

Northern Territory Government and Public Authorities'
Superannuation Scheme

ANNUAL REPORT 2015-16

NORTHERN TERRITORY GOVERNMENT AND
PUBLIC AUTHORITIES' SUPERANNUATION SCHEME

Annual Report

2015-16

Published by the Department of Treasury and Finance

© Northern Territory Government 2016

Apart from any use permitted under the *Copyright Act*, no part of this document may be reproduced without prior written permission from the Northern Territory Government through the Department of Treasury and Finance.

ISSN 1032-1241 (print)

ISSN 2204-5848 (online)

Northern Territory Superannuation Office

Level 11, Charles Darwin Centre, 19 The Mall, Darwin NT 0800

GPO Box 4675, Darwin NT 0801

Freecall: 1800 631 630

Telephone: +61 8 8901 4200

Facsimile: +61 8 8901 4222

Email: ntsuperannuation@nt.gov.au

Website: www.super.nt.gov.au

Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS)

Level 11 Charles Darwin Centre, 19 The Mall DARWIN NT 0800

Postal Address GPO Box 4675 DARWIN NT 0801

Tel 08 8901 4200 Fax 08 8901 4222

The Honourable Nicole Manison MLA
Treasurer
GPO Box 3146
Darwin NT 0801

Dear Treasurer

In accordance with the provisions of section 43 of the *Superannuation Act*, we are pleased to provide to you:

- the report of the Commissioner of Superannuation and the Superannuation Trustee Board on the operation and management of the Northern Territory Government and Public Authorities' Superannuation Scheme for the financial year ended 30 June 2016; and
- the audited financial statements of the Northern Territory Government and Public Authorities Employees' Superannuation Fund for the financial year ended 30 June 2016.

Yours sincerely



Sarah Rummery
Commissioner of Superannuation
30 September 2016



Kathleen Robinson
Chairperson, Superannuation Trustee Board
30 September 2016

Table of Contents

About this Annual Report	2
Report of the Commissioner of Superannuation and the Superannuation Trustee Board	3
Year in Review	5
Output Performance	7
Future Priorities	8
Fund Performance	8
Investments	9
Scheme Performance	15
Membership Profile	17
Governance	18
Summary of the Report of the Actuarial Investigation of the Scheme	24
Financial Statements	25
Overview of the Financial Statements	26
Independent Auditor's Report to Trustee Board	27
Statement by the Superannuation Trustee Board	28
Statement of Net Assets	29
Statement of Changes in Net Assets	30
Statement of Cash Flows	31
Notes to the Financial Statements	32

About this Annual Report

Welcome to the Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS) Annual Report. NTGPASS was established by the *Superannuation Act* and provides superannuation benefits for eligible persons employed by the Northern Territory Government and certain public authorities. NTGPASS commenced operation on 1 October 1986 and was closed to new members on 9 August 1999.

Objective

The objective of this Annual Report is to provide information on the operations of NTGPASS to the Treasurer (as the Minister responsible for superannuation matters), to members and other interested parties. This includes information on the administration of NTGPASS as well as the management, financial position and investment performance of the Northern Territory Government and Public Authorities Employees' Superannuation Fund (fund).

Financial statements provided include the audited Statement of Net Assets, Statement of Changes in Net Assets, Statement of Cash Flows and notes to the financial statements as at 30 June 2016.

Reporting Requirements

The *Superannuation Act* requires, within six months of the end of each financial year, that:

- the Commissioner of Superannuation provides a report to the Treasurer on the operation and management of NTGPASS; and
- the Superannuation Trustee Board (STB) provides a report to the Treasurer on its operations during the year and audited financial statements in respect of the fund.

The Treasurer is then required to table the reports, together with the financial statements and the Auditor-General's report of the audit, in the Legislative Assembly within six sitting days of receiving the reports.

Report of the Commissioner of
Superannuation and the
Superannuation Trustee Board

Year in Review

Legislative Amendments – Superannuation Reform Project

The *Superannuation Legislation Amendment Act 2015* received assent in December 2015. Legislative amendments included those to facilitate a successor fund transfer of NTGPASS adherent members (also referred to as retained members) and to allow the appointment of an eligible rollover fund.

Transfer of Adherent Accounts

NTGPASS adherent accounts (that is, those belonging to former Northern Territory Public Sector (NTPS) employees and spouses/ex-spouses of NTGPASS members) were transferred under a successor fund transfer on 15 February 2016 to Sunsuper. Sunsuper is a growing profit-for-members fund with over 1 million members and \$33 billion of funds under management. It was established in 1987 as a multi-industry superannuation fund to cater for a wide range of workers. Sunsuper is the largest superannuation fund by membership in Queensland and is one of the top 10 in Australia. Over 94 000 employers pay money into Sunsuper funds. Sunsuper has very competitive fees, insurance offerings, online services and life-cycle investment strategies. In 2016 Sunsuper won two Chant West awards, Best Fund: Integrity, and Corporate Solutions' Fund of the Year. The transfer was deemed to be in the best interest of members by both the Commissioner of Superannuation and STB. Sunsuper's website address is www.sunsuper.com.au.

Investment Transition

In November 2015, JANA advised the STB of some changes being made by their parent company National Australia Bank (NAB), that would impact the superannuation investment environment. NAB agreed to sell its life insurance division to Nippon Life. This was of significance to NAB's superannuation clients, as life policies had been the vehicle used by many of these clients (including the fund) to access investments. The sale required superannuation schemes to extract funds out of the life policy vehicle and transition into a trust structure. This process was undertaken by NTSO for the fund, between February and May 2016, with all investments transitioned into the new trust structure by 12 May 2016. This transition to a trust structure also required NTSO to engage a fund custodian, being NAB Asset Servicing (NAS), to provide the weekly unit prices required to generate the investment option crediting rates. The additional cost to the fund of the custodian was offset by JANA charging lower investment management fees.

Eligible Rollover Fund

As part of the amendments to the *Superannuation Act*, the Legislative Assembly approved that inactive, lost and unclaimed accounts could be transferred to an eligible rollover fund (ERF). The primary reason for engaging an ERF is to provide a solution to the large number of unclaimed/lost NTGPASS accounts. Some of these accounts were established in the 1980s, though many were established in the 1990s. Many of these unclaimed accounts are the result of short-term employment in the Northern Territory by members who never maintained contact and for whom the Northern Territory Superannuation Office (NTSO) has no current contact details.

ERFs are specialist superannuation funds whose mandate and core business is to reunite individuals with their lost superannuation. AUSfund was selected, from a competitive process, as the ERF for lost and unclaimed NTGPASS accounts. AUSfund is the default ERF for industry funds such as AustralianSuper and Sunsuper. AUSfund has a very transparent and low fee regime, reports openly on a range of activities designed to reunite members with lost superannuation, as well as how many member accounts have been transferred to the Australian Taxation Office (ATO). AUSfund also reports among the highest rates of investment return of the eight ERFs.

Fund Performance

All NTGPASS investment options ended the financial year with a positive, though modest, return, despite some options experiencing negative returns during the year. The growth option returned 1.66 per cent, which is below the median return for options with a similar asset allocation (as reported by Morningstar) of 2 per cent in 2015-16.

Fee Changes

From 7 September 2015, a \$35 fee was introduced for requests to provide an estimate of NTGPASS entitlements. More information on fees is contained in the NTGPASS Fees fact sheet, which is available on the NTSO website.

Superannuation Changes

Changes to a number of superannuation rules were proposed in the federal budget handed down 3 May 2016. However, at the time of printing, the proposed changes had not been implemented. Members will be advised through the NTSO website of any legislative amendments that may impact NTGPASS.

SuperStream

SuperStream is a package of measures designed to enhance the 'back office' of superannuation, primarily involving electronic transmission of information between superannuation funds. The NTSO implemented a SuperStream compliant information technology solution during the 2013-14 year, allowing the majority of NTGPASS superannuation benefit payments to be made via SuperStream.

The ATO published the Data and Payment Standard version 2.0 for SuperStream in December 2015. Principally, the new standard, which comes into effect on 17 October 2016, updates existing rollover transaction eXtensible Business Reporting Language (XBRL) files, provides support for government unclaimed superannuation money rollovers and introduces new enabling web services.

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 that are designed to combat money laundering and terrorism financing activities.

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

The AML/CTF program, implemented by the NTSO in early 2008, is reviewed annually and updated as appropriate. An annual compliance report is submitted to AUSTRAC by the end of March each year.

Member Education

The NTSO aims to provide information to assist members in understanding their NTGPASS entitlements. Information covering products such as investment options is available on the website along with a range of publications including forms and fact sheets. Information is kept up to date and new items are developed as required.

NTSO staff engage with members over the phone, via 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.

Website

The NTSO website is a source of information for NTGPASS members. The website is regularly updated for investment returns,

'What's New' information, slides from member information seminars and changes made to forms and fact sheets.

Member information seminars

During the year a total of seven information seminars were held in Darwin, Katherine and Alice Springs, attended by over 530 members.

Annual Report

This report is available electronically, via website download or email. Summarised information is produced in the Report to Members, which is also available on the website.

Memberships

Association of Superannuation Funds of Australia

The Association of Superannuation Funds of Australia (ASFA) is a national not-for-profit and apolitical organisation that represents the interests of superannuation funds, trustees and members. 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. ASFA hosts an annual national conference that is attended by board members.

Australian Institute of Superannuation Trustees

The Australian Institute of Superannuation Trustees (AIST) is an independent professional body and registered training organisation offering a range of services for the superannuation industry, including professional development, national and international training, events, compliance services and member support.

The board members and senior staff from the NTSO have continued their membership of AIST. Membership offers discounted prices for training and events. A board member attended the annual Conference of Major Superannuation Funds hosted by AIST, and AIST conducted a post federal budget briefing in Darwin in June 2016.

