference between fair market value at year end or consideration received (if sold during the year) and the fair market value as at the prior year or cost if the investment was acquired during the period.

Contribution revenue and transfers

Member contributions are recognised when the control of the asset has been attained and are recorded in the period to which they relate. Under Rule 2 of the Trust Deed, members contribute to PSBS at the rate of 1% of their salaries.

e) Income tax

The contributory superannuation scheme established under the Trust Deed is an exempt public sector superannuation scheme under the *Superannuation Industry (Supervision) Act 1993* and is deemed to be a complying superannuation fund for the purposes of the *Income Tax Assessment Act 1997*. Accordingly, the concessional tax rate of 15% has been applied on net investment earnings and 10% on realised capital gains.

Income tax on operating results for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in members' funds.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted in the income statement and any adjustments to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of the asset using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable a related tax benefit will be realised.

The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the trustees and are properly payable by PSBS.

f) Superannuation contributions (surcharge) tax

The trustees recognise amounts paid or payable in respect of the surcharge tax as an expense of PSBS. The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the trustees and are properly payable by PSBS.

Notes to the financial statements

For the year ended 30 June 2023

3. Significant accounting policies (continued)

No estimate has been made for the balance of any tax payable in respect of surchargeable contributions received by PSBS during the current year as the trustees are unable to determine this amount until receipt of applicable assessments in the following period.

The superannuation contribution surcharge was levied on notional surchargeable contributions in relation to periods from 21 August 1996 to 30 June 2005. The Australian Taxation Office (ATO) assesses the amount of surcharge based on each member's adjusted taxable income and level of surchargeable contributions, and periodically sends grouped assessments to PSBS. The liability to pay the surcharge tax rests with the holder of the surchargeable contribution at the time the surcharge assessment is received from the ATO.

The superannuation surcharge was abolished with effect from 1 July 2005 by the *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005*. The last reporting of contributions for surcharge tax purposes was in respect of contributions made up to and including 30 June 2005.

g) Goods and services tax

PSBS is not registered for goods and services tax (GST). Where GST has been applied, revenues, expenses and assets are recognised inclusive of GST. Receivables and payables in the statement of financial position are also shown inclusive of GST.

h) Impact of COVID-19

Other than market movements in investment valuations at 30 June 2023, there have been no impacts to the fund due to COVID-19.

i) Standards and interpretations affecting amounts, presentation and disclosure reported in the current period

No accounting standard has been adopted earlier than the applicable dates stated in the standard.

All new/revised/amending standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the PSBS's financial statements.

All other new/revised/amending standards and interpretations that were issued prior to the sign-off date are applicable to the future reporting periods and not expected to have a future material impact on the entity's financial statements.

4. Financial risk management

Investments of PSBS (other than cash held for liquidity purposes) comprise units in unit trusts. The trustees have determined this type of investment is appropriate for PSBS and in accordance with the investment strategy.

The trustees have overall responsibility to establish and oversee PSBS's risk management framework. The trustees have established risk management policies to identify and analyse the risks faced by PSBS and set appropriate risk limits and controls, monitor risks and adhere to risk limits. Monitoring risks includes those managed by the investment manager, JANA.

The trustees review the risk management policies to ensure changes in market conditions and PSBS's activities are reflected.

Notes to the financial statements

For the year ended 30 June 2023

4. Financial risk management (continued)

PSBS's investments are exposed to a variety of investment risks, such as market risk and liquidity risk. This note presents information about PSBS's exposure to these risks and PSBS's objectives, policies and processes for measuring and managing risk.

JANA reports regularly to the trustees and provides a formal risk management statement. Other reports from JANA include:

- details of the controls it has in place to monitor compliance with PSBS's investment strategy
- current asset allocations
- investment performance against benchmarks
- fund manager compliance reporting.

a) Market risk

Market risk is the risk fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

(i) Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

PSBS is exposed to currency risk on financial instruments denominated in a currency other than the functional currency (Australian dollars) of PSBS. Consequently, PSBS is exposed to the risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of the portion of PSBS's investments denominated in currencies other than the Australian dollar.

