

Northern Territory Police
Supplementary Benefit Scheme

ANNUAL REPORT 2015-16

NORTHERN TERRITORY POLICE
SUPPLEMENTARY BENEFIT SCHEME

Annual Report

2015-16

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NORTHERN TERRITORY POLICE SUPPLEMENTARY BENEFIT SCHEME

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

Dear Treasurer

In accordance with the provisions of clause 11 of the Northern Territory Police Supplementary Benefit Scheme Trust Deed, I am pleased to provide you:

- the report on the operations of the Northern Territory Police Supplementary Benefit Scheme for the financial year ended 30 June 2016; and
- the audited financial statements of the Northern Territory Police Supplementary Benefit Scheme for the financial year ended 30 June 2016.

Yours sincerely

A handwritten signature in cursive script that reads 'K Robinson'.

Kathleen Robinson
Chairperson, Superannuation Trustee Board
29 September 2016

A handwritten signature in cursive script that reads 'Alex Pollon'.

Alex Pollon
Member, Superannuation Trustee Board
29 September 2016

Table of Contents

Report on Operations	3
Introduction	5
Highlights	5
Significant Events	5
The Scheme	5
Governance	6
Investments	8
Scheme Membership	10
Administration	11
Summary of the Report of the Actuarial Investigation of PSBS	12
Financial Statements	13
Independent Auditor's Report to the Trustee Board	15
Trustee Statement	16
Statement of Net Assets	17
Statement of Changes in Net Assets	18
Statement of Cash Flows	19
Notes to the Financial Statements	21
Appendix:	
The Scheme and How it Works	34

Report on Operations

Introduction

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

PSBS was established under the Northern Territory Police Supplementary Benefit Scheme Trust Deed (Trust Deed) dated 15 June 1984, last amended on 2 June 2015.

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

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

Highlights

New Pensions Commenced

During the year, four former members commenced a supplementary police pension. At 30 June 2016 there were 183 former members and former members' spouses receiving a pension from PSBS.

Crediting Rate

The 2015-16 crediting rate for PSBS is 1.25 per cent.

Significant Events

In November 2015, the Implemented Consultant JANA, advised the Superannuation Trustee Board (STB) that their parent company, National Australia Bank (NAB), had agreed to sell the NAB Life Policy Division to Nippon Life. This necessitated the transfer of the fund into a new investment vehicle, the JANA Moderate Trust, prior to the Nippon sale being finalised. The STB approved the timing of the transfer of the fund from the MLC Moderate Option to the JANA Moderate Trust. The transfer took place on 28 April 2016. The JANA Moderate Trust has the same asset allocation as the MLC Moderate Option (70 per cent growth, 30 per cent defensive).

Police Housing Allowance

Police housing allowance pension recalculations will continue to be processed as the adjusted pension data is received from CSS.

The Scheme

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

- a lifetime pension for members who qualify for a supplementary benefit with the option to commute (cash up) the pension to a lump sum; or
- a refund of member contributions and investment earnings for members who do not qualify for a supplementary benefit from PSBS as they do not meet vesting requirements.

Members contribute 1 per cent of their salary to the fund. When a benefit is claimed, the member's contributions and earnings on them are either transferred to the Territory (for members entitled

to the PSBS supplementary benefit) or repaid to the member. PSBS is unfunded, which means the Territory Government finances the supplementary benefit directly from the Central Holding Authority. The Appendix provides information on how PSBS works (see page 35).

Governance

Trustee

STB is the Trustee of PSBS. STB is a body corporate established under section 8A of the *Superannuation Act*. Under the Deed and the *Superannuation Act*, STB has overall responsibility for the operation, management and investments of the PSBS fund and for the investments of a number of other funds administered by the Northern Territory Superannuation Office (NTSO).

The *Superannuation Act* provides for a nine-member board consisting of the Under Treasurer, chairperson, deputy chairperson and six nominated members. 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. In the transition from the former Police Trustee Board to STB, members previously nominated by the Commissioner of Police and NTPA became members of STB.

