

NORTHERN TERRITORY POLICE
SUPPLEMENTARY BENEFIT SCHEME

ANNUAL REPORT 2018-19

Published by the Department of Treasury and Finance

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ISSN 2201-2060 (print)

ISSN 2204-5767 (online)

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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 13 of the Northern Territory Police Supplementary Benefit Scheme Trust Deed, we are pleased to provide you:

- the report on the operations of the Northern Territory Police Supplementary Benefit Scheme for the financial year ended 30 June 2019
- the audited financial statements of the Northern Territory Police Supplementary Benefit Scheme for the financial year ended 30 June 2019.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark McAdie'.

Mark McAdie
Trustee

A handwritten signature in black ink, appearing to read 'Daniel Bacon'.

Daniel Bacon
Trustee

A handwritten signature in blue ink, appearing to read 'Alex Pollon'.

Alex Pollon
Trustee

25 October 2019

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REPORT ON OPERATIONS

Introduction

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

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

PSBS provides a supplement to the 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 (NTGPASS) replaced the CSS and PSBS for police recruited from 1 January 1988. PSBS has been closed to new members since that date.

Highlights

New pensions commenced

During the year, seven former police officers commenced a supplementary police pension. At 30 June 2019 there were 198 former police officers and their surviving spouses receiving a pension from PSBS.

Crediting rate

The 2018-19 crediting rate for PSBS is 8.02 per cent and was applied to the accounts of the 24 contributing members and the six members who are entitled to a pension, but yet to commence.

The PSBS fund at 30 June 2019 was \$1.94 million, a decline from \$2.26 million at 30 June 2018. The primary reason for this decline has been the transfer of member benefits of \$0.44 million from the PSBS fund to the Territory (via the Central Holding Authority (CHA)) at the time that members commence their PSBS pensions.

Significant events

Two significant events affected the PSBS during the year.

In May 2018, the Northern Territory Government (NTG) approved a number of management and administration reforms to its closed defined benefit schemes, including PSBS. One of those amendments was a decision to abolish the trustee of the PSBS, the Superannuation Trustee Board (STB) as it would no longer be required when all the reforms (other than PSBS) were completed. To allow the STB's abolition to proceed, on 19 June 2019, the Trust Deed was amended to remove the STB as trustee, and replace it with three individual trustees, similar to arrangements prior to the STB becoming trustee. Under the Trust Deed amendments, one trustee is nominated by the Commissioner of Police, one by the NT Police Association (NTPA) and one by the Under Treasurer. Accordingly, from 19 June 2019, the PSBS's Trustees are:

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

At the time of their nomination, each of the trustees was also a member of the STB.

Another of the NTG's management and administration reforms was a decision to transfer the fund established under the NTGPASS Rules to another fund to manage and invest on behalf of NTGPASS members. That transfer occurred on 8 May 2019. As a result, the Trust Deed amendments (19 June 2019) removed the trustees' power to transfer unclaimed PSBS benefits to the NTGPASS Fund. Instead, the trustees can now approve the transfer of unclaimed PSBS benefits to an eligible rollover fund approved by the Commissioner of Superannuation under section 45DF of the *Superannuation Act 1986*.

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 (such as where they die before starting a pension or receive an invalidity pension).

Members contribute 1 per cent of their salary to the PSBS 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 pensions are unfunded, which means the Territory finances the supplementary benefit directly from the CHA. Pensions are guaranteed by the Territory under clause 22 of the Trust Deed.

The Appendix provides information on how PSBS works (see page 31).

Governance

Trustees

Since 19 June 2019, PSBS has had three individual trustees.

Prior to 19 June 2019, the nine-member STB was the trustee of PSBS. The STB was dissolved by the commencement of Part 5 of the *Superannuation Legislation Amendment Act 2019* on 26 June 2019.

As there were two different trustee arrangements during the financial year, references to trustee and trustees in this report refers to both the former STB and the current trustees, as well as to their meetings and decisions.

Under clause 8 of the Trust Deed (and section 8B of the *Superannuation Act 1986* prior to 19 June 2019), the trustees have overall responsibility for the operation, management and investments of the PSBS fund which are administered on behalf of the trustees by the Commissioner of Superannuation and the Northern Territory Superannuation Office (NTSO), a division of the Department of Treasury and Finance (DTF).