(ii) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of PSBS's financial assets are non-interest-bearing with only cash being directly subject to interest rate risk. As a result, PSBS has limited exposure to interest rate risk due to fluctuations in market interest rates. All PSBS's cash assets are held with the National Australia Bank.

An increase (or decrease) of 1% in interest rates at the reporting date would have increased or decreased the operating results and net assets available to pay benefits by the following amounts:

	Balance	1% movement in interest rates	
		Operating results	Net assets available to pay benefits
Cash and cash equivalents	\$	\$	\$
30 June 2023	35 686	± 357	± 357
30 June 2022	35 107	± 351	± 351

Notes to the financial statements

For the year ended 30 June 2023

4. Financial risk management (continued)

(iii) Other market price risk

Other market price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

PSBS's financial instruments are carried at net market value and recognised in the statement of financial position. All changes in market conditions affecting market value are therefore recognised in the income statement. PSBS's exposure to other market price risk is limited to the market price movement of the underlying investments. The trustees have determined these investments are appropriate for PSBS and in accordance with PSBS's published investment strategy in respect of asset class allocation.

The following sensitivity analysis demonstrates the movement in the total value of investments as a result of a 5% variation in value.

	Balance	5% movement in investments	
		Change for the year in net assets available to pay benefits	Net assets available to pay benefits
Investments	\$	\$	\$
30 June 2023	465 917	± 23 296	± 23 296
30 June 2022	646 769	± 32 338	± 32 338

b) Credit risk

Credit risk is the risk the counterparty to a financial instrument will cause a financial loss by failing to discharge an obligation.

No collateral is held as security or other credit enhancements exist for all financial assets held.

No financial assets are considered past due as all payments are considered recoverable when contractually due.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets. PSBS does not have any significant exposure to any individual counterparty or industry.

PSBS does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by PSBS.

	2022-23	2021-22
	\$	\$
Cash and cash equivalents	35 686	35 107
Units in unit trusts	465 917	646 769
Total	501 603	681 876

Notes to the financial statements

For the year ended 30 June 2023

4. Financial risk management (continued)

c) Liquidity risk

Liquidity risk is the risk PSBS will not be able to meet its financial obligations as they fall due. PSBS's approach to managing liquidity is to ensure, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. PSBS's liquidity risk is managed on a daily basis in accordance with policies and procedures in place and PSBS's investment strategy. PSBS's overall liquidity risks are monitored by the trustees.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Balance	Contractual cash flows potentially payable
30 June 2023	\$	\$
Accumulated contribution balances	504 147	504 147
	504 147	504 147
30 June 2022		
Accumulated contribution balances	683 811	683 811
	683 811	683 811

5. Fair value measurement

a) Estimation of fair values

PSBS's financial assets and liabilities included in the statement of financial position are carried at market value, which the trustees believe approximates fair value. The major methods and assumptions used in determining fair value of financial instruments are disclosed in notes 3(a) and 3(c) of the significant accounting policies section.

b) Recognised fair value measurements

The table below analyses financial instruments carried at market value, which approximates fair value, by valuation method. The different levels are defined as:

- level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The trustees value units in unit trusts using the unit price provided by the investment manager
- level 3 – fair value measurements are those instruments with value based on inputs for the asset or liability, not based on observable market data.

Notes to the financial statements

For the year ended 30 June 2023

5. Fair value measurement (continued)

The trustees have determined the fair value of PSBS's investments are level 2.

	2022-23	2021-22
Level 2 investments – financial assets	\$	\$
Units in unit trusts	465 917	646 769

Estimated costs of disposal are deducted in the determination of fair value. As disposal costs are generally immaterial, unless otherwise stated market value approximates fair value.

The investment is valued at the redemption price at reporting date, as advised by JANA, and is based on the market value of the underlying investment.

Any unit values denominated in foreign currency are translated to Australian dollars at the current exchange rates.

	2022-23	2021-22
	\$	\$
Opening balance	646 769	1 382 548
Redemptions	- 223 000	- 684 000
Distribution income	13 035	50 135
Change in fair value	29 113	- 101 913
Closing balance	465 917	646 769

6. Accumulated contribution balances

Accumulated contribution balances comprise benefits in respect of members who ceased to be members prior to year end but had not been paid by that date and accumulated contribution balances in respect of current members.