The functions and powers of STB are set out in section 8B of the *Superannuation Act*. STB is responsible for investing monies, while the Commissioner of Superannuation is responsible for administering PSBS and ensuring payment of the appropriate benefits to former members. PSBS administration is undertaken by the NTSO, a division of the Department of Treasury and Finance. In 2015-16, there were two resignations from the STB, with one member replaced in 2015-16 and the second member replaced in July 2016.

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.	

Trustee Meetings

STB met on four occasions during the year to consider general business and investment strategy of the funds it manages.

Trustee Remuneration and other STB expenses

Payments to board 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 to board members for attendance at board meetings, travel and other board-related activities. Remuneration is not payable where a board member is also an employee of the Northern Territory Public Sector, the Commonwealth or a state public service. In 2015-16, four STB members were entitled to receive sitting fees. Remuneration payments made to STB members totalled \$4561.

The STB resolved to allocate its associated costs to the three funds administered according to the value of funds under management. Board expenses totalled \$65 092 for 2015-16, of which \$267 was attributed to PSBS. Total STB 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

Conflict of Interest

At the commencement of each meeting, STB members are required to sign a conflict of interest register and any disclosures are recorded in the minutes of the meeting.

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

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

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

There were no conflicts of interest recorded during the year.

Review of Decisions

The Deed provides that STB (or delegate) is required to make a decision upon receiving an application to claim a benefit, within 30 days for death benefits or 90 days for other benefits. Once a decision is made the applicant can seek a review of that decision within 30 or 90 days (depending on the benefit type), and STB (or delegate) has the same number of days to review the decision. If the applicant is aggrieved by the STB's decision on review, Part 5A of the *Superannuation Act* gives them a right to apply to the Northern Territory Civil and Administrative Tribunal for a further review of the decision.

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

Trustee Education

STB is responsible for the operation of PSBS and STB members attend seminars and information sessions to keep themselves informed on superannuation issues and industry practices.

Investments

The PSBS fund returned 1.25 per cent for the 2015-16 financial year.

Crediting Rate Policy

The crediting rate policy of STB is to fully distribute the earnings of the PSBS fund each year among members of the scheme.

Investment Objective

The investment objective of STB is to achieve a rate of return that is at least 3 per cent above CPI on fund assets measured over a five-year period. PSBS 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, calculated as the compound average effective rate of net earnings, have been calculated consistently with the financial services regulations that are overseen by ASIC. Fund returns over the last five years are presented in Table 1.

Table 1: Fund returns over the last five years

	Fund Return (Crediting Rate)	CPI	Real Rate of Return ¹
	%	%	%
2011-12	- 3.90	1.20	- 5.04
2012-13	14.70	2.40	12.01
2013-14	13.20	3.00	9.90
2014-15	10.10	1.50	8.47
2015-16	1.25	1.00	0.25
5-year average	6.82 ²	1.82	4.92
10-year average	4.35 ²	2.38	1.92

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

2 Compound average effective rate of net earnings.

The five-year average annual real rate of return on the fund is 4.92 per cent per annum, in line with the investment objective set in 2015-16. The 10-year average annual return is 1.92 per cent per annum.

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

Composition of the fund's assets as at 30 June 2016 is presented in Table 2.

Table 2: Portfolio composition

	% of Portfolio
Australian shares	28.2
International shares	33.8
Property	4.2
Low correlation strategy	5.2
Diversified debt	24.0
Enhanced cash	4.6

Investment Overview

Investment conditions provided relatively modest returns for growth assets such as equities in 2015-16, reflecting volatility and uncertainty in international and domestic markets. 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.

Fund Investments

PSBS has been closed to new members since January 1988 and has reached a stage where the value of benefits paid from the fund for members exiting the scheme exceeds the value of compulsory contributions received into the fund from active members. This means the fund has a negative cash flow in some years. In 2015-16, this resulted in redemption of \$165 000 from the fund's investment.

Fund investments are managed by JANA Investment Advisers (JANA).