There were two STB membership changes in the reporting period up to 19 June 2019, which was the appointment of a new member nominated by the NTPA and the expiry of a member's appointment.

Ms Kathleen Robinson	Chairperson
Ms Marianne McAdie	Deputy Chairperson
Mr Craig Graham	Member
Ms Sarah Burchett	Member
Mr Mark McAdie	Member
Mr Alex Pollon	Member
Mrs Tiziana Hucent	Member
Mr Daniel Bacon	Member (appointed 13 March 2019)
Mr Col Goodsell	Member (resigned 10 January 2019)
Mr Michael Martin	Member (appointment expired 10 May 2019)

Trustee meetings

The trustees met four times during the year. The meetings related to general trustee business, investment decisions relating to the funds under their control and approval of the transfer of the NTGPASS fund to Statewide Superannuation. Representatives of JANA Investment Advisers Pty Ltd (JANA – the trustees’ investment consultants) attended all meetings to provide an update on investment performance and present on contemporary investment topics. STB meeting dates and attendance are detailed below. The three PSBS trustees did not hold any meetings between 19 June 2019 (their date of appointment) and the end of the financial year (30 June 2019).

Meeting date	STB members in attendance
17 August 2018	6
30 November 2018	7
22 February 2019	6
29 March 2019	7

Trustee remuneration and other expenses

Payments to trustees are made in accordance with a determination under the *Assembly Members and Statutory Officers (Remuneration and Other Entitlements) Act 2006*, which sets the rates payable to board members and trustees for attendance at meetings, travel and other trustee-related activities. Remuneration is not payable where a trustee is also an employee of the Northern Territory Public Sector, the Commonwealth or a state public service. Prior to the management and administration reforms, the STB resolved to allocate its associated costs to the three funds it administered according to the value of funds under management. From 19 June 2019, all trustee expenses will be met by the PSBS fund.

During 2018-19, three STB members were entitled to receive sitting fees. Remuneration payments made to those members totalled \$3800. This was also the total of board expenses for the reporting period, of which \$12 was attributed to the PSBS.

Conflicts of interest

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

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

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

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

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

Review of decisions

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

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

Trustee education

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

Investments

The PSBS fund returned 8.02 per cent for the 2018-19 financial year. The PSBS fund invests in units in the JANA Moderate Trust. Despite these positive investment returns, the value of the PSBS fund at 30 June 2019 was \$1.94 million, a decline from \$2.26 million at 30 June 2018. The primary reason for this decline has been the transfer of member benefits of \$0.44 million from the PSBS fund to the Territory (via the CHA) at the time members commenced their PSBS pensions.

Crediting rate policy

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

Investment objective

The investment objective of the board is to achieve a rate of return at least 3 per cent above the consumer price index (CPI) (which was 1.6 per cent for 2018-19, giving a target return of at least 4.6 per cent) 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 overseen by ASIC. Fund returns over the last five years, and the fund's five-year and 10-year average returns, are presented in Table 1.

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

	Fund return (crediting rate)	CPI	Real rate of return ¹
	%	%	%
2014-15	10.10	1.50	8.47
2015-16	1.25	1.00	0.25
2016-17	10.85	1.90	8.78
2017-18	8.03	2.10	5.81
2018-19	8.02	1.60	6.32
5-year average	7.60 ²	1.62	5.88
10-year average	8.10 ²	2.14	5.84

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 5.88 per cent per annum, in line with the investment objective set in 2018-19. The 10-year average annual real rate of return is 5.84 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, five in every 20 years.

Composition of the fund's assets as at 30 June 2019 is presented in Table 2.

Table 2: Fund portfolio composition

	% of Portfolio
Australian shares	26.8
International shares	36.2
Property	3.0
Diversified alternatives	5.6
Diversified debt	26.4
Enhanced cash	2.0
	100.0

Investment overview

Global share markets were volatile throughout the year. Despite commencing with strengthening global economic growth and very accommodative global monetary policy, this was counter-weighted during the year by rising US interest rates, global trade tensions (including increased tariff rates) and the uncertainty of Brexit.

Australian shares also exhibited volatility over the 2018-19 financial year while delivering strong absolute returns. Australian shares outperformed their (hedged) global counterparts. Strong positive absolute returns were the trend across the various Australian asset classes, with bond markets participating as the Reserve Bank of Australia (RBA) shifted to a more accommodative monetary policy bias. The weakening Australian dollar also boosted returns from any asset class with foreign unhedged exposure. All of these factors contributed to strong investment returns over the year.