	2022-23	2021-22
Benefits paid	\$	\$
Decrease in accumulated contribution balance	- 179 664	- 731 205
Payment of accumulated contributions to the Territory	229 416	685 033
Total benefits	49 752	- 46 172
Accumulated contribution balances		
Accumulated contributions payable – former members	132 152	71 856
Accumulated contributions payable – current members	371 995	611 955
Total accumulated contribution balances	504 147	683 811

Notes to the financial statements

For the year ended 30 June 2023

7. Income tax expense

	2022-23	2021-22
a) Major components of tax expense	\$	\$
Current tax expense		
Current year	- 1 318	- 1 216
Deferred tax expense		
Relating to the origination and reversal of temporary differences	3 468	- 7 972
Income tax expense/(benefit)	2 150	- 9 188
b) Income tax expense		
Operating result before tax expense	2 336	8 646
Tax applicable at the rate of 15% (2022: 15%)	350	1 297
Tax effect of expenses that are not deductible in determining taxable income		
Increase/(decrease) of accumulated contributions	- 26 950	- 109 681
Payments of contributions to the Territory	34 412	102 756
Tax effect of income that is not assessable in determining taxable income		
Investment income	- 1 425	3 994
Member contributions	- 1 828	- 2 952
Surcharge payments received	-218	- 682
Tax effect of other adjustments		
Imputation and foreign tax credits	- 2 191	- 3 920
Income tax expense/(benefit)	2 150	- 9 188
c) Current tax assets/(liabilities)		
Balance at beginning of year	1 512	- 4 752
Income tax paid – current period	3 318	295
Income tax paid – prior period	- 1 512	4 752
Current year's income tax provision	1 318	1 216
Current tax assets/(liabilities)	4 636	1 512
d) Deferred tax assets		
The amount of deferred tax assets recognised in the statement of financial position at reporting date is made up as follows:		
Accrued expenses	740	701
Unrealised capital losses (discounted)	1 510	7 779
Realised capital losses carried forward (discounted)	2 762	
Deferred tax assets	5 012	8 480

Notes to the financial statements

For the year ended 30 June 2023

8. Reconciliation to the statement of cash flows

a) Reconciliation of operating results to net cash provided by operating activities

Operating results

Increase(-)/decrease(+) in net revenue

Net change in fair value of investments

Distribution income

Increase(-)/decrease(+) in assets

Increase(+)/decrease(-) in liabilities

Accumulated contribution balances

Sundry liabilities

Surcharge tax

Tax assets and liabilities

Net cash flow used in operating activities

b) Reconciliation of cash

Cash at bank

2022-23	2021-22
\$	\$
186	17 833
- 29 113	101 913
- 13 035	- 50 135
- 179 664	- 731 204
262	- 88
- 1 401	- 4 462
344	- 14 235
- 222 421	- 680 377
35 686	35 107

9. Unallocated surplus/(deficit)

Opening balance

Net profit/(loss)

Closing balance

2022-23	2021-22
\$	\$
658	- 17 175
186	17 833
844	658

10. Contingent liabilities

PSBS has no contingent liabilities at 30 June 2023 (2022: nil).

11. Segment reporting

PSBS operates as one business, being the provision of superannuation benefits for eligible members.

Notes to the financial statements

For the year ended 30 June 2023

12. Events subsequent to reporting date

There are no significant subsequent events.

13. Auditors' remuneration

Audit services are provided by the Northern Territory Auditor-General's Office at no cost to PSBS.

14. Related parties

a) Employer

The employer is the Northern Territory Government. The employer provides staff and administrative services, accommodation and the use of office equipment free of charge to PSBS.

b) Trustees

Following the abolition of the Superannuation Trustee Board in June 2019 subsequent to the amendment of the Trust Deed, responsibility for the PSBS transferred to three individual trustees. Under the Trust Deed, one trustee is nominated by the Commissioner of Police, one by the NTPA and one by the Under Treasurer. As at 30 June 2023 the PSBS's trustees are:

- Mark McAdie – Commissioner of Police nominee
- Daniel Bacon – NTPA nominee
- Alex Pollon – Under Treasurer nominee.