Investment returns over the year resulted in a net increase of \$32 000 in the fund's assets. At the end of the financial year, the fund had \$2.59 million in assets, of which \$2.54 million was invested with JANA, with the residual \$49 500 held in cash.

Fees

JANA charged a fee of approximately 0.50 per cent (after rebates) for managing the funds invested. The investment returns are net of these fees.

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

Scheme Membership

Contributions and Benefit Payments

Members contribute 1 per cent of their salary to the fund. During 2015-16, member contributions to the fund totalled \$76 598.

Members who do not qualify for a benefit receive a refund of their contributions from the fund.

Members who qualify for a benefit are paid by the Territory and their contributions are transferred from the fund to the Territory. Total PSBS benefits paid in 2015-16 are outlined in Table 3.

Table 3: Benefits paid

	2015-16	2014-15
	\$	\$
By the fund		
Refunds of contributions	25 591	26 839
Transfers to the Territory for members who qualify for a benefit	249 522	672 626
	275 113	699 465
By the Territory		
Pensions	2 278 682	2 087 449
Lump sum payments	75 275	178 287
	2 353 957	2 265 736

Membership

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

Table 4: Active contributing members

	2015-16	2014-15
Members at beginning of period	63	78
Less exits:		
Pension (including commutation)	5	14
Refunds of accumulation accounts	4	1
	54	63
Less creditors ¹	7	10
Active members as at 30 June	47	53

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

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

Table 5: Pension members

	2015-16	2014-15
Pensioners	164	165
Reversionary (spouse) pensioners	19	16
Total pensioners as at 30 June	183	181

Administration

Compliance and Taxation Status of the Scheme

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

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

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

Audit

A financial statement audit of the scheme was conducted by the Northern Territory Auditor-General as at 30 June 2016.

In prior years an annual audit regarding the compliance of PSBS with the SIS Act and principles of HOGA, was undertaken. In 2015-16 the NTSO moved to a one-in-three-years' 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

Actuarial services to the scheme were provided by John Rawsthorne FIAA of Cumpston Sarjeant Pty Ltd, under the panel contract arrangements for actuarial services to the Territory Government. Advice was received during the year in relation to PSBS.

A triennial actuarial investigation of PSBS was carried out as at 30 June 2015 with updated annual advice provided as at 30 June 2016. A summary of the report is provided on page 12. The next triennial actuarial review is due in 2018.

Further Information

Members requiring additional information should contact the NTSO.

Summary of the Report of the Actuarial Investigation of PSBS

as at 30 June 2015

The triennial actuarial investigation of PSBS was carried out as at 30 June 2015 by John Rawsthorne FIAA, of Cumpston Sarjeant Pty Ltd, and the results were presented in his report dated 17 August 2015.

PSBS was closed to new members from 1 January 1988. Members contribute 1 per cent of salaries to the fund, which is accumulated with the earnings of the fund. On leaving without a Territory-financed benefit the member accumulation account is refunded to the member. If a member is eligible to receive a Territory-financed benefit on exit, the member accumulation account is transferred to the Territory. Apart from refunds on accumulations, all benefit payments from the scheme are made directly by the Territory, rather than via the fund.

The investigation has focussed on Territory liabilities, examining recent experience, establishing demographic assumptions to apply in future, calculating the present value of future benefit payments and projecting both emerging costs and liabilities for accrued benefits into the future.

2016 Annual Advice Results

The most recent actuarial valuation of the liability as at 30 June 2016 reports an increase of \$6.1 million to \$74.5 million. This largely reflects updated economic assumptions with respect to the discount rate used for valuation purposes.

The contributory membership stands at 46 members, down from 53 contributors 12 months ago. This will continue to decline as members reach retirement age and claim benefits. The number of pensioners continues to increase, and now stands at 183 pensioners. There are also five deferred pensioners.

Accrued Territory liabilities were \$74.5 million as at 30 June 2016, up from \$63.4 million as at 30 June 2012. Liabilities are higher than projected from 2012 and 2015 due primarily to a lower discount rate.