In Australia, economic growth slowed further to 1.8% in the year through to March 2019, the slowest growth recorded since the global financial crisis. Amid the softening economic conditions, the RBA ended a 34-month pause to cut the official cash rate by 0.25% to a historic low of 1.25% in June 2019 with further rate adjustments signalled by the RBA. This was done in a bid to combat weakening employment, wages and inflation.

Fund investments

PSBS has been closed to new members since January 1988. It 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 size of the fund is declining despite positive investment earnings.

Fund investments are managed by JANA.

Investment returns over the year resulted in a net increase of \$122 767 in the fund's assets, which was offset by the \$442 500 redemption to pay pensions, leading to a net reduction to investments of \$319 733. At 30 June 2019, the fund had \$1.97 million in assets, of which \$1.94 million was invested with JANA and \$19 112 held in cash.

Fees

JANA charged a fee of approximately 0.5 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 PSBS fund. During 2018-19, member contributions to the fund totalled \$42 918.

Members who do not qualify for a benefit receive a refund of their contributions plus investment earnings from the fund. If a member qualifies for a benefit their member accumulation account, comprising their contributions and investment earnings, is transferred from the fund to CHA, with the Territory then paying their benefit from the CHA. Total PSBS benefits paid in 2018-19 are outlined in Table 3.

Table 3: Benefits paid

	2018-19	2017-18
	\$	\$
By the fund:		
Refunds of accumulated contributions	-	65 373
Transfers to the Territory for members who qualify for benefits	442 088	421 541
	<u>442 088</u>	<u>486 914</u>
By the Territory:		
Pensions	2 678 462	2 524 884
Lump sum payments	6 133	1 996
Total benefits payable	<u>2 684 595</u>	<u>2 526 880</u>

Membership

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

Table 4: Active contributing members

	2018-19	2017-18
Members at beginning of period	37	45
Less exits:		
Pension	7	6
Refunds of accumulation accounts	-	2
	<u>30</u>	<u>37</u>
Less Creditors ¹	6	7
Active members as at 30 June	<u>24</u>	<u>30</u>

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 and creditors

	2018-19	2017-18
Pensioners	174	176
Reversionary (spouse) pensioners	24	20
Creditors	6	7
Total pensioners as at 30 June	<u>204</u>	<u>203</u>

Administration

Compliance and taxation status of the scheme

PSBS is an exempt public sector superannuation scheme and 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 1975*.

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

Audit

A financial statement audit of PSBS was conducted by the NT Auditor-General's Office (NTAGO) as at 30 June 2019.

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

The triennial assurance review of PSBS was conducted internally by DTF as at 30 June 2018. The review provided assurance that PSBS is administered in accordance with the Commonwealth retirement income policy and there were no improvement recommendations to consider for PSBS. The next triennial review is scheduled for the year ending 30 June 2021.

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. Advice was received during the year in relation to PSBS. The actuary conducts detailed triennial reviews and then an annual update between these reviews.

An annual actuarial investigation of PSBS was carried out as at 30 June 2019. A summary of the updated report is provided on page 12. The next triennial review is due in 2021.

Further information

Members requiring additional information should contact the NTSO on 1800 631 630 or at ntsuperannuation@nt.gov.au.

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

as at 30 June 2019

In accordance with clause 19 of the Trust Deed, the triennial actuarial review of PSBS was carried out as at 30 June 2018 by John Rawsthorne FIAA, of Cumpston Sarjeant Pty Ltd, and the results were presented in a report dated 17 August 2018. The next triennial review is scheduled for 2021.

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

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

The investigation has focused on Territory liabilities, examining recent experience, establishing demographic assumptions to apply in future, calculating the present value of future benefit payments and projecting both emerging costs and liabilities for accrued benefits into the future. The 2019 annual review used the 2018 demographic assumptions with updated economic assumptions.

2019 Annual advice results

The actuarial valuation of the Territory-financed liability as at 30 June 2019 reports an increase in the value of that liability of \$15.6 million from \$70.1 million in the 2018 triennial review to \$85.7 million in 2019. The value is a result of the changes in assumptions between 2018 and 2019, particularly the discount rate and CPI growth assumptions, which were slightly offset by changes to short-term inflation assumptions. Impacting to a lesser extent were higher than expected investment returns on member balances, no commutations for new pensioners and lower CPI indexation on member pensions.