There was an outstanding payment for sitting fees of \$174 due to one trustee as at 30 June 2023.

Where a trustee is also a member of PSBS, member contributions or benefit payments are made in accordance with PSBS rules and governing legislation. \$174 of sitting fees were incurred during 2022-23 (2022: nil).

Appendix: The scheme and how it works

Contributions

Members contribute 1% of their after-tax salary to the fund, which is managed by the PSBS Trustees. Each member has an accumulation account in the fund representing his or her contributions and investment earnings.

Qualifying for a supplementary benefit

For a member of the PSBS to qualify for a supplementary benefit, he or she must:

- be at least 50 years of age or have at least 25 years' CSS contributory service when ceasing to be a member of PSBS
- and be entitled to a CSS age retirement pension, early retirement pension, deferred pension or a postponed pension on or after ceasing to be a member of PSBS.

Where a member qualifies for a supplementary benefit, the member's accumulation account balance will be transferred to the CHA and the Territory will then pay the supplementary benefit directly from the CHA established under the *Financial Management Act 1995*.

The supplementary benefit is based on the amount of the member's CSS employer-financed pension and age when he or she ceases to be a member of the Northern Territory Police Force or ceases to be a CSS contributor, whichever occurs later (for CSS and supplementary scheme purposes, a member attains a particular age on the day before his or her birthday).

The supplementary benefit is expressed as a percentage of the CSS pension and calculated using the percentage according to the age of the member as outlined in Table A1.

Table A1: Supplementary benefit percentage

Supplementary benefit	
Member's age (years)	%
55	25.00
56	21.69
57	18.69
58	15.94
59	13.43
60 or more	11.11

The supplementary benefit is paid as a lifetime indexed pension and commences when the CSS pension begins to be paid. If a member defers or postpones his or her CSS pension, the PSBS pension commences when the deferred or postponed CSS pension commences. Members may elect to commute the PSBS pension to a lump sum equal to 10 times the annual amount of pension payable at the time the pension commences.

If the member is able to commute his or her CSS pension to a lump sum and elects to do so (for example, an involuntary retirement lump sum or a deferred benefit converted to a transfer value), the supplementary benefit will be a lump sum equal to the employer-financed lump sum paid from the CSS, multiplied by the percentage in Table A1 applicable to the member's age when they ceased to be a member of the Northern Territory Police Force or ceased to be a CSS contributor, whichever occurs later.

The Commonwealth Superannuation Corporation (CSC), the agency that manages Commonwealth superannuation, separately issues members with information statements about their CSS entitlements at the end of each financial year.

If members require more information on their CSS benefit, they can contact the CSC on 1300 000 277 or visit the website at www.csc.gov.au.

No entitlement to a supplementary benefit

A supplementary benefit will not be payable to a member if:

- the member is under 50 years of age and has less than 25 years' CSS contributory service when he or she ceases to be a member of PSBS
- the member elects for an immediate CSS cash resignation benefit in lieu of the CSS employer-financed pension benefit
- the member is entitled to a CSS invalidity retirement benefit on ceasing to be a CSS contributor
- or the member's estate or dependants are entitled to a CSS benefit as a consequence of the member's death while still a CSS contributor.

Where any of the above circumstances apply to a member, the accumulation account will be paid to the member, a nominated superannuation fund, or his or her legal personal representative.

Taxation of supplementary pension benefits

Table A2 illustrates the taxation arrangements for members who qualify for a supplementary benefit from PSBS, which is paid as a lifetime indexed pension.

Table A2: Taxation of pensions

Age	Component	Tax treatment from 1 July 2023
At or over preservation to age but under 60 years	Taxed	Marginal tax rates with a 15% pension tax offset
	Tax-free	Exempt from tax
	Untaxed	Marginal tax rates
Age 60 and above	Taxed	Exempt from tax
	Tax-free	Exempt from tax
	Untaxed	Marginal tax rates with a 10% pension tax offset capped at \$11,875 p.a.