Australian Centre for Corporate Responsibility

In December 2015, the STB engaged the services of the Australasian Centre for Corporate Responsibility (ACCR). The ACCR is a not-for-profit association whose mission is to promote informed shareholder engagement and advocacy for more just and sustainable corporate activity. ACCR research corporate activity and assist clients to use the research. The ACCR promotes ethical investment and aims to empower stakeholders in corporate Australasia.

Administration

Online member information statements

The annual Member Information Statement provides key information to members about their accumulation account and defined benefit. Member Information Statements from previous years can be viewed online by current Territory Government employees at ntgpass.nt.gov.au. Members must have access to ePASS to view the available information.

Output Performance

The following summary reports on the progress of priorities identified for 2015-16.

Priorities for 2015-16	Results in 2015-16
Amend the <i>Superannuation Act</i> to facilitate the successor fund transfer of retained/adherent members and appoint an eligible rollover fund.	Achieved
Amend superannuation scheme rules to improve efficiency and remove redundant or superseded terms or requirements.	Ongoing – under review

Future Priorities

- Eligible rollover fund – commence transferring inactive, lost and unclaimed accounts to AUSfund in 2016-17.
- Superannuation schemes rules – review and amend rules to improve efficiency and remove redundant or superseded terms or requirements.

Fund Performance

2015-16 Investment Returns

NTGPASS is an exempt public sector superannuation scheme and therefore is not regulated by the Australian Securities and Investments Commission (ASIC). Nonetheless, for information purposes, long-term returns (that is, 5-year, 10-year and since inception), calculated as the compound average effective rate of net earnings, have been calculated consistently with the financial services regulations that are overseen by ASIC.

Table 1 details the fund's investment returns for 2015-16, as well as the average annual return (compound average effective rate of net earnings) since each option commenced. Options have been introduced at different times since 2007 and this information is provided in note form. The returns reported in Table 1 assume investment in that option for the full year.

Five-year average returns to 30 June 2016 are calculated for all superannuation options. The growth option remains the only option that has been available for the full 10 years, with an average return of 5.23 per cent per annum over 10 years and 8.34 per cent per annum since inception.

Table 1: 2015-16 Investment Returns

Investment Option	2016	2015	5-Year Average	10-Year Average	Since Inception
	%	%	%	%	%
Superannuation					
Managed Cash ¹	1.76	2.03	2.51		2.63
Conservative ²	2.31	6.40	5.77		4.33
Cautious ²	2.51	8.56	7.14		4.63
Growth (default) ³	1.66	10.79	8.42	5.23	8.34
Assertive ²	1.07	11.79	8.89		4.14
Aggressive ²	0.08	12.92	9.37		3.74
Pension					
Managed Cash ¹	n/a	2.52			3.80
Conservative ⁴	n/a	6.65			6.36
Cautious ⁵	n/a	8.18			6.87
Growth ⁴	n/a	10.05			6.65
Assertive ⁶	n/a	10.57			10.77
Aggressive ⁴	n/a	11.22			6.25

Commencement dates: (1) March 2009; (2) July 2007; (3) 1986; (4) April 2008; (5) June 2008; (6) March 2010

Table 2 reports the net return over the last five years for the superannuation growth option after accounting for the effect of inflation, as measured by the consumer price index (CPI).

Table 2: Investment Returns after Inflation

	2016	2015	2014	2013	2012	5-Year Average
	%	%	%	%	%	%
Investment return	1.66	10.79	14.04	15.40	1.08	8.42
CPI	1.00	1.50	3.00	2.40	1.20	1.82
Real rate of return	0.65	9.15	10.72	12.70	- 0.12	6.49

Note: Real rate of return = $\frac{\text{Investment returns} - \text{CPI}}{1 + \text{CPI}}$

Market performance

Investment conditions were extremely challenging for growth assets such as equities in 2015-16. Global uncertainty, declining oil prices, decreasing economic growth in China and the Brexit, all contributed to weak returns in the year. Australian equities, as measured by the Australian Securities Exchange (ASX) 300 index, decreased 4.8 per cent during the year and global equities, represented by the MSCI All Country World Index, decreased 6.8 per cent. Interest rates remained at historically low levels around the globe for much of the year, with Australia's official cash rate finishing the year at 1.75 per cent.

Net Assets

Net assets represent the value of the fund after accounting for contributions, investment returns, benefit payments and other expenses incurred throughout the year. Table 3 details the net assets of the fund over the five years to June 2016. The \$400.7 million fall in net assets for the year was largely due to the \$278 million transfer of adherent accounts through a successor fund transfer to Sunsuper, as well as other adherent members rolling out to other superannuation funds prior to that transfer.

Table 3: Five-Year Summary of Net Assets as at 30 June

Change in Assets	2016	2015	2014	2013	2012
	\$M	\$M	\$M	\$M	\$M
Net assets at beginning of year	929.9	988.2	877.2	750.9	736.6
Investment revenue	- 1.7	97.3	118.6	110.2	10.6
Member contributions and rollovers	69.4	107.7	140.5	124.0	106.1
Territory contributions	74.2	74.2	81.3	68.7	67.9
Benefits and other expenses	- 542.6	- 337.5	- 229.4	- 176.6	- 170.3
Net assets at end of year	529.2	929.9	988.2	877.2	750.9

Investments

Investment Returns

Returns for superannuation accounts are calculated and applied weekly. The current and historical NTGPASS investment returns are published on the NTSO website.

The amount set aside for a general operating reserve is \$250 000. This represents a small proportion of the fund and does not materially impact on investment returns to members. Net earnings of the fund are distributed among members.

Investment Choices

Members have six investment options from which to choose. Premixed asset allocations have been determined for each option, containing a different mix of growth assets (property and shares) and defensive assets (fixed interest and cash). To improve diversity and reduce risk, low correlation and multi-asset strategies have been introduced into several investment options.

Superannuation members can choose one option for their account balance and another option for their future contributions. Where superannuation members do not choose an investment option, their member accounts continue to be invested in the default (growth) option. Members are able to change (switch) the option in which their accumulation account is invested.

Table 4 shows the distribution of member funds across investment choices for superannuation accounts as at 30 June 2016. The majority of NTGPASS members remain in the growth investment option. A total of 106 requests for superannuation account investment switches were processed during the year.

Table 4: Member Investment Choice

Investment Option	Superannuation Accounts % of Funds
Managed Cash	2.40
Conservative	2.35
Cautious	2.50
Growth (default)	87.60
Assertive	1.83
Aggressive	3.32
Total	100.00

Note: Includes creditors who have ceased employment, but not claimed their benefit.

Return and Risk Objectives

Each investment option has a return and risk objective to assist members in choosing the investment option with the asset allocation that best suits their personal circumstances and appetite towards investment risk.

The return objective for an investment option is the net return (that is, after fees and taxes) that the option is expected to achieve above the rate of inflation (as measured by the increase in CPI) over rolling five-year periods. For example, the return objective for the growth option is expected to be at least 3 percentage points higher than inflation, when measured over a rolling five-year period.

Table 5 details the results of each option measured against their return objectives. For 2015-16, the five-year average CPI is 1.82 per cent. The five-year average return exceeds the target for all options, therefore all options have met return objectives. This five-year average is calculated on a simple average basis, which is different to the compound average approach under the financial services regulations.

Table 5: Return objectives for investment options

Investment Option	Return Objective	5-Year Average ¹	Objective Met
Managed Cash	CPI + 0.5% = 2.32% pa	2.51%	Yes
Conservative	CPI + 2.0% = 3.82% pa	5.79%	Yes
Cautious	CPI + 2.5% = 4.32% pa	7.19%	Yes
Growth (default)	CPI + 3.0% = 4.82% pa	8.59%	Yes
Assertive	CPI + 3.5% = 5.32% pa	9.13%	Yes
Aggressive	CPI + 4.0% = 5.82% pa	9.74%	Yes

CPI = consumer price index; pa = per annum

¹ Actual rate of return on investment option.

The standard risk measure (SRM) objective on an investment option is expressed as an average number of years out of 20 where the option is expected to have a negative return. For example, the growth option is expected, on average, to have a negative return 5 out of every 20 years.

Table 6 details the results of each option measured against its risk objectives. The conservative, cautious and aggressive options have not met their SRM objectives, as negative returns have been experienced more frequently than the expected target.

Table 6: Original and new risk objectives

Investment Option	Previous Risk Objective	Result	Objective Met	SRM Objective	SRM Result	Objective Met
Managed Cash	Low probability	0	Yes	0.0 in 20 years	0 in 20 years	Yes
Conservative	1 in 7 years	1 in 9 years	Yes	1.5 in 20 years	2.2 in 20 years	No
Cautious	1 in 4.5 years	2 in 9 years	Yes	2.7 in 20 years	4.4 in 20 years	No
Growth (default)	1 in 4 years	3 in 30 years	Yes	4.2 in 20 years	2.2 in 20 years	Yes
Assertive	1 in 3.5 years	2 in 9 years	Yes	4.6 in 20 years	4.4 in 20 years	Yes
Aggressive	1 in 3 years	3 in 9 years	Yes	5.2 in 20 years	6.6 in 20 years	No

In November 2015 STB resolved to present the fund's risk objectives on a comparable basis to Australian Prudential Regulation Authority (APRA)-regulated superannuation entities. The investment risk objectives for the different investment options in the fund are presented in both the former format and using SRM – the industry standard.