Territory emerging costs are expected to be around \$1.955 million in 2016-17 and will continue to rise slowly in nominal terms until around 2030 to about \$3.3 million per annum. Liabilities are close to their peak in real terms, and will gradually decline after the next few years as membership declines.

Financial Statements



Auditor-General

Independent Auditor's Report to the Superannuation Trustee Board Northern Territory Police Supplementary Benefit Scheme Year ended 30 June 2016

I have audited the accompanying financial report of the Northern Territory Police Supplementary Benefit Scheme, 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 Trustee Statement.

The Responsibility of the Superannuation Trustee Board for the Financial Report

The Superannuation Trustee Board of the Northern Territory Police Supplementary Benefit Scheme 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 Police Supplementary Benefit Scheme 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

29 September 2016

Trustee Statement

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 Police Supplementary Benefit Scheme as at 30 June 2016 and the results of its operations for the year 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 Northern Territory Police Supplementary Benefit Scheme Trust Deed (as amended); and
- the scheme has been operated in accordance with the provisions of the Northern Territory Police Supplementary Benefit Scheme Trust Deed and Rules, the *Superannuation Act* and in compliance with the Commonwealth's retirement income policies and principles during the year ended 30 June 2016.

Chairperson



K ROBINSON

Date: 29 September 2016

Member



A Pollon

Date: 29 September 2016

Statement of Net Assets

as at 30 June 2016

	Note	2016	2015
		\$	\$
ASSETS			
Cash and cash equivalents		49 531	83 933
Units in pooled superannuation trust	5	-	2 671 769
Units in unit trust	5	2 538 824	-
Deferred tax assets	7(d)	288	343
TOTAL ASSETS		2 588 643	2 756 045
<i>Less</i>			
LIABILITIES			
Benefits payable	4(b)	240 543	213 869
Sundry liabilities		2 017	2 046
Provision for surcharge contributions tax		22 446	27 555
Current tax liability	7(c)	461	-
Deferred tax liability	7(e)	1 545	-
TOTAL LIABILITIES (excluding net assets available to pay benefits)		267 012	243 470
NET ASSETS AVAILABLE TO PAY BENEFITS		2 321 631	2 512 575

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	2015
		\$	\$
REVENUE			
Investment income		33 234	285 874
Interest income		1 178	1 569
Movement in net market value of investments		32 056	284 305
Contributions revenue		81 586	86 370
Members' contributions		76 598	78 665
Surcharge debts paid		4 988	7 705
TOTAL REVENUE		114 820	372 244
EXPENSES			
Benefits paid	4(a)	301 787	568 546
Refunds of accumulated contributions		52 265	- 104 080
Payment of accumulated contributions to the Territory		249 522	672 626
Other expenses		1 916	2 854
Board expenses		267	176
Other expenses		1 770	1 875
Superannuation surcharge contributions tax		- 121	803
TOTAL EXPENSES		303 703	571 400
Net change for the year before income tax		- 188 883	- 199 156
Income tax expense	7(b)	2 061	- 72
Net change for the year after income tax		- 190 944	- 199 084
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE FINANCIAL YEAR		2 512 575	2 711 659
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR		2 321 631	2 512 575

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

Statement of Cash Flows

for the year ended 30 June 2016

	Note	2016	2015
		\$	\$
Interest received		1 178	1 569
Payments for goods and services		- 2 066	- 2 004
Receipts from members		81 586	86 370
Payments to members		- 25 591	- 26 839
Surcharge debts paid		- 4 988	- 7 705
Payments to the Territory		- 249 522	- 672 626
Income tax paid		-	126
Net cash flows from operating activities	11(a)	- 199 403	- 621 109
Proceeds from redemption of investment units		2 773 894	641 998
Purchase of investments		- 2 608 893	-
Net cash flows from investing activities		165 001	641 998
Net increase in cash and cash equivalents		- 34 402	20 889
Cash and cash equivalent at beginning of period		83 933	63 044
Cash and cash equivalents at end of period	11(b)	49 531	83 933