The contributory membership at 30 June 2019 was 24 members, down from 30 contributors 12 months prior. This will continue to decline as members reach retirement age and claim benefits. The number of pensioners continues to increase, and now stands at 198 pensioners. At 30 June 2019 there were also six deferred pensioners.

Territory emerging costs are expected to be around \$2.4 million in 2019-20 and will continue to rise slowly in nominal terms until around 2032 to about \$3.4 million per annum. Liabilities are close to their peak in real terms, and are expected to gradually decline from 30 June 2020 as membership declines.

FINANCIAL STATEMENTS



Auditor-General

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

Northern Territory Police Supplementary Benefit Scheme

Page 1 of 2

Opinion

I have audited the accompanying financial report of the Northern Territory Police Supplementary Benefit Scheme, which comprises the statement of financial position as at 30 June 2019, the income statement, statement of changes in equity, and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Trustees' statement.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Northern Territory Police Supplementary Benefit Scheme as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

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

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

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

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

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

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

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



Auditor-General

Page 2 of 2

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control within the Northern Territory Police Supplementary Benefit Scheme.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Northern Territory Police Supplementary Benefit Scheme to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Northern Territory Police Supplementary Benefit Scheme to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in black ink, appearing to read 'Julie Crisp'.

Julie Crisp

Auditor-General for the Northern Territory
Darwin, Northern Territory

25 October 2019

Statement by the Trustees

In the opinion of the Trustees:

- the accompanying financial statements were prepared in accordance with the Australian Accounting Standard (AASB) 101 and other accounting standards and mandatory reporting requirements, and consist of a statement of financial position, income statement, statement of cash flows, statement of changes in equity and notes to the financial statements, and are drawn up to present fairly the financial position of the Northern Territory Police Supplementary Benefit Scheme as at 30 June 2019 and the results of its operations for the year ended
- the financial statements have been prepared in accordance with the requirements of the Northern Territory Police Supplementary Benefit Scheme Trust Deed
- the scheme has been operated in accordance with the provisions of the Northern Territory Police Supplementary Benefit Scheme Trust Deed and Rules, the *Superannuation Act 1986* and in compliance with the Commonwealth's retirement income policies and principles during the year ended 30 June 2019.

Trustee  Date: 24 October 2019

Mark McAdie

Trustee  Date: 24 October 2019

Alex Pollon

Trustee  Date: 24 October 2019

Daniel Bacon

Statement of financial position

as at 30 June 2019

	Note	2019	2018
		\$	\$
Assets			
Cash and cash equivalents	8(b)	19 112	62 811
Investments	4, 5	1 940 367	2 260 100
Current tax asset	7(c)	1 870	-
Deferred tax assets	7(d)	11 531	13 995
Total assets		1 972 880	2 336 906
Operating liabilities			
Sundry liabilities		4 502	2 080
Current tax liabilities	7(c)	-	30 852
Provision for surcharge tax contributions		9 724	15 090
Total operating liabilities		14 226	48 022
Member liabilities			
Benefits payable	6	382 048	432 189
Total member liabilities		382 048	432 189
Total liabilities		396 274	480 211
Net assets		1 576 606	1 856 694
Equity			
Unallocated surplus / (deficit)		1 576 606	1 856 694
Total equity		1 576 606	1 856 694

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

Income statement

for the year ended 30 June 2019

	Note	2019	2018
		\$	\$
Investment and operating revenue			
Interest revenue		992	1 027
Distribution from investments	5	119 272	404 834
Net change in fair value of investments	5	3 495	(193 307)
Total investment and operating revenue		123 759	212 554
Contributions revenue			
Member contributions		42 918	56 119
Member surcharge payment received		5 425	2 192
Total contributions revenue		48 343	58 311
Total revenue		172 102	270 865
Investment and operating expenses			
Bank fees		76	5
Board expenses	13	12	66
Tax agent expenses		6 886	4 445
Total investment and operating expenses		6 974	4 516
Benefits paid			
Refund of accumulated contributions		-	65 373
Payment of accumulated contributions to the Territory		442 088	421 541
Total benefits paid	6	442 088	486 914
Total expenses		449 062	491 430
Operating result before income tax expense		(276 960)	(220 565)
Income tax expense	7 (a,b)	3 128	13 946
Net operating result		(280 088)	(234 511)