Taxation of commuted lump sums and refunds of member accounts

Table A3 illustrates the taxation arrangements for members who receive a lump sum superannuation benefit from PSBS.

Table A3: Taxation of lump sums

Age	Component	Tax treatment ¹ as at 1 July 2023
Under preservation age	Tax-free component	
	• Non-concessional contributions (member contributions)	Exempt
	• Pre July 1983	Exempt
	Taxable component	
	• Post June 1983 taxed (investment return)	20%
At or over preservation age but under 60 years	• Post June 1983 untaxed (Territory-financed benefit)	30% up to \$1.705 million Excess over \$1.705 million taxed at top marginal tax rate ²
	Tax-free component	
	• Non-concessional contributions (member contributions)	Exempt
	• Pre July 1983	Exempt
	Taxable component	
Age 60 and above	• Post June 1983 taxed (investment return)	0% to low rate cap ³ 15% on excess over low rate cap ³
	• Post June 1983 untaxed (Territory-financed benefit)	15% to low rate cap ³ 30% up to \$1.705 million Excess over \$1.705 million taxed at top marginal tax rate ²
	Tax-free component	
	• Non-concessional contributions (member contributions)	Exempt
	• Pre July 1983	Exempt
	Taxable component	
	• Post June 1983 taxed (investment return)	Taxed at 0%
	• Post June 1983 untaxed (Territory-financed benefit)	15% up to \$1.705 million Excess over \$1.705 million taxed at top marginal tax rate ²

¹ Does not include Medicare levy (2%), which may apply if a benefit is paid directly to a member rather than rolled over to a superannuation fund.

² Top marginal tax rate: 45%.

³ 2023-24 low rate cap: \$235,000.

Death benefit

In the event of a member's death while still a CSS contributor, the member's accumulation account balance will be paid to the member's estate. If the member has deferred or postponed CSS and PSBS pensions, a PSBS pension will be paid to dependants. Where a former member receiving a PSBS pension dies, a reversionary (spouse) supplementary pension is payable to his or her surviving spouse. The reversionary pension is a proportion of the member's pensions and varies between 67% and 100% depending on the number of eligible children in the relationship and his or her age.

Preserved benefit

The Commonwealth's preservation rules came into effect on 1 July 1999 and apply to lump sum superannuation benefits. A benefit in the form of a lifetime pension, such as the pension payable from PSBS, is not subject to the preservation rules and may commence at any age.

If a member receives a lump sum from PSBS before preservation age, any preserved benefits must remain in a superannuation fund until the member has reached his or her relevant preservation age and has permanently retired from the workforce as outlined Table A4.

Table A4: Preservation age

Date of birth	Preservation age (years)
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

Members have a non-preserved benefit calculated at 30 June 1999. Members can cash their non-preserved benefit from the fund if they leave PSBS before reaching their preservation age.

The non-preserved amount remains constant and any superannuation contributions (includes both employer and employee contributions) and interest earned after 1 July 1999 are subject to the preservation rules.

Northern Territory Supplementary Superannuation Scheme

In addition to a member's benefit from CSS and PSBS, members are entitled to a 3% productivity benefit from the Northern Territory Supplementary Superannuation Scheme (NTSSS). The NTSSS benefit is paid as a lump sum at the rate of 3% of final salary for each year of employment since 1 October 1988. The final salary for NTSSS purposes is:

- 80% of the member's total remuneration package if he or she is at the rank of Commander, Assistant Commissioner or Deputy Commissioner
- 65% of the member's total remuneration package if he or she is at the rank of Police Commissioner
- for other members, 130% of the member's current salary plus Northern Territory allowance.

No other allowances are included in this calculation.

Where a member does not qualify for a CSS pension (for example, by taking a CSS cash resignation benefit), the NTSSS benefit will be increased to satisfy superannuation guarantee requirements.

The NTSSS benefits are paid through the Northern Territory Superannuation Office and are subject to preservation rules. Member information statements are issued annually by the Superannuation Office. Statements for both schemes (PSBS and NTSSS).