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

1. Reporting Entity

The Northern Territory Police Supplementary Benefit Scheme (PSBS) (ABN 64 563 356 970) is established under the Northern Territory Police Supplementary Benefit Scheme Trust Deed and Rules (as amended) (the Trust Deed). PSBS incorporates a member accumulation and a defined benefit component and operates for the purpose of providing benefits for or in relation to eligible employees under the Northern Territory *Police Administration Act*. Administration of the scheme is conducted by the Northern Territory Superannuation Office on behalf of the Trustee, the Superannuation Trustee Board (STB).

2. Basis of Preparation

(a) Statement of compliance

The financial report is a general purpose report prepared in accordance with Australian Accounting Standards (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 Trust Deed as amended.

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

The financial statements were approved by STB on 29 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 PSBS.

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

(d) Use of estimates and judgments

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2016

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 in the periods in which they occur.

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.

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.

The fund's investments with JANA Investment Advisers (JANA) are unitised and operate as units in superannuation trusts. The investment is valued at the redemption price at reporting date, as advised by JANA, and is based on the net market value of the underlying investment.

Any unit values denominated in foreign currency are 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, but have not been paid by that date. Other payables are payable on demand or short timeframes 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 effective interest rate method less estimated transaction costs.

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

(d) Liability for accrued benefits

The liability for accrued benefits is the fund's present obligation to pay benefits to members and beneficiaries and has been calculated on the basis of the present value of expected future payments arising from membership of PSBS up to the reporting date.

In accordance with clause 17 of the Trust Deed, an actuarial review of PSBS was carried out as at 30 June 2015 and the results were presented in a report dated 17 August 2015. The next triennial review is scheduled for 2018. The Territory's liability for accrued benefits has been determined by reference to expected future salary levels, a market-based risk-adjusted discount rate and other relevant actuarial assumptions.

Notes to the Financial Statements

for the year ended 30 June 2016

3. Significant Accounting Policies (continued)

(e) Revenue

Interest revenue

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

Distributions and dividends

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

Contribution revenue and transfers

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

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).

(f) Income tax

The contributory superannuation scheme established under the Trust Deed is an exempt public sector superannuation scheme under the *Superannuation Industry (Supervision) Act 1993* and is deemed to be a complying superannuation fund for the purposes of the *Income Tax Assessment Act 1997* as amended. 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2016

3. Significant Accounting Policies (continued)

(g) Superannuation contributions (surcharge) tax

STB 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 STB 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.

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

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

(h) GST

The fund is not 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.

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

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

New standards/revised standards/interpretations/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.

A number of new standards, amendments to the standards and interpretations effective for annual periods commencing 1 July 2016 have not been applied in preparing these financial statements.

Those most relevant to the fund are set out below. 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.</p> <p>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, as 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>	<p>30 June 2017</p>
<p>AASB 2010-7</p> <p>Amendments to Australian Accounting Standards arising from AASB 9 <i>Financial Instruments</i>. 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>	<p>30 June 2018</p>

Notes to the Financial Statements

for the year ended 30 June 2016

4. Payables

	2016	2015
	\$	\$
(a) Benefits		
Refunds of accumulated contributions	52 265	- 104 080
Payment of accumulated contributions to the Territory	249 522	672 626
Total benefits	301 787	568 546
(b) Benefits payable		
Refunds of accumulated contributions payable	240 543	213 869
Total benefits payable	240 543	213 869

5. Investments

	2016	2015
	\$	\$
MLC Moderate Option KX5¹:		
Opening balance	2 671 769	3 029 462
Less: partial redemptions	- 70 000	- 641 998
Change in net market value	7 125	284 305
Redemption of KX50	- 2 608 894	-
Closing balance 28 April	-	2 671 769
JANA Moderate Trust NTP00¹:		
Opening balance 28 April	2 608 894	-
Less: partial redemptions	- 95 000	-
Change in net market value	24 930	-
Closing balance 30 June	2 538 824	-

1 Investment structure changed in May 2016 due to the National Australia Bank selling its life insurance business to Nippon Life and subsequently the investments moved to a trust environment.