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

Statement of changes in equity

for the year ended 30 June 2019

	Note	Unallocated surplus/(deficit)	Total equity
		\$	\$
Opening balance as at 1 July 2018		1 856 694	1 856 694
Unallocated surplus/(deficit)		(280 088)	(280 088)
Closing balance as at 30 June 2019		1 576 606	1 576 606
Opening balance as at 1 July 2017		2 091 205	2 091 205
Unallocated surplus/(deficit)		(234 511)	(234 511)
Closing balance as at 30 June 2018		1 856 694	1 856 694

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

Statement of cash flows

for the year ended 30 June 2019

	Note	2019	2018
		\$	\$
Cash flow from operating activities			
Interest received		992	1 027
Payments for goods and services		(4 554)	(4 497)
Member contributions		48 343	58 311
Payments to the Territory		(492 170)	(353 653)
Benefits paid		-	(65 373)
Contribution and surcharge taxes		(5 425)	(2 192)
Tax expense		(33 385)	(5 516)
Net cash flow from operating activities	8(a)	(486 199)	(371 893)
Cash flow from investing activities			
Proceeds from redemption of investments		442 500	380 000
Distribution income		119 272	491 815
Purchase of investments		(119 272)	(491 815)
Net cash flow from investing activities		442 500	380 000
Net increase (decrease) in cash		(43 699)	8 107
Cash at the beginning of the financial year		62 811	54 704
Cash at the end of the reporting period	8(b)	19 112	62 811

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 2019

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 (the Trust Deed) and operates for the purpose of providing benefits for, or in relation to, eligible employees under the *Northern Territory Police Administration Act 1978*. Administration of the scheme is conducted by the Commissioner of Superannuation and the Northern Territory Superannuation Office on behalf of the PSBS Trustees (the Trustees). More detail on the Trustees is set out in Note 13.

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

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

2. Basis of preparation

a) Statement of compliance

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

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

The financial statements were approved by the trustees on 24 October 2019.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Rounding of amounts

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

e) Use of estimates and judgments

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

Estimates and underlying assumptions are 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.

2. Basis of preparation (continued)

There are no critical accounting estimates and judgments contained in these financial statements other than those used to determine the liability for vested 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) Financial assets

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

The funds of PSBS held with JANA Investment Advisors Pty Ltd (JANA) are managed investment schemes and operate as units in unit trusts.

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

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

b) Cash and cash equivalents

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

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

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

c) Financial liabilities

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

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

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

d) Revenue recognition

Interest revenue

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

Distributions

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

3. Significant accounting policies (continued)

Movement in net market value of investments

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

Contribution revenue and transfers

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

e) Income tax

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

Income tax on benefits accrued as a result of operations for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 in the income statement and any adjustments to tax payable in respect of previous years.

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

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

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

f) Superannuation contributions (surcharge) tax

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

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

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

3. Significant accounting policies (continued)

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 was in respect of contributions made up to and including 30 June 2005.

g) Goods and services tax

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

h) 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.

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

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

4. Financial risk management

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

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

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

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

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

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

4. Financial risk management (continued)

a) Market risk

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

(i) Currency risk

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

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

(ii) Interest rate risk

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

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

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 following amounts:

	1% movement in interest rates		
	Balance	Benefits accrued as a result of operations	Net assets available to pay benefits
	\$	\$	\$
Cash and cash equivalents			
30 June 2019	19 112	+/- 191	+/- 191
30 June 2018	62 811	+/- 628	+/- 628

(iii) Other market price risk

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

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

Notes to the Financial Statements

For the year ended 30 June 2019

4. Financial risk management (continued)

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 investments	
		Change for the year in net assets available to pay benefits	Net assets available to pay benefits
	\$	\$	\$
Investments			
30 June 2019	1 940 367	+/- 97 018	+/- 97 018
30 June 2018	2 260 100	+/- 117 217	+/- 117 217

b) Credit risk

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

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

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

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

	2019	2018
	\$	\$
Cash and cash equivalents	19 112	62 811
Units in unit trusts	1 940 367	2 260 100
Total	1 959 479	2 322 911

c) Liquidity risk

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

4. Financial risk management (continued)

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 as at 30 June
	\$	\$
30 June 2019		
Benefits payable	382 048	382 048
Vested benefits	1 574 862	1 574 862
	1 956 910	1 956 910
30 June 2018		
Benefits payable	432 189	432 189
Vested benefits	1 824 000	1 824 000
	2 256 189	2 256 189

Vested benefits have been included as potentially payable in 2019-20 as this is the amount contributing members could call upon as at year end. This is the earliest date on which PSBS can be required to pay members' vested benefits, however members may not necessarily call upon amounts vested to them during this time.