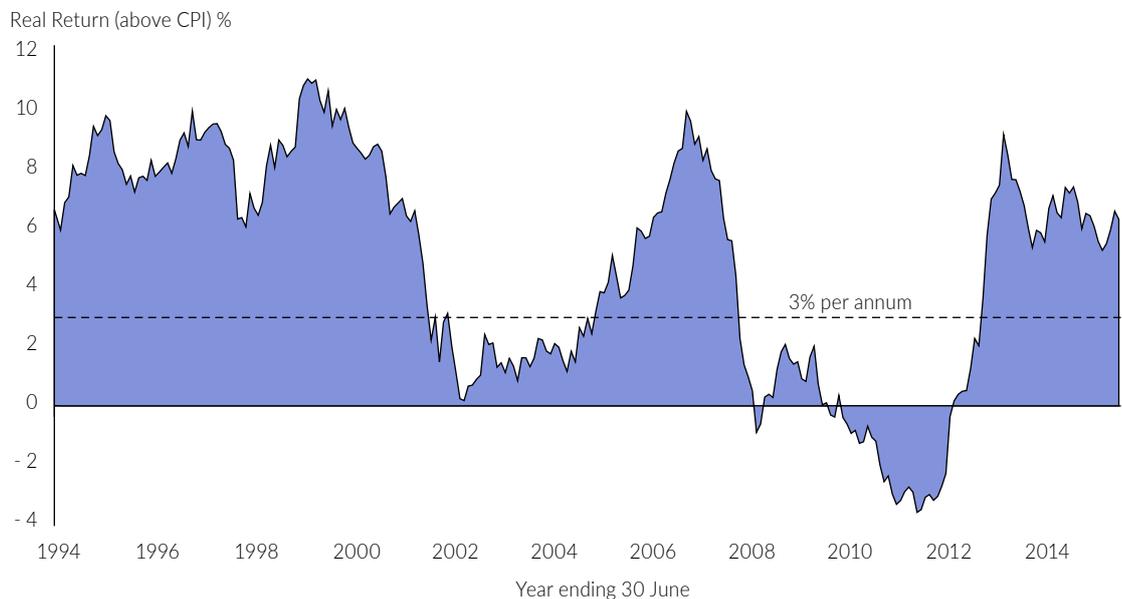
Growth Option

More than 87 per cent of members' accounts are invested in the growth (default) option, which allocates approximately 75 per cent of the invested amounts to growth assets (shares and property) and 25 per cent to defensive assets (cash and fixed interest). As noted in Table 7, the return and risk objectives for this option are to achieve a net return greater than CPI plus 3 per cent over rolling five-year periods and to limit the probability of a negative return to 4.2 out of every 20 years, on average. The key drivers to achieve the objective are the strategic asset allocation (to growth versus defensive assets) and the performance of the underlying investment markets in which these assets are invested.

Over the past 30 years the fund has exceeded expectations, with only three negative returns in 30 years.

Figure 1 shows performance against the return objective for the growth option since December 1994 (that is, a return of CPI plus 3 per cent, over a rolling five-year period). It illustrates that, when measured on this basis, the fund has met the return objective the majority of the time. The performance target was met in 2015-16.

Figure 1: Rolling Five-Year Real Return



Investment Manager Structure

JANA Investment Advisers Pty Ltd (JANA) is the implemented investment consultant for NTGPASS. In its role as consultant to STB, JANA provides advice on investment objectives and strategies, and selects and monitors investment managers. JANA provides advice on risk and asset allocation and reports quarterly to STB on this as well as investment performance. As part of risk management, JANA applies a range of stress testing (scenario analysis) to the NTGPASS portfolio. JANA also undertakes regular portfolio rebalancing to bring the actual asset mix in line with the target allocations set out in Table 7. JANA aims to keep the actual asset allocation of each investment option in the fund within plus or minus 5 per cent of the target allocation. The asset allocation ranges are continually monitored to ensure they are within targets.

JANA appoints investment managers across different asset classes, such as international and Australian shares, property and fixed interest securities. This creates a diversified portfolio that helps minimise risk and produce positive long-term returns. As at 30 June 2016, JANA's investment structure utilised 47 investment managers. Details of JANA's current managers are available at www.jana.com.au/investment-managers. JANA's managers hold around 2000 bonds and invest in shares in around 1500 different companies across 60 industries and in over 40 countries.

Table 7: The Six Investment Options as at June 2016

Managed cash	Conservative	Cautious		
To provide greater assurance on the security of assets by investing in cash investments with an expectation to achieve low long-term returns	To provide limited volatility in investment value by investing primarily in cash and fixed interest investments	To provide a balanced mix of assets, steady long-term returns and a low level of investment volatility		
Return objective	Return objective	Return objective		
A high probability that the net return ¹ will exceed the increase in CPI over 5-year rolling periods by at least 0.5 per cent per annum	A high probability that the net return ¹ will exceed the increase in CPI over 5-year rolling periods by at least 2 per cent per annum	A high probability that the net return ¹ will exceed the increase in CPI over 5-year rolling periods by at least 2.5 per cent per annum		
Risk objective	Risk objective	Risk objective		
A low chance of a negative annual return	Limit the probability of a negative annual return to 1.5 years in every twenty years, on average	Limit the probability of a negative annual return to 2.7 years in every twenty years, on average		
Asset mix	Asset mix	Asset mix		
	Target	Target		
	%	%		
Growth assets	0.0	30.0	Growth assets	50.0
Property	0.0	3.0	Property	5.0
Australian shares	0.0	9.0	Australian shares	17.0
Global shares	0.0	13.0	Global shares	22.0
Alternatives	0.0	5.0	Alternatives	6.0
Defensive assets	100.0	70.0	Defensive assets	50.0
Cash	100.0	10.0	Cash	0.0
Fixed interest	0.0	60.0	Fixed interest	50.0

¹ The net return is after investment management fees, custodian fees and taxes have been deducted.

Table 7: The Six Investment Options as at June 2016 (continued)

Growth	Assertive	Aggressive			
To invest proportionately more in shares and property than cash and fixed interest with an expectation to achieve medium to high longterm returns	To invest primarily in shares and property with limited exposure to fixed interest investments, accepting higher volatility with an expectation to achieve higher returns over the long term	To invest wholly in shares and property, accepting high volatility with an expectation to achieve higher longterm returns			
Return objective	Return objective	Return objective			
A high probability that the net return ¹ will exceed the increase in CPI over 5-Year rolling periods by at least 3 per cent per annum	A high probability that the net return ¹ will exceed the increase in CPI over 5-Year rolling periods by at least 3.5 per cent per annum	A high probability that the net return ¹ will exceed the increase in CPI over 5-Year rolling periods by at least 4 per cent per annum			
Risk objective	Risk objective	Risk objective			
Limit the probability of a negative annual return to 4.2 years in every twenty years, on average	Limit the probability of a negative annual return to 4.6 years in every twenty years, on average	Limit the probability of a negative annual return to 5.2 years in every twenty years, on average			
Asset mix	Asset mix	Asset mix			
	Target		Target		
	%		%		
Growth assets	75.0	Growth assets	85.0	Growth assets	100.0
Property	5.0	Property	5.0	Property	5.0
Australian shares	30.0	Australian shares	32.0	Australian shares	37.0
Global shares	34.0	Global shares	42.0	Global shares	52.0
Alternatives	6.0	Alternatives	6.0	Alternatives	6.0
Defensive assets	25.0	Defensive assets	15.0	Defensive assets	0.0
Cash	0.0	Cash	0.0	Cash	0.0
Fixed interest	25.0	Fixed interest	15.0	Fixed interest	0.0

¹ The net return is after investment management fees, custodian fees and taxes have been deducted.

Scheme Performance

Scheme Overview

NTGPASS is established under the *Superannuation Act*, which sets out the arrangements for administration and management of the scheme.

NTGPASS is a defined benefit scheme that provides a lump sum benefit upon resignation, age retirement, retrenchment, death or invalidity. Lump sum benefits generally comprise two components, a member accumulation component and a Territory-financed component. The member component comprises member contributions, rollovers and investment earnings. Members are required to contribute either 2, 3, 4, 5 or 6 per cent of their salary to the fund.

The Territory-financed component is calculated according to a formula based on the member's length of membership in the scheme, final average salary and contribution rate. NTGPASS members are also entitled to a Territory-financed benefit from the Northern Territory Supplementary Superannuation Scheme (NTSSS). NTSSS is a non-contributory lump sum scheme that provides a 3 per cent productivity payment for each year of membership since 1 October 1988.

Other publications (primarily the Member Information book) are available, which provide more information on NTGPASS.

Operational Activity

Table 8 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 related to the transfer of adherent accounts to Sunsuper on 15 February 2016. Other common contacts include member information seminars and responding to member inquiries regarding benefit status, scheme rules, statement requests and contributions.

Table 8: Superannuation Office Activity

	2015-16 Target	2015-16 Actual
Benefits processed	4 376	5 329
Member seminars/information session attendance	350	540
Stakeholder satisfaction ¹	≥ 5	5.23
Average days to make benefit payments:		
• from date of receipt of all information ²	30	8
• where there is a delay in the receipt of information ³	-	15

¹ Stakeholders are the Treasurer, STB and superannuation scheme members. Measures range from a rating of 1: extremely dissatisfied to 6: extremely satisfied.

² As a non-APRA-regulated superannuation fund, benefits are processed as soon as practicable, but within 30 days.

³ All necessary information from the member and the employing agency must be received before a benefit can be paid.

Benefit Payments

Table 9 reports the different categories of benefits paid. Of members leaving NTPS employment, resignation was the most common type of benefit category, although age retirement had the greatest monetary value. During 2015-16, 4667 superannuation lump sum benefits were paid, totalling \$531.18 million. This is an increase of \$299.96 million from 2014-15, largely due to the successor fund transfer in February 2016.