6. Auditors' Remuneration

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

Notes to the Financial Statements

for the year ended 30 June 2016

7. Income Tax Expense

	2016	2015
	\$	\$
(a) Current tax expense		
Current year	461	-
Deferred tax expense – relating to the origination and reversal of temporary differences	1 600	- 72
Income tax expense	2 061	- 72
(b) Numerical reconciliation between tax expense and benefits accrued as result of operations before tax		
Net change for the year	- 188 883	- 199 156
Income tax expense	2 061	- 72
Tax at the complying superannuation fund tax rate of 15% (2015: 15%)	- 28 332	- 29 873
Increase in income tax expense due to:		
Refunds of accumulated contributions	7 840	- 15 612
Payments of contributions to the Territory	37 428	100 894
Superannuation contributions (surcharge) tax received	- 18	120
Decrease in tax expense due to:		
Investment income	409	- 42 645
Member contributions	- 11 490	- 11 800
Superannuation contributions (surcharge) tax	- 748	- 1 156
Imputation and foreign tax credits	- 3 028	-
Income tax expense on benefits accrued as a result of operations	2 061	- 72
(c) Current tax assets		
Balance at beginning of year	-	126
Income tax paid – current period	-	1
Income tax paid – prior period	-	- 127
Current year's income tax provision	461	-
	461	-
(d) Deferred tax asset		
Accrued expenses	288	280
Carried forward losses	-	63
	288	343
(e) Deferred tax liabilities		
Unrealised capital gains	1 545	-

Notes to the Financial Statements

for the year ended 30 June 2016

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 but had not been paid by that date.

(b) Guaranteed benefits

The employer-financed component of benefits is paid by the Territory and guaranteed by the Territory under clause 20 of the Trust Deed.

(c) 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 PSBS up to the reporting date.

In accordance with clause 17 of the Trust Deed, an actuarial review of PSBS was carried out as at 30 June 2015 and the results were presented in a report dated 17 August 2015. The next triennial review is scheduled for 2018. Accrued benefits were measured as at 30 June 2016 by the PSBS actuary.

	2016	2015
	\$000	\$000
Accrued benefits as at 30 June	76 799	70 940

9. Vested Benefits

Vested benefits are benefits not conditional upon continued membership of PSBS 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 PSBS membership at that date. Vested benefits were measured as at 30 June 2016 by the PSBS actuary.

	2016	2015
	\$000	\$000
Vested benefits as at 30 June	78 259	73 000

Notes to the Financial Statements

for the year ended 30 June 2016

10. Related Parties

Employer

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

(a) 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.

Four members were paid sitting fees during the 2015-16 financial year totalling \$4561. A portion was attributed to PSBS.

The total board cost is attributed to each of the three funds (which includes the Legislative Assembly Members' Superannuation fund and Northern Territory Government and Public Authorities Superannuation Scheme) proportional to the value of funds under management. Board expenses totalled \$65 092, of which \$267 was attributed to PSBS. Costs include sitting fees, Australian Institute of Superannuation Trustees membership and governance expenses.

Where a board member is also a member of PSBS, member contributions or benefit payments are made in accordance with PSBS rules and governing legislation. Two STB members were in receipt of a pension under PSBS in 2015-16, though one of these members resigned from the Board.

Notes to the Financial Statements

for the year ended 30 June 2016

11. Reconciliation to the Statement of Cash Flows

Reconciliation of benefits accrued after income tax as a result of operations to net cash provided by operating activities.