5. Fair value measurement

a) Estimation of fair values

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

b) Recognised fair value measurements

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

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

5. Fair value measurement (continued)

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

	2019	2018
	\$	\$
Level 2 investments – financial assets		
Units in unit trusts	1 940 367	2 260 100

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

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

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

	2019	2018
	\$	\$
Opening Balance	2 260 100	2 428 573
Redemptions	(442 500)	(380 000)
Distribution income	119 272	404 834
Change in fair value	3 495	(193 307)
Closing balance	1 940 367	2 260 100

6. 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.

	2019	2018
	\$	\$
Benefits paid		
Refunds of accumulated contributions	-	65 373
Payment of accumulated contributions to the Territory	442 088	421 541
Total benefits	442 088	486 914
Benefits payable		
Accumulated contributions payable	382 048	432 189
Total benefits payable	382 048	432 189

7. Income tax expense

	2019	2018
	\$	\$
a) Major components of tax expense		
Current tax expense		
Current year	665	35 033
Deferred tax expense		
Relating to the origination and reversal of temporary differences	2 463	(21 087)
Income tax expense	3 128	13 946
b) Income tax expense		
Total revenue less expenses before tax	(276 960)	(220 565)
Tax applicable at the rate of 15% (2018: 15%)	(41 544)	(33 085)
Tax effect of expenses that are not deductible in determining taxable income		
Refund of accumulated contributions	-	9 806
Payments of contributions to the Territory	66 313	63 173
Superannuation contributions surcharge	-	58
Tax effect of income that are not assessable in determining taxable income		
Investment income	(1 294)	(5 761)
Member contributions	(6 438)	(8 418)
Surcharge payments received	(814)	(329)
Tax effect of other adjustments		
Imputation and foreign tax credits	(13 095)	(11 498)
Income tax expense/(benefit)	3 128	13 946
c) Current tax (assets)/liabilities		
Balance at beginning of year	30 852	1 334
Income tax paid - current period	(2 535)	(4 183)
Income tax paid - prior period	(30 852)	(1 334)
Current year's income tax provision	665	35 035
Current tax (assets)/liabilities	(1 870)	30 852
d) Deferred tax assets		
The amount of deferred tax assets recognised in the statement of financial position at reporting date is made up as follows:		
Accrued expenses	675	303
Unrealised capital losses (discounted)	10 856	13 692
Deferred tax assets	11 531	13 995

8. Reconciliation to the statement of cash flows

	2019	2018
	\$	\$
a) Reconciliation of benefits accrued after income tax as a result of operations to net cash provided by operating activities		
Benefits accrued after tax as a result of operations	(280 088)	(234 511)
Increase(-)/decrease(+) in net revenue		
Net change in fair value of investments	(3 495)	193 307
Distribution income	(119 272)	(404 834)
Increase(-)/decrease(+) in assets	-	-
Increase(+)/decrease(-) in liabilities		
Benefits payable	(50 141)	67 502
Sundry liabilities	2 422	19
Surcharge tax	(5 366)	(1 806)
Tax assets and liabilities	(30 259)	8 430
Net cash flow used in operating activities	(486 199)	(371 893)
b) Reconciliation of cash		
Cash at bank	19 112	62 811

9. Contingent liabilities

PSBS has no contingent liabilities at 30 June 2019 (2018: nil).

10. Segment reporting

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

11. Events subsequent to reporting date

There are no significant subsequent events.

12. Auditors' remuneration

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

13. Related parties

a) Employer

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

b) Trustees

The Superannuation Trustee Board (STB), which was continued under section 8A of the *Superannuation Act 1986*, was appointed as trustee of PSBS on 25 May 2012. However, as part of the *Superannuation Legislation Amendment Act 2019*, government had decided to abolish the STB, as two of the three funds under its responsibility were either being transferred to another trustee to manage, or were being transferred to the Territory's Central Holding Authority.