Table 9: Total Benefits Paid for the Year Ended 30 June

Type of Benefit Paid	2015-16		2014-15	
	Number of Members	Total Paid	Number of Members	Total Paid
		\$M		\$M
Superannuation				
Resignation	226	25.30	177	19.91
Age retirement	151	90.17	365	97.29
Retrenchment	13	7.47	47	11.52
Invalidity	3	1.90	13	1.46
Death	11	1.71	7	2.01
Anti-detriment	13	0.06	18	0.13
Transfer	1	0.30	0	0.00
Retained	4 249	415.31	651	98.88
Annuity bonus	0	0.00	1	0.02
Total	4 667	542.22	1 279	231.22

Note: Amounts reflect actual payments made and may be inconsistent with financial statements due to accounting treatment.

Contributions

Table 10 shows the number and value of contributions received into the fund. In 2015-16, there was a decrease in the value of superannuation contributions received.

Table 10: Total Contributions Received for the Year Ended 30 June

Type of Contribution	2015-16		2014-15	
	Number of Contributors	Value of Contributions	Number of Contributors	Value of Contributions
		\$M		\$M
Superannuation				
Compulsory	3 190	17.23	3 476	17.25
Voluntary:				
Active	72	1.08	92	1.65
Retained	66	0.63	93	1.27
Salary sacrifice	611	7.76	635	7.16
Roll overs	599	42.47	639	80.06
Co-contribution	122	0.06	146	0.05
Spouse contribution	4	0.01	10	0.03
Total	4 664	69.24	5 091	107.47

Note: Contributions may differ to financial statements due to categorisation.

Information Seminars

Seven seminars were held in Darwin, Katherine and Alice Springs in June 2016, which were attended by a total of 540 members. Information was presented by NTSO staff and JANA.

All seminar attendees were sent an email with a link to the presentation, which is available on the NTSO website.

Membership Profile

Following legislative amendments to the *Superannuation Act* in December 2015, active members can no longer choose to retain any of their NTGPASS benefit in the fund when they cease NTPS employment (or opt out of the scheme). During the year, active membership of NTGPASS decreased by 8 per cent to 2982, while the number of adherent members decreased by around 95 per cent to 48 following the successor fund transfer of adherent accounts to Sunsuper.

Active Members

Active members of NTGPASS are those members still employed by NTPS and eligible to receive a Territory-financed benefit when they leave employment. Table 11 illustrates the changes in active NTGPASS membership.

Table 11: Active NTGPASS Members

	2015-16	2014-15
Active members at beginning of period	3 243	3 527
Less exits		
Resignation	84	77
Age retirement	156	175
Retrenchment	13	20
Invalidity	5	7
Death	3	5
Transfer	0	0
Opt out	0	0
Total exits	261	284
Members at 30 June	2 982	3 243

Member contribution rates

Active members must contribute between 2 and 6 per cent of their salary into their NTGPASS accumulation account.

Of active members, 83.92 per cent choose to contribute at the highest rate of 6 per cent.

Membership by age and gender

Women continue to represent the majority of active members at 63 per cent of the total membership. The majority of active members are in the 50 to 59 age group.

Adherent and Spouse Members

Adherent members of NTGPASS included members who have retained all or part of their benefit in NTGPASS when they ceased active membership, as well as spouse account holders and non-member spouses who retained all or part of their family law benefit in NTGPASS. Adherent NTGPASS membership decreased from 4055 to 48 following the successor fund transfer of accounts to Sunsuper in February 2016. Of these adherent accounts, 34 belong to deceased members, who were not part of the transfer to Sunsuper.

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 2015-16.

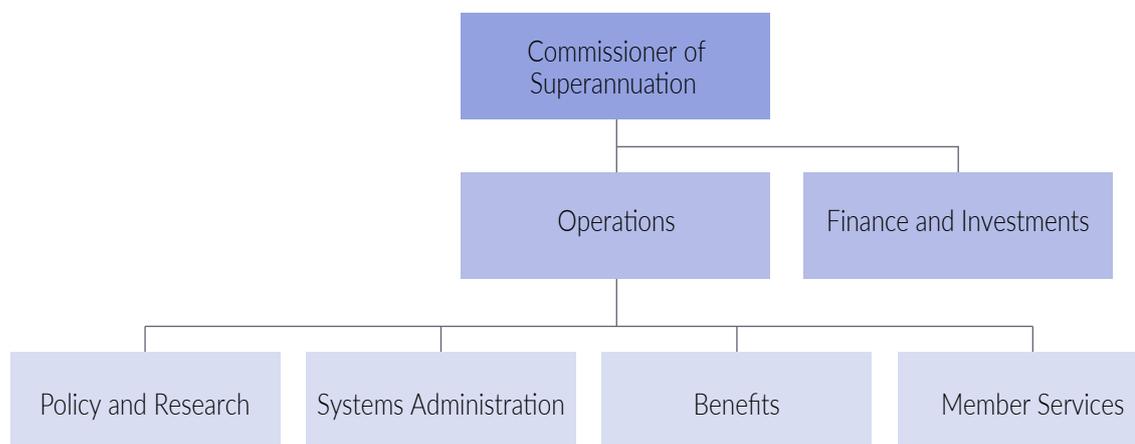
Governance

Administration and Management of NTGPASS

The *Superannuation Act* requires:

- the Commissioner of Superannuation to administer NTGPASS; and
- STB to act as Trustee of the fund.

Figure 2: NTGPASS Administrative Structure



The *Superannuation Act* requires the fund to pay expenses incurred by or on behalf of the Trustee in relation to the management of the fund. These expenses include investment management fees, tax agent fees and board expenses.

The costs of day-to-day administration and management of NTGPASS are paid by the Territory. These costs include the salaries of NTSO staff, actuarial fees, office accommodation and system administration costs. The costs of some services are recovered through fees, such as family law valuations and benefit quote requests.

The NTSO provides secretariat services to STB. These services include recording minutes of meetings, preparation and distribution of board papers, financial and investment reports, travel arrangements, payment of sitting fees to board members and arranging their attendance at conferences. The Commissioner of Superannuation also manages the NTSO, which is a division of the Department of Treasury and Finance (DTF), a Territory Government agency.

Commissioner of Superannuation

Section 4 of the *Superannuation Act* provides for a Commissioner of Superannuation to be appointed by the Administrator. The statutory role of the Commissioner is to administer NTGPASS and undertake and manage the investments of the fund as directed by STB.

Further information on the NTSO can be found in the DTF Annual Report.

Superannuation Trustee Board

STB is a body corporate established by section 8A of the *Superannuation Act*. The functions of the board are to act as trustee of a number of superannuation funds, including the fund, and to direct the Commissioner of Superannuation in managing the investments and funds on its behalf.

The *Superannuation Act* provides for a nine-member board consisting of the Under Treasurer, chairperson, deputy chairperson and six nominated members. Two members must be nominated by Unions NT, one member must be nominated by the Commissioner of Police and one by the Northern Territory Police Association (NTPA). Apart from the Under Treasurer, all members are appointed by the Treasurer and hold five-year appointments. There were two changes to STB membership during 2015-16.

Members of the Superannuation Trustee Board



[Ms Kathleen Robinson FCPA BBUS \(Acc\) – Chairperson](#)

Kathleen is Chief Executive, Department of Corporate and Information Services. She has had a long career with NTPS, including extensive experience in senior positions in Shared Services and Treasury.

Kathleen was appointed as Chair of the former Superannuation Investment Board on 22 March 2007. She was reappointed as Chair (now Chairperson) of STB on 22 March 2012, for a five-year term.



[Ms Marianne McAdie BBUDP – Deputy Chairperson](#)

Marianne is a former public servant with the Territory government. She retired in 2013 after 35 years of service. Marianne is currently working as a consultant for Tourism NT.

Marianne was appointed as Acting Chair of the former Superannuation Investment Board on 22 March 2007. She was reappointed as Acting Chair (now Deputy Chairperson) of STB on 22 March 2012, for a five-year term.



[Ms Jodie Ryan – Member, Under Treasurer](#)

Jodie commenced as Under Treasurer from 1 July 2013. The Under Treasurer represents members of the Legislative Assembly Members' Superannuation scheme.

Jodie has had a long career in Treasury and previously held senior positions including Deputy Under Treasurer.



[Mr Michael Martin OAM FCPA BA BCom Grad Dip \(Admin\) AdvDip \(Superannuation\) – Member, nominated by Unions NT](#)

Michael is a former senior public servant with both the Commonwealth and Territory governments and has been involved in the accounting and finance environment for over 30 years. He is currently Chairman of NT Build, a member of the NT Remuneration Tribunal and a member the Top End Health Services Board. He is also a partner with a local Territory consultancy firm and a company director.

Michael was appointed as Member of the former Superannuation Investment Board on 11 May 2004. His position carried over as Member of STB. Michael was reappointed on 11 May 2014 for a five-year term.



[Ms Naomi Porrovecchio – Member, nominated by Unions NT](#)

Naomi was the Manager Employee Relations for the Power and Water Corporation. She joined NTPS in 1993 and has held various roles within NTPS agencies. Naomi was the Regional Director of the Community and Public Sector Union (CSPU) from 2006 to 2008.

Naomi was appointed as Member of STB for five years from 12 March 2013. Naomi resigned her position in October 2015.



[Ms Sarah Burchett – Member, nominated by Unions NT](#)

Sarah was nominated by Unions NT in November 2015 and formally appointed to the Board by the Treasurer on 15 December 2015 for a five-year term. Ms Burchett has served the Territory public for 15 years in the areas of women and senior Territorian policy. Ms Burchett is employed in the Office of Women's Policy in the Department of Local Government and Community Services, and has previously been the CPSU Section Secretary for the NTPS.



[Mr Alex Pollon GAICD – Member, nominated by the Under Treasurer](#)

Alex is General Manager of the Northern Territory Treasury Corporation. He joined NTPS in 1998 and has more than 18 years' experience in the Australian financial markets industry. Alex is a member of the Australian Institute of Company Directors and has been granted Australian Financial Markets Association dealer accreditation.