	2016 \$000	2015 \$000
(a) Benefits accrued after tax as a result of operations	- 190 944	- 199 084
Increase (-)/decrease (+) in net revenue		
JANA Moderate Trust	- 32 056	- 284 305
Increase (+)/decrease (-) in liabilities		
Benefits payable	26 674	- 130 919
Sundry liabilities	- 29	48
Surcharge liabilities	- 5 109	- 6 903
Tax liabilities	2 061	54
Net cash flow from operating activities	- 199 403	- 621 109
(b) Reconciliation of cash		
Cash at bank as stated	49 531	83 933

12. Financial Instruments

Investments of the fund (other than cash held for liquidity purposes) comprise units in untaxed superannuation trusts. 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 they set appropriate risk limits and controls, monitor risks and adhere to risk limits. Monitoring of risks includes those managed by the investment manager, JANA.

STB regularly reviews the 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 and 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 from JANA include:

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

JANA manages these risks on behalf of the fund.

Notes to the Financial Statements

for the year ended 30 June 2016

12. Financial Instruments (continued)

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.

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

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.

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

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

	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	50	± 0.67	± 0.67
30 June 2015	84	± 0.73	± 0.73

Notes to the Financial Statements

for the year ended 30 June 2016

12. Financial Instruments (continued)

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 and are recognised in the Statement of Net Assets. All changes in market conditions affecting net market value are therefore recognised in the Statement of Changes in Net Assets. The fund's exposure to other market price risk is limited to the market price movement of the underlying investments. STB determined that these investments are appropriate for the fund and are in accordance with the fund's published investment strategy in respect of asset class allocation.

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

	Balance \$000	5% Movement in Investment Returns	
		Change for the Year in Net Assets Available to Pay Benefits \$000	Net Assets Available to Pay Benefits \$000
Investments			
30 June 2016	2 539	± 130	± 130
30 June 2015	2 672	± 143	± 143

Credit risk

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

No collateral is held as security or other credit enhancements exist for all financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due.

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

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.

	2016 \$000	2015 \$000
Cash and cash equivalents	50	84
Units in wholesale unit trust	2 539	2 672
Total	2 589	2 756

Notes to the Financial Statements

for the year ended 30 June 2016

12. Financial Instruments (continued)

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, 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 STB.

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

	Balance	Contractual Cash Flows Potentially Payable in 2015-16
	\$000	\$000
30 June 2016		
Benefits payable	241	241
Vested benefits	78 259	78 259
	78 500	78 500
30 June 2015		
Benefits payable	214	214
Vested benefits	73 000	73 000
	73 214	73 214

Vested benefits (refer to Note 9) have been included as potentially payable in 2015-16 as this is the amount 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 STB 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 significant accounting policies section.

Notes to the Financial Statements

for the year ended 30 June 2016

12. Financial Instruments (continued)

Fair value measurements

The table below 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 are those instruments with value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 net market value measurements are 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).
- Level 3 net market value measurements are those instruments with value based on inputs for the asset or liability that are not based on observable market data.

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

Level 2 Investments	2016	2015
	\$000	\$000
Units in wholesale unit trust	2 539	2 672

13. Contingent Liabilities

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

14. Segment Reporting

PSBS operates as one business, being the provision of superannuation benefits for members in the Northern Territory of Australia.

15. Events Subsequent to Reporting Date

There are no subsequent events.

Notes to the Financial Statements

for the year ended 30 June 2016

Appendix: The Scheme and How it Works

Contributions

Members contribute 1 per cent of their salary to the fund, which is managed by the Superannuation Trustee Board. Each member has an accumulation account in the fund representing his or her contributions and investment earnings.

Qualifying for a supplementary benefit

For a member of Police Supplementary Benefit Scheme (PSBS) to qualify for a supplementary benefit he or she must:

- be at least 50 years of age or have at least 25 years' Commonwealth Superannuation Scheme (CSS) contributory service when ceasing to be a member of the supplementary scheme; and
- be entitled to a CSS age retirement pension, early retirement pension, deferred pension or a postponed pension on or after ceasing to be a member of the supplementary scheme.

Where a member qualifies for a supplementary benefit, the accumulation account balance will be transferred to the Territory and the Territory will pay the supplementary benefit directly from the consolidated holding account.