To allow the STB's abolition to proceed, on 19 June 2019 the Trust Deed was amended to remove the STB as trustee, and replace it with three individual trustees. Under the Trust Deed amendments, one trustee is nominated by the Commissioner of Police, one by the NT Police Association (NTPA) and one by the Under Treasurer. Accordingly from 19 June 2019 the PSBS's Trustees are:

Mark McAdie Commissioner of Police representative

Daniel Bacon NTPA representative

Alex Pollon Under Treasurer representative

At the time on their nomination, each of the trustees was also a member of the STB.

Following the appointment of the trustees the STB was abolished on 26 June 2019. All the STB's remnant powers, functions and responsibilities transferred to the Commissioner of Superannuation at the date of its abolition.

Prior to its abolition, there was one membership change within the STB during 2018-19. This arose from the appointment of a new member nominated by the NTPA.

Kathleen Robinson Chairperson

Marianne McAdie Deputy Chairperson

Craig Graham Member

Michael Martin Member (appointment expired 10 May 2019)

Alex Pollon Member

Mark McAdie Member

Sarah Burchett Member

Tiziana Hucent Member

Daniel Bacon Member (appointed 13 March 2019)

Colin Goodsell Member (resigned 10 January 2019)

Notes to the Financial Statements

For the year ended 30 June 2019

13. Related parties (continued)

Three STB members were entitled to, and received, sitting fees during the 2018-19 financial year totalling \$3800, which was the total board cost for the year. The cost was attributed to each of the three schemes (which includes the Legislative Assembly Members' Superannuation Scheme and Northern Territory Government and Public Authorities' Superannuation Scheme) proportional to the value of funds under management. Of those total costs, \$12 was attributed to PSBS.

There were no outstanding reimbursements or payments due to any STB member or trustee as at 30 June 2019.

Where a trustee is also a member of PSBS, member contributions or benefit payments are made in accordance with PSBS rules and governing legislation. One trustee was in receipt of a pension under PSBS in 2018-19.

	2019	2018
	\$	\$
Sitting fees	3 800	3 040
Training and conferences	-	55
Australian Institute of Superannuation Trustees membership	-	15 636
Total	3 800	18 731

APPENDIX: THE SCHEME AND HOW IT WORKS

Contributions

Members contribute 1 per cent of their salary to the fund, which is managed by the Northern Territory Police Supplementary Benefit Scheme (PSBS) Trustees. Each member has an accumulation account in the fund representing his or her contributions and investment earnings.

Qualifying for a supplementary benefit

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

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

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

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

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

Table A1: Supplementary benefit percentage

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.csc.gov.au

No entitlement to a supplementary benefit

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

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

Where any of the above circumstances apply to a member, the accumulation account will be paid to the member, a nominated superannuation fund or 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 to age 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 for the first \$100 000 p.a. of untaxed benefits

¹ Prior to 1 July 2007, the taxfree 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 2019
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 \$1.515 million Excess over \$1.515 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% up to \$1.515 million Excess over \$1.515 million taxed at top marginal tax rate ²
60+ years	Tax-free component	
	Non-concessional contributions (member contributions)	Exempt
	Pre July 1983	Exempt
	Taxable component	
	Post June 1983 taxed (investment return)	Taxed at 0%
	Post June 1983 untaxed (Territory-financed benefit)	15% up to \$1.515 million Excess over \$1.515 million taxed at top marginal tax rate ²

1 Does not include Medicare levy (2 per cent).

2 Top marginal tax rate: 45 per cent.

3 2019-20 low rate cap: \$210 000.

Death benefit

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

Preserved benefit

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

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

Table A4: Preservation age

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

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

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

Northern Territory Supplementary Superannuation Scheme

In addition to a member's benefit from CSS and PSBS, members are entitled to a 3 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:

- 80 per cent of the member's total remuneration package if he or she is at the rank of Commander or above
- for other members, 130 per cent of the member's current salary plus Northern Territory allowance.

No other allowances are included in this calculation.

Where a member does not qualify for a CSS 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 annually by the NTSO. Statements for both schemes (PSBS and NTSSS) have been combined since 2011-12.