Alex was appointed as Member of the former Superannuation Investment Board on 1 April 2009. His position carried over as Member of STB. Alex was reappointed on 1 April 2014 for a five-year term.



[Ms Vicky Coleman BBUS \(Acc\) MBA CPA GAICD – Member, nominated by the Under Treasurer](#)

Vicky is Manager Financial Administration of the Northern Territory Treasury Corporation. She is a Certified Practising Accountant, has completed the Australian Institute of Company Directors course, the Chartered Secretaries Australia's Certificate in Governance and Risk Management and has recently completed a Masters of Business from Deakin University. She joined NTPS in 2000.

Vicky was appointed as Alternate Member of the former Superannuation Investment Board on 1 April 2009. Her position carried over as Member of STB. Vicky was reappointed on 1 April 2014 for a five-year term.



[Mr Mark McAdie BEc M Pub Pol Grad Cert App Mgt – Member, nominated by Commissioner of Police](#)

Mark is a former Assistant Commissioner, Crime and Support Services of the Northern Territory Police. He retired in 2010 after 35 years of service. Mark is also President of the Northern Territory Police Museum and Historical Society (Inc).

Mark previously held an ongoing appointment as Chairman of Trustees of the Northern Territory Police Supplementary Benefit Scheme (NTPSBS) (police representative). His appointment carries over as Member of STB from 25 May 2012 for a period of five years.



[Mr Gowan Carter – Member, nominated by NTPA](#)

Gowan is a former Sergeant of the Northern Territory Police, who retired in 2008 after 32 years of service. Gowan was a long-term Executive Member of the NTPA.

Gowan was previously appointed as Trustee of the NTPSBS (member representative). His appointment carried over as Member of STB until 8 August 2013. He was reappointed for a further five years to 8 August 2018. Gowan formally resigned from the Board in March 2016. At the time of printing Gowan's replacement had been appointed to the Board for 2016-17.

STB meetings

STB met four times during the year. The meetings related to general STB business and investment decisions of the fund. Representatives of JANA attended all meetings to provide an update on investment performance and present on contemporary investment topics.

Board expenses

The board resolved to apply its associated costs to the three funds administered according to the value of funds under management. Board expenses for 2015-16 totalled \$65 092, of which \$57 945 was attributed to NTGPASS. Total costs are detailed below.

Sitting fees	\$4 561
Training and conferences	\$3 265
AIST membership	\$13 255
Governance expenses	\$27 511
Internal audit	\$16 500
Total	\$65 092

Remuneration

Payments to STB members are made in accordance with a determination under the *Assembly Members and Statutory Officers (Remuneration and Other Entitlements) Act*, which sets the rates payable for attendance at meetings, travel and other STB-related activities. Remuneration is not payable where an STB member is also an employee of the NTPS, the Commonwealth or a state public service.

In 2015-16, four STB members were entitled to receive sitting fees for meeting and conference attendance and the total amount of remuneration received was \$4561. A portion was attributed to NTGPASS.

Conflict of interest

Section 8S of the *Superannuation Act* provides that an STB member who has a direct or indirect interest in any matter being considered by it must disclose the nature of that interest as soon as possible at an STB meeting.

The disclosure of interest does not apply where an STB member has a direct or indirect interest in a matter because they are a member of NTGPASS, or if they are a member of an incorporated company with 25 or more members of which they are not a director.

STB maintains a conflict of interest register as part of its best practice processes. At the commencement of each meeting, members are required to sign the register and record any disclosure in the minutes of that meeting.

Where a disclosure is made in relation to a matter being considered, members cannot take part in deliberations or decisions made on that matter and the member is disregarded for constituting a quorum on that matter. During the year, there were no conflicts of interest registered.

Review of decisions

The *Superannuation Act* provides for a member or other person dissatisfied by a decision of the Commissioner of Superannuation to request the Commissioner to reconsider the decision. During the year one member requested that a decision relating to them be reviewed. In reconsidering the decision the Commissioner agreed to change the decision in favour of the member.

Northern Territory Civil and Administrative Tribunal

Persons aggrieved by a decision made by the Commissioner of Superannuation about the operation or management of NTGPASS in relation to a particular person can appeal to the Northern Territory Civil and Administrative Tribunal (NTCAT) regarding that decision.

Prior to NTCAT considering an appeal, the *Superannuation Act* requires that a member or another person aggrieved by a decision must first request the Commissioner of Superannuation to reconsider the decision.

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

Compliance with Commonwealth Superannuation Legislation

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

NTGPASS is an exempt public sector superannuation scheme and therefore is 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 (HOGA) between the Territory and the Commonwealth provides that despite not being regulated under the SIS Act, NTGPASS will be administered in accordance with the Commonwealth's retirement income policies and principles including those relating to preservation, vesting and portability of benefits. NTGPASS remains subject to other legislation affecting superannuation, such as that relating to income tax, the superannuation surcharge and splitting of benefits under the *Family Law Act*.

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

The NTGPASS Annual Report is provided to the Commonwealth each year to assist in its monitoring under the HOGA.

Audits

The Northern Territory Auditor-General's Office provides audit services to both the scheme and the fund. Section 43 of the *Superannuation Act* requires the fund's financial statements to be audited by the Auditor-General and tabled in the Legislative Assembly. The audited financial statements are presented from page 25.

In prior years an annual audit regarding the compliance of NTGPASS with the SIS Act and principles of HOGA, was undertaken. In 2015-16 the NTSO moved to a one-in-three-year compliance audit and will self-certify to the Commonwealth on its endeavours to comply with Commonwealth retirement policy as outlined in the HOGA. The SIS Act/HOGA compliance audit is not mandated by legislation.

Actuarial Services

The provision of actuarial services to the DTF and ad hoc actuarial advice to the Territory Government are available under a panel contract. A new panel contract is effective from 1 July 2013 for a five-year period, with Cumpston Sarjeant Pty Ltd and PricewaterhouseCoopers Securities Ltd on the panel.

Actuarial services to the scheme are provided by PricewaterhouseCoopers Securities Ltd.

Section 45 of the *Superannuation Act* requires an actuarial review of NTGPASS to be undertaken every three years. The review examines the scheme's experience during the previous three years and prepares projections of the Territory-financed cash flows and accrued liabilities.

The most recent actuarial review of the scheme was undertaken as at 30 June 2016 by PricewaterhouseCoopers Securities Ltd. A summary of the review is presented on page 24. The next review is due in 2019.

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 2015-16 information as shown in Table 12.

Table 12: Estimated NTGPASS Territory-financed Benefit Costs

Year to 30 June	Estimated Cash Flow	Estimated Accrued Liability
	\$M	\$M
2020	87.5	829.8
2025	89.6	678.0
2030	78.6	469.9
2035	59.1	258.4
2040	33.8	100.5
2045	11.5	21.5
2050	1.4	1.2

In addition to undertaking actuarial reviews, the actuary provides advice on superannuation policy matters, including advice on the offset provisions to apply where a member is retired on the grounds of invalidity and is entitled to workers compensation benefits for loss of earning capacity. The actuary also assists with advice in relation to taxation deductions available to the fund.

Summary of the Report of the Actuarial Investigation of the Scheme

as at 30 June 2016

The last triennial actuarial review of the scheme was performed as at 30 June 2016 by Catherine A Nance FIAA, from PricewaterhouseCoopers Securities Ltd and the results were provided in her report dated 6 September 2016.

The Triennial Review dealt with the employer liabilities, which are guaranteed by the Territory under the *Superannuation Act* and met on an emerging-cost basis. The future employer cash flows and accrued liabilities were projected to the year 2053.

The scheme started in 1986 and was closed to new members from 9 August 1999. The employer cash flow for the year ended 30 June 2016 was \$82 million. It is expected that the cash flow will continue to grow over the next eight years to peak at \$91 million in the year 2024. It is then expected to decline slowly, becoming zero by 2053.

The discount rate used for valuation purposes is 2 per cent in the actuarial report of 2016, down from 3.8 per cent in 2013. The rate of general salary inflation is assumed at 3 per cent for 2016-17 and 4 per cent per annum thereafter. On this basis the accrued employer liability was \$1036 million as at 30 June 2016, up from \$948 million in 2013. The actuarial report of 2016 projects the liability to peak in 2016. The last members are expected to leave by 2052, at which stage the liabilities will be zero.

The lower discount rate used to value the liability in 2016 (of 2 per cent) compared to 3.8 per cent in 2013, has increased the liability by \$142 million. The lower discount rate assumption is appropriate as it reflects the lower yields on government bonds, which are required to be used for the Territory's accounting liabilities.

In 2013 the salary increase assumption was 4.5 per cent per annum. This has been revised down to 3 per cent for 2016-17 and 4 per cent per annum thereafter. The change to the rate of salary increase has lowered the projected liability by \$64 million.

Compulsory member contributions' are invested in the scheme fund, managed by JANA, and are credited with investment returns on a weekly basis. This is separate to the Territory liability, valued in the triennial report, for the defined benefit component of the NTGPASS scheme. The financial soundness of the scheme arises from the Territory guarantee to meet the employer share of benefit entitlements as they arise. This is an appropriate way to meet benefits in a public sector scheme, provided the extent and nature of the liabilities is disclosed and included within public sector accounts, as is the case with NTGPASS.

Financial Statements

Overview of the Financial Statements

Form and Content

Financial statements for superannuation funds are prepared in accordance with Australian Accounting Standard (AAS) AAS 25 Financial Reporting by Superannuation Plans. To reflect the overall change in the value of assets available to pay superannuation benefits to members, AAS 25 requires that periodic changes in the net market value of assets be recognised as revenue. In 2014, the Australian Accounting Standards Board (AASB) introduced AASB 1056 for superannuation entities to be applied from 30 June 2017. This will replace AAS 25 in the next reporting financial year. The new accounting standard updates AAS 25 to include financial statements more focused on member flows. Although the Superannuation Trustee Board (STB) will consider the early adoption of AASB 1056 closer to the time of its mandatory application, Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS) has included the below reports since 2014-15:

- a Statement of Net Assets;
- a Statement of Changes in Net Assets; and
- a Cash Flow Statement.