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

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

Table A1: Supplementary benefit percentage

Member's Age	Supplementary Benefit
Years	%
55	25.00
56	21.69
57	18.69
58	15.94
59	13.43
60 or more	11.11

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

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

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

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

No entitlement to a supplementary benefit

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

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

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

Taxation of Supplementary Pension Benefits

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

Table A2: Taxation of pensions

Age	Component	Tax Treatment ¹ from 1 July 2007
Preservation age to 59 years	Taxed	Marginal tax rates with a 15% pension tax offset
	Tax-free	Exempt from tax
	Untaxed	Marginal tax rates
60+ years	Taxed	Exempt from tax
	Tax-free	Exempt from tax
	Untaxed	Marginal tax rates with a 10% pension tax offset

¹ Prior to 1 July 2007, the tax-free component was called the annual deductible amount.

Taxation of Commuted Lump Sums and Refunds of Member Accounts

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

Table A3: Taxation of lump sums

Age	Component	Tax Treatment ¹ as at 1 July 2016
Under preservation age	Tax-free component	
	Non-concessional contributions (member contributions)	Exempt
	Pre July 1983	Exempt
	Taxable component	
	Post June 1983 taxed (investment return)	20%
	Post June 1983 untaxed (Territory-financed benefit)	30% up to \$1.415 million Excess over \$1.415 million taxed at top marginal tax rate ²
Preservation age to 59 years	Tax-free component	
	Non-concessional contributions (member contributions)	Exempt
	Pre July 1983	Exempt
	Taxable component	
	Post June 1983 taxed (investment return)	0% to low rate cap ³ 15% on excess over low rate cap ³
	Post June 1983 untaxed (Territory-financed benefit)	15% to low rate cap ³ 30% over low rate cap ³ up to \$1.415 million Excess over \$1.415 million taxed at top marginal tax rate ²
60+ years	Tax-free component	Exempt
	Non-concessional contributions (member contributions)	
	Pre July 1983	Exempt
	Taxable component	
	Post June 1983 taxed (investment return)	Taxed at 0%
	Post June 1983 untaxed (Territory-financed benefit)	15% up to \$1.415 million Excess over \$1.415 million taxed at top marginal tax rate ²

1 Does not include Medicare levy (2 per cent) or Budget Repair Levy (a temporary 2 per cent Budget Repair Levy applies for the 2014-15, 2015-16 and 2016-17 income years to individuals with a taxable income of more than \$180 000 per year).

2 2015-16 and 2016-17 top marginal tax rate: 45 per cent.

3 2015-16 and 2016-17 low rate cap: \$195 000.

Death Benefit

In the event of a member's death while still a CSS contributor, the accumulation account balance will be paid to the estate. If the member has deferred or postponed CSS and PSBS pensions, a PSBS pension will be paid to dependants. Where a former member receiving a PSBS pension dies, a reversionary (spouse) supplementary pension is payable to dependants.

Preserved Benefit

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

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

Table A4: Preservation age

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

Members have a non-preserved benefit calculated at 30 June 1999. Members can cash their non-preserved benefit from the fund if they leave PSBS before reaching their preservation age. The non-preserved amount remains constant and any superannuation contributions (includes both employer and employee contributions) and interest earned after 1 July 1999 are subject to the preservation rules.

Northern Territory Supplementary Superannuation Scheme

In addition to a member's benefit from CSS and PSBS, members are entitled to a 3 per cent productivity benefit from the Northern Territory Supplementary Superannuation Scheme (NTSSS). The NTSSS benefit is paid as a lump sum at the rate of 3 per cent of final salary for each year of employment since 1 October 1988. The final salary for NTSSS purposes is 130 per cent of the member's current salary plus Northern Territory Allowance.

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

The NTSSS benefits are paid through the Northern Territory Superannuation Office (NTSO) and are subject to preservation rules. Member Information Statements are issued by the NTSO. Statements for both schemes (PSBS and NTSSS) have been combined since 2011-12.