Investments

As at 30 June 2016 the fund held investments of just over \$545 million with NAS through JANA and cash of approximately \$1.8 million was held in the operating accounts for the day-to-day operations of the fund.

Benefit Payments

A benefit payment comprises the member's accumulation account and, where applicable, a Territory-financed component. The Territory guarantees to meet the employer share of benefit entitlements as it arises and transfers the Territory-financed component to the fund at the time a benefit is paid. This funding method is known as emerging cost and is an appropriate way to meet benefits in a public sector scheme. The member accumulation account contains the member's contributions and rollovers, accumulated with earnings at the fund's crediting rate on an annual basis. If applicable, benefit payments are reduced by the amount of the member's surcharge debt account at the time the benefit is paid.

Fund Expenses

Expenses paid by the fund relate to benefit payments, management expenses incurred in the investment of funds, membership of the governance advisory service and the provision of tax accounting services. All other administrative costs such as salaries, audit, actuarial, administration and operational costs are paid by the Territory.



Auditor-General

Independent Auditor's Report to the Superannuation Trustee Board Northern Territory Government and Public Authorities Employees' Superannuation Fund

Year Ended 30 June 2016

I have audited the accompanying financial report of the Northern Territory Government and Public Authorities Employees' Superannuation Fund, which comprises the statement of net assets as at 30 June 2016, the statement of changes in net assets and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes, and the statement by the Superannuation Trustee Board.

The Responsibility of the Superannuation Trustee Board for the Financial Report

The Superannuation Trustee Board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal controls as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Superannuation Trustee Board, as well as evaluating the overall presentation of the financial report.

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

Opinion

In my opinion the financial report gives a true and fair view of the financial position of the Northern Territory Government and Public Authorities Employees' Superannuation Fund as at 30 June 2016 and its changes in net assets for the year then ended in accordance with Australian Accounting Standards.

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

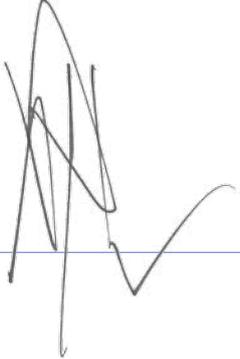
3 October 2016

Statement by the Superannuation Trustee Board

In the opinion of the Superannuation Trustee Board:

- the accompanying financial statements consisting of a Statement of Net Assets, Statement of Changes in Net Assets, Statement of Cash Flows and notes to the financial statements are drawn up to present fairly the financial position of the Northern Territory Government and Public Authorities' Superannuation Scheme as at 30 June 2016 and the results of its operations for the year then ended in accordance with Australian Accounting Standards and other mandatory reporting requirements;
- the financial statements have been prepared in accordance with the requirements of the *Superannuation Act*; and
- the scheme has operated in accordance with the provisions of the *Superannuation Act*, and in compliance with the requirements of the Commonwealth's retirement income policies and principles during the year ended 30 June 2016.

Chairperson 
K ROBINSON _____ Date: 30 September 2016

Member 
A POLLON _____ Date: 30 September 2016

Statement of Net Assets

as at 30 June 2016

	Note	2016	2015
		\$000	\$000
ASSETS			
Cash and cash equivalents		1 843	368
Units in life policies		-	947 297
Units in trusts		545 439	-
Super Loans Trust		-	635
Territory contributions receivable		21 916	15 165
Other receivables		65	56
Deferred tax assets	7(e)	5 045	1
TOTAL ASSETS		574 308	963 522
<i>Less</i>			
LIABILITIES			
Benefits payable	4(a)	39 674	28 780
Sundry liabilities		7	8
Provision for surcharge contributions tax		1 550	1 648
Current tax liability	7(c)	558	948
Deferred tax liability	7(d)	3 287	2 274
TOTAL LIABILITIES (excluding net assets available to pay benefits)		45 076	33 658
Net assets available to pay benefits		529 232	929 864
Represented by:			
Accumulated funds		528 982	929 614
Operational reserve		250	250
NET ASSETS AVAILABLE TO PAY BENEFITS		529 232	929 864

The Statement of Net Assets should be read in conjunction with the notes to the financial statements.

Statement of Changes in Net Assets

for the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
REVENUE			
Investment revenue		- 1 659	97 341
Interest		62	62
Distributions from investments		30 695	47
Movement in net market value of investments	5	- 32 416	97 232
Contributions revenue		143 613	181 921
Member contributions		26 767	27 359
Surcharge payments received		128	263
Government co-contributions		61	45
Territory contributions		74 185	74 193
Transfers from other funds and rollovers		42 472	80 061
TOTAL REVENUE		141 954	279 262
EXPENSES			
Benefits paid	4	542 205	331 188
Disablement benefits		1 903	1 457
Retirement benefits		90 173	97 293
Withdrawal benefits		448 421	129 294
Death benefits		1 708	2 011
Pensions paid		-	101 133
Other expenses		613	877
Board expenses		58	66
Administration expenses		525	766
Superannuation surcharge contributions tax		30	45
TOTAL EXPENSES		542 818	332 065
Net change for the year before income tax		- 400 864	- 52 803
Income tax expense (benefit)	7(a)	- 232	5 577
Net change for the year after income tax		- 400 632	- 58 380
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE FINANCIAL YEAR		929 864	988 244
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR		529 232	929 864

The Statement of Changes in Net Assets should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

as at 30 June 2016

	Note	2016	2015
		\$000	\$000
Interest received		63	63
Investment distributions		30 695	47
Payments for goods and services		- 644	- 854
Receipts from members		69 429	107 727
Receipts from the Territory		67 434	76 980
Payments to members		- 531 274	- 335 572
Taxes paid		- 4 356	- 7 199
NET CASH FLOWS FROM OPERATING ACTIVITIES	10(a)	- 368 653	- 158 808
Proceeds from investments		946 753	157 645
Purchase of investments		- 576 625	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		370 128	157 645
Net increase in cash		1 475	- 1 163
Cash at bank at beginning of period		368	1 531
CASH AT BANK AT END OF PERIOD	10(b)	1 843	368

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2016

1. Reporting Entity

The Northern Territory Government and Public Authorities Employees' Superannuation Fund (the fund) (ABN 67 738 128 022) is established under the *Superannuation Act*. The fund incorporates a member accumulation and a defined benefit component and operates for the purpose of providing benefits for or in relation to members under the Northern Territory Government and Public Authorities' Superannuation Scheme Rules. Administration of the scheme is conducted by the Northern Territory Superannuation Office on behalf of the Trustee.

2. Basis of Preparation

(a) Statement of compliance

The financial report is a general purpose financial report prepared in accordance with AAS, including AAS 25 Financial Reporting by Superannuation Plans, other applicable accounting standards, the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations, and the provisions of the *Superannuation Act*.

International Financial Reporting Standards (IFRS) form the basis of AAS issued by the AASB. Certain requirements of AAS 25 however differ from the equivalent requirements that would be applied under IFRS.

The financial statements were approved by the Trustee on 30 September 2016.

(b) Basis of measurement

The financial statements are prepared on a net market value basis.

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

The preparation of financial statements requires the Trustee to make judgements, 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 viewed on an ongoing basis. Revisions to accounting estimates are recognised during the period in which the estimate is revised and in any future periods affected.

There are no critical accounting estimates and judgments contained in these financial statements other than those used to determine the liability for accrued benefits, which are not brought to account but disclosed by way of note. The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

3. Significant Accounting Policies

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

(a) Assets

Assets are included in the Statement of Net Assets at net market value as at reporting date and movements in net market value of assets are recognised in the Statement of Changes in Net Assets during the periods in which they occur.

Notes to the Financial Statements

for the year ended 30 June 2016

3. Significant Accounting Policies (continued)

The fund 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 net market value are recorded. The net market value derived from the investment custodian's report and will not necessarily equate to the Net Asset Value in unit pricing and or member liabilities.

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

In May 2016, the fund's investments transitioned from units in life policies to units in unit trusts with a cash component as a result of the NAB selling its life policies. As a result of the transition, a Custodian was appointed (NAB Asset Servicing) to provide weekly unit prices to generate the investment option crediting rates. The fund's investment with Super Loans Trust was closed upon transfer of its retained members to Sunsuper in February 2016.

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

(b) Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

(c) Financial liabilities

The fund recognises financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Benefits payable comprises the entitlements of members who ceased employment with the employer sponsor prior to year end, which have not been paid by that date. Other payables are payable on demand or within short time frames of less than 60 days.

The fund recognises financial liabilities at net market value as at reporting date with any change in net market values of the fund's financial liabilities since the beginning of the reporting period included in the Statement of Changes in Net Assets for the reporting period. Net market value approximates to the amortised costs of the liability using the effective interest rate method less estimated transaction costs.

As disposal costs are generally immaterial, unless otherwise stated, net market value approximates to fair value.

(d) Accrued benefits

The amount of accrued benefits has been determined on the basis of the present value of expected future payments, which arise from membership of the scheme up to the reporting date. The accrued benefits figure reported on page 39 has been determined by reference to expected future salary levels, application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The liability for accrued benefits is not included in the Statement of Net Assets, but the liability at the latest measurement date is reported by way of note 8(b).

In accordance with section 45ZA of the *Superannuation Act*, the actuarial review of the operations of the scheme was carried out as at 30 June 2016.

Notes to the Financial Statements

for the year ended 30 June 2016

3. Significant Accounting Policies (continued)

Revenue

Interest revenue

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

Distributions

Distributions from managed investment schemes are recognised as at the date the unit value is quoted ex-distribution and, if not received at reporting date, are reflected in the Statement of Net Assets as a receivable at net market value.

Contribution revenue and transfers

Member and contribution revenue is recognised on an accrual basis. Members contribute to the fund each pay period at an elected contribution rate of between 2 and 6 per cent of their contribution salary. Member contributions are accumulated with investment returns in the fund.

Members may make additional contributions to their accumulation accounts with voluntary contributions or by entering into an approved salary sacrifice arrangement. Investment returns are applied annually to member's accumulation accounts based on the earning rate of the fund. Member contributions and investment returns are accumulated in the fund.

Under section 29 of the *Superannuation Act*, all benefits are paid from the fund. Where a benefit contains a Territory-financed component, the Territory reimburses the fund for this amount at the time the benefit is paid. Thus, the employee component of benefits is met on a fully funded basis while the Territory-financed component of benefits is met on an emerging cost basis. This policy is reflected in the difference between the net assets available to pay benefits and the amount of the accrued benefits, as calculated by the actuary. Superannuation co-contributions from the Commonwealth are recognised on a cash basis as this is the only point at which measurement is reliable.

Co-contributions revenue from the Australian Taxation Office is recognised when the control and benefits of the funds from the revenue have transferred to the fund.

Movement in net market value of investments

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

(e) Income tax

The superannuation scheme established under the *Superannuation Act* 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 per cent has been applied.

Income tax on benefits accrued as a result of operations for the year comprises current and deferred tax. Income tax is recognised in the Statement of Changes in Net Assets except to the extent that 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 at the Statement of Net Assets and any adjustments to tax payable in respect of previous years.

Notes to the Financial Statements

for the year ended 30 June 2016

3. Significant Accounting Policies (continued)

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 are reduced to the extent it is no longer probable that 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 Trustee and are properly payable by the fund.

(f) Superannuation contributions (surcharge) tax

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

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

(g) GST

The fund is registered for GST. Where GST has been applied, revenues, expenses and assets are recognised inclusive of GST. Receivables and payables in the Statement of Net Assets are also shown inclusive of GST.

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

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

New standards, revised standards, interpretations and amending standards issued prior to the sign-off date applicable to the current reporting period did not have a financial impact on the fund and are not expected to have future financial impact on the fund.

New standards, amendments to the standards and interpretations effective for annual periods commencing 1 July 2016 have not been applied in these financial statements. Those that may be relevant to the fund are set out in the following table. The fund will adopt these standards for the annual reporting periods beginning on or after the effective dates.

Notes to the Financial Statements

for the year ended 30 June 2016

3. Significant Accounting Policies (continued)

Amendment	Financial Year Expected to be Applied
<p>AASB 1056 Superannuation Entities</p> <p>AASB 1056 is a new standard applying to superannuation entities replacing AAS 25 Financial Reporting by Superannuation Plans. This new standard specifies requirements for general purpose financial statements of superannuation entities and results in significant changes to presentation of financial statements, measurement and disclosure of defined benefit obligations and disclosure of disaggregated financial information. The adoption of AASB 1056 will result in:</p> <ul style="list-style-type: none"> • changes to the presentation format of the fund financial statements; • changes to the measurement of assets and liabilities from 'net market value' to 'fair value', excluding member liabilities, tax assets and liabilities, acquired goodwill, insurance assets and liabilities, and employer-sponsor receivables; and • additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13. <p>Fair value measurement of:</p> <ul style="list-style-type: none"> • member benefits recognised as liabilities rather than equity; and • contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses and are presented in the statement of changes in member benefits. <p>As required by AASB 1056, the fund will apply the new accounting standard retrospectively from the start of the comparative period. This accounting standard is effective on or after 1 July 2016.</p>	30 June 2017
<p>AASB 2010-7</p> <p>Amendments to Australian Accounting Standards arising from AASB 9 Financial Instruments.</p> <p>Amendments of this standard are not expected to have a material future financial impact on the fund. This accounting standard is effective on or after 1 January 2018.</p>	30 June 2018

Notes to the Financial Statements

for the year ended 30 June 2016

4. Payables

	2016	2015
	\$000	\$000
(a) Benefits payable		
Member-financed benefits	17 758	13 615
Territory-financed benefits	21 916	15 165
	39 674	28 780
(b) Benefits payable movement		
Member-financed benefits	4 143	- 1 613
Territory-financed benefits	6 751	- 2 786
	10 894	- 4 399
(c) Benefits paid		
Member-financed benefits	448 712	240 656
Territory-financed benefits	82 599	94 931
	531 311	335 587
BENEFITS PAID	542 205	331 188

5. Movements in Net Market Values

	2016	2015
	\$000	\$000
Super Loans Trust	4	5
Units in pooled superannuation trusts	- 1 235	91 048
Units in pooled pension trusts	-	6 179
Units in unit trusts	- 31 185	
TOTAL CHANGES IN NET MARKET VALUE	- 32 416	97 232

Investments transitioned from NAB life policies to units in unit trusts in May 2016. The investment in the Super Loans Trust ceased in February 2016 following transfer of retained members to Sunsuper.

6. Auditors' Remuneration

The annual financial statements audit is provided by the Northern Territory Auditor-General's Office at no cost to the fund. The operating standards audit is also provided by the Northern Territory Auditor-General's Office and the cost is met by the Department of Treasury and Finance, with no cost to the fund.

Notes to the Financial Statements

for the year ended 30 June 2016

7. Income Tax Expense

	2016	2015
	\$000	\$000
(a) Current tax expense		
Current income tax:		
Current tax charge	3 800	5 991
Adjustments to current tax for prior period	-	2
Deferred income tax:		
Relating to the origination and reversal of temporary differences	- 4 032	- 416
INCOME TAX EXPENSE (BENEFIT)	- 232	5 577
(b) Income tax expense		
Total revenue less expenses before income tax	- 400 864	- 52 803
Tax applicable at the rate of 15%	- 60 130	- 7 920
Tax effect of expenses that are not deductible in determining taxable income:		
Benefit payments	81 330	49 676
Other non-deductible expenses	-	3
Tax effect of income that are not assessable/deductible in determining taxable income:		
Investment income	- 3 809	- 14 584
Member contributions and transfers in	- 7 507	- 10 672
Non-taxable employer contributions	- 9 161	- 10 617
Surcharge payments received	5	- 39
Tax effect of other adjustments:		
Deduction for anti-detriment payments	- 46	- 135
Notional premium deduction for death and disability	- 126	- 136
Under provision prior period	-	2
Franking and foreign income tax offsets	- 788	-
Exempt income	-	- 1
Income tax expense	- 232	5 577
(c) Current tax liabilities		
Balance at beginning of year	948	1 885
Income tax paid – current period	- 3 242	- 5 043
Income tax paid – prior period	- 948	- 1 887
Current year's income tax provision	3 800	5 991
Under provision prior year	-	2
	558	948

Notes to the Financial Statements

for the year ended 30 June 2016

7. Income Tax Expense (continued)

	2016	2015
	\$000	\$000
(d) <i>Deferred tax liabilities</i>		
The amount of deferred tax liabilities recognised in the Statement of Net Assets at reporting date is made up as follows:		
Contributions receivable	3 287	2 275
Accrued expenses	-	- 1
	3 287	2 274
(e) <i>Deferred tax assets</i>		
The amount of deferred tax asset recognised in the Statement of Net Assets at reporting date is made up as follows:		
Accrued expenses	1	-
Realised carried forward capital losses	1 398	-
Unrealised capital losses	3 646	-
	5 045	-
The amount of deferred tax asset not recognised in the Statement of Net Assets at reporting date due to it being improbable that it will be realised is made up as follows:		
Realised carried forward capital losses	-	2 834

Due to a change in the fund's investments, the deferred tax assets of \$5 million relating to capital losses has been brought to account at balance date. The deferred tax assets of \$2.8 million for the prior year was not recorded in the financial statements at 30 June 2015.

8. Liability for Accrued Benefits and Funding Arrangements

(a) *Benefits payable*

Benefits payable include benefits in respect of members who ceased to be members prior to year end that had not been paid by 30 June 2016.

The amount of accrued benefits has been determined on the basis of the present value of expected future payments, which arise from membership of the scheme up to the reporting date. The accrued benefits value has been determined by reference to expected future salary levels and by application of market-based, risk-adjusted discount rate and relevant actuarial assumptions.

In February 2016, the benefits payable to retained members were transferred to SunSuper.

(b) *Accrued benefits*

	2016	2015
	\$M	\$M
Accrued benefits as at 30 June	1 564.04	1 925.38

(c) *Employer contributions tax receivable*

To ensure fair and equitable treatment, a retrospective payment into the fund for employer contribution tax is being received. This tax is payable in respect of contributions paid by the Territory Government to the fund for employees whose service commenced prior to 1 July 1983.

Notes to the Financial Statements

for the year ended 30 June 2016

(d) Closure of scheme

In 1999, the Territory Government closed NTGPASS to new members. The superannuation arrangements that currently apply require employees who commenced service on or since 10 August 1999 to nominate a superannuation fund to which employer superannuation (as required under superannuation guarantee legislation) is paid. Under the *Superannuation Act*, this means they cannot become members of NTGPASS.

9. Vested Benefits

Vested benefits are benefits not conditional upon continued membership of the scheme and include benefits that members are entitled to receive had they terminated their membership of the scheme at the reporting date. Vested benefits at a particular date represent the present value of benefits payable in respect of former members and the benefits payable to current members on voluntary withdrawal from scheme membership at that date. These benefits include the payment of member contributions accumulated with investment returns.

The accrued employer-financed component is partially vested after five years of membership and fully vested after 10 years and also on retrenchment or after attaining age 55.

Benefits credited to former members of the Northern Territory Electricity Commission Superannuation Scheme for Trade Categories and, where relevant, benefits payable in consequence of other transfer arrangements entered into by NTGPASS have been taken into account in determining vested benefits.

	2016	2015
	\$M	\$M
Vested benefits as at 30 June	1 454.56	1 819.13
Net assets as at 30 June	529.23	929.86

10. Reconciliation to the Statement of Cash Flows

	2016	2015
	\$000	\$000
(a) Net change for the year after tax as a result of operations	- 400 632	- 58 380
Increase (-)/decrease (+) in net revenue		
JANA – superannuation	1 235	- 91 047
JANA – pension	-	- 6 179
Super Loans Trust	- 4	- 5
Units in unit trusts	31 185	-
	32 416	- 97 231
Increase (-)/decrease (+) in assets		
Receivables	- 6 760	2 848
Increase (+)/decrease (-) in liabilities		
Benefits payable	10 894	- 4 399
Sundry liabilities	- 1	- 11
Provision for surcharge contributions tax	- 98	- 218
Tax liabilities	- 4 472	- 1 417
Net cash flow from operating activities	- 368 653	- 158 808

Notes to the Financial Statements

for the year ended 30 June 2016

10. Reconciliation to the Statement of Cash Flows (continued)

	2016	2015
	\$000	\$000
(b) Reconciliation of cash		
Superannuation	1 593	118
Superannuation reserve	250	250
Cash at bank as stated	1 843	368

11. Related Parties

(a) Sponsor

The *Superannuation Act* provides that costs incurred by STB, such as brokerage fees, costs for investment advice, membership of Regnan (a governance advisory service) and other expenses relating to the functions of the board in the investment of the scheme's funds, are paid directly by the fund.

Costs for the day-to-day management of the scheme are paid by the Territory and include salaries, audit, actuarial, office accommodation, administration and operational costs.

(b) Trustee

The Trustee of the fund is STB. In 2015-16, there were two changes to STB membership.

Kathleen Robinson	Chairperson
Marianne McAdie	Deputy Chairperson
Jodie Ryan	Member
Michael Martin	Member
Alex Pollon	Member
Vicky Coleman	Member
Mark McAdie	Member
Naomi Porrovecchio	Member (resigned October 2015)
Gowan Carter	Member (resigned March 2016)
Sarah Burchett	Member (appointed 18 December 2015)

Colin Goodsell replaced Gowan Carter on the board in July 2016.

The total STB cost for the year is attributed to each of the three funds, which includes the Legislative Assembly Members' Superannuation Fund and Northern Territory Police Supplementary Benefit Scheme, proportional to the value of funds under management. Total STB expenses for 2015-16 were \$65 092, of which \$57 945 has been attributed to NTGPASS. Costs include sitting fees, board member training and conference attendance, Australian Institute of Superannuation Trustees membership and governance expenses. Four members were paid sitting fees during the 2015-16 financial year totalling \$4561.

Where an STB member is also a member of the fund, member contributions or benefit payments are made in accordance with the normal terms and conditions of the scheme rules and governing legislation.

Notes to the Financial Statements

for the year ended 30 June 2016

12. Financial Instruments

Investments of the fund (other than cash held for liquidity purposes) comprise units in collective investment products, such as units in unit trusts and unlisted managed investment schemes. STB has determined that this type of investment is appropriate for the fund and is in accordance with the fund's investment strategy.

STB has overall responsibility for the establishment and oversight of the fund's risk management framework. STB established risk management policies to identify and analyse the risks faced by the fund and set appropriate risk limits and controls, and to monitor risks and adherence to risk limits. Monitoring of risks includes those managed by the implemented consultant, JANA. MLC Implemented Consulting (MLC) was originally appointed by the former Trustees in 2005. MLC merged with JANA during 2012.

STB regularly reviews risk management policies to ensure changes in market conditions and the fund's activities are reflected.

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

JANA reports regularly to STB and provides a formal risk management statement. Other reports include:

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

The following section identifies and outlines the management of risks faced by the fund. JANA manages these risks on behalf of the fund.

Market risk

Market risk is the risk that the 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. To aid in mitigating market risk, JANA also undertakes extensive due diligence prior to the appointment of investment managers and monitors ongoing investment manager performance.

Currency risk

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

The fund is exposed to currency risk on financial instruments that are denominated in a currency other than Australian dollars. Consequently, the fund is exposed to the risk that exchange rates may change in a manner that adversely affects the value of the fund's investments held in foreign currencies.

Interest rate risk

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

Notes to the Financial Statements

for the year ended 30 June 2016

12. Financial Instruments (continued)

The majority of the fund's financial assets are non-interest-bearing with only cash directly subject to interest rate risk. As a result, the fund is subject to limited exposure to interest rate risk due to fluctuations in interest rates. The fund's cash assets as at 30 June 2016 are held with NAB.

An increase (or decrease) of 1 per cent in interest rates at the reporting date would have increased (or decreased) the benefits accrued as a result of operations and net assets available to pay benefits by the amounts shown below.

	Balance	1% Movement in Interest Rates	
		Benefits Accrued as a Result of Operations	Net Assets Available to Pay Benefits
	\$000	\$000	\$000
Cash and cash equivalents			
30 June 2016	1 843	± 54	± 54
30 June 2015	368	± 53	± 53

Other market price risk

Other market price risk is the risk that the 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.

The fund's financial instruments are carried at net market value with changes recognised in the Statement of Changes in Net Assets. Therefore, all changes in market conditions affecting net market value are recognised in the Statement of Changes in Net Assets. Investments of the fund (other than cash held for liquidity purposes and investment properties) comprise fixed interest securities, listed Australian equities, units in collective investment vehicles such as life office policies, pooled superannuation trusts, and other unitised investments. Consequently, the fund's exposure to other market price risk is limited to the market price movement of these investments. The Trustee has determined that these investments are appropriate for the fund and in accordance with the fund's published investment strategy regarding asset class allocation.

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

	Balance	5% Movement in Investment Returns	
		Change for the Year in Net Assets Available to Pay Benefits	Net Assets Available to Pay Benefits
	\$000	\$000	\$000
Investments			
30 June 2016	547 282	± 37 426	± 37 426
30 June 2015	948 300	± 48 941	± 48 941

For an explanation of the return and risk objectives for each of the investment options offered by the scheme, refer to the Investments section of this report starting on page 9.

Notes to the Financial Statements

for the year ended 30 June 2016

12. Financial Instruments (continued)

Credit risk

Credit risk is the risk that the counter-party to a financial instrument will cause a financial loss by failing to discharge an obligation. No financial assets are considered past due as all payments are considered recoverable when contractually due. The employer-financed superannuation component is paid to the fund at the time the benefit is paid.

The maximum exposure to credit risk (excluding the value of any collateral or other security) to recognised financial assets at balance date is the carrying amount of those assets. With the exception of the Territory Government, the fund does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the fund. The Territory-financed superannuation component is guaranteed under section 29 of the *Superannuation Act*.

	2016	2015
	\$000	\$000
Cash and cash equivalents	1 843	368
Superannuation investments – JANA		
Superannuation Managed Cash	-	20 494
Superannuation Conservative	-	36 333
Superannuation Cautious	-	65 535
Superannuation Growth	-	772 518
Superannuation Assertive	-	24 084
Superannuation Aggressive	-	28 333
Unit trust investment		
Super Loans Trust	-	635
Units in unit trusts	545 439	-
Total	547 282	948 300

Note: Investments transitioned from NAB life policies to units in unit trusts in May 2016. The Super Loans Trust was closed in February 2016 following transfer of retained members to Sunsuper.

Liquidity risk

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

Notes to the Financial Statements

for the year ended 30 June 2016

12. Financial Instruments (continued)

	Balance	Contractual Cash Flows Potentially Payable in 2016-17
	\$000	\$000
30 June 2016		
Benefits payable	39 674	39 674
Vested benefits	1 454 560	1 454 560
	1 494 234	1 494 234
30 June 2015		
Benefits payable	28 780	28 780
Vested benefits	1 819 130	1 819 130
	1 847 910	1 847 910

Vested benefits (see note 9) have been included, as this is the amount that members could call upon as at year end. This is the earliest date on which the fund can be required to pay members' vested benefits, however members may not necessarily call upon amounts vested to them during this time.

Estimation of fair values

The fund's financial assets and liabilities included in the Statement of Net Assets are carried at net market value, which the Trustee believes approximates net fair value. The major methods and assumptions used in determining net market value of financial instruments are disclosed in Note 3(a) of the Summary of Significant Accounting Policies section.

Fair value measurements

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

- Level 1 net market value measurements – those instruments with value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 net market value measurements – those instruments with value based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 net market value measurements – those instruments with value based on inputs for the asset or liability that are not based on observable market data.

Notes to the Financial Statements

for the year ended 30 June 2016

12. Financial Instruments (continued)

STB has determined that the fair value of the fund's investments are Level 2.

	2016	2015
	\$000	\$000
Level 2 investments		
Superannuation investments – JANA		
Superannuation Managed Cash	-	20 494
Superannuation Conservative	-	36 333
Superannuation Cautious	-	65 535
Superannuation Growth	-	772 518
Superannuation Assertive	-	24 084
Superannuation Aggressive	-	28 333
Unit trust investment		
Super Loans Trust	-	635
Units in unit trusts	545 439	-
Total	545 439	947 932

Note: Investments transitioned from NAB life policies to units in unit trusts in May 2016. The Super Loans Trust was closed in February 2016 following transfer of retained members to Sunsuper.

13. Contingent Liabilities

The fund has no contingent liabilities at 30 June 2016 (2015: nil).

14. Segment Reporting

The scheme operates as one business, being the provision of superannuation benefits for members, and in one geographical segment, the Northern Territory of Australia.

15. Events Subsequent to Reporting Date

There were no subsequent events.