This fact sheet explains how “average weekly earnings” are used to index contribution salaries of Northern Territory Government and Public Authorities’ Superannuation Scheme (NTGPASS) members.

# NTGPASS benefit salary

The benefit salary of NTGPASS members is the greater of the following:

1. The amount equal to the average of the last 3 contribution salaries before the member’s exit date after those contribution salaries are adjusted to full time equivalent values and indexed by average weekly earnings to current values at the exit date;
2. The amount equal to the average of the last 3 contribution salaries before the member’s exit date after those contribution salaries are adjusted to full time equivalent values;

For most NTGPASS members, their contribution salaries are their actual annual rate of salary and approved allowances payable at the 1 October annual review. Different contribution salaries apply to members of the NT Police Force and to people employed under executive contracts.

# What are average weekly earnings?

In the above section, one of the methodologies for obtaining a person’s benefit salary is to index their contribution salaries by “average weekly earnings”. But, what are average weekly earnings?

In the NTGPASS Rules, average weekly earnings is defined to mean the Average Weekly Earnings for Full Time Adult Persons, Weekly Ordinary Time Earnings (AWOTE) for the Northern Territory as published from time to time in Catalogue Number 6302.0 by the Australian Statistician.

The Australian Bureau of Statistics (ABS) provides AWOTE data for the reference periods of May and November each year, publishing these figures in February and August each year. This data reflects changes in the weekly ordinary time remuneration of adults in the Northern Territory through a survey sample of businesses.

This catalogue, as well as historical data, is maintained on the [Australian Bureau of Statistics website](https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/average-weekly-earnings-australia/latest-release).

# Why are my contribution salaries adjusted?

The contribution salaries used in the calculation of a member’s benefit salary are up to three years old. The indexation process is a legislated method which adjusts the value of contribution salaries by movements in the broader wage market in the Northern Territory during the relevant two year period, prior to applying the averaging calculation. However, where the indexation of the contribution salaries results in a person’s benefit salary being less than the simple average, then the simple average is to apply.

# Can you predict what the index factor will be?

The AWOTE is based on a survey of businesses and will fluctuate from survey to survey as businesses rotate in and out of the sample. For this reason, it is impossible to determine what the factor will be at any given point in the future.

# How the index factor is calculated

The formula to determine the index factor is:

$$  r= \sqrt{\frac{Ax}{Ax-2}}$$

Where:

* r = Index factor
* A× = Most recently published NT AWOTE
* A×-2 = NT AWOTE figure from the corresponding period, 2 years previous.

**Index Factor Example** – as at 19 August 2021

A× = Most recently published NT AWOTE figure: **$1695.20**

A×-2 = NT AWOTE from the corresponding period, 2 years previous: **$1690.30**

$$r= \sqrt{\frac{1695.20}{1690.30}}$$

 = **1.0014484**

# When does the factor apply?

The index factor applies for the relevant reference period and is applied prospectively from the date the relevant AWOTE factors are published. For example, the ABS reported the May 2021 AWOTE figure on 19 August 2021. The resulting index factor of 1.0014484 (as calculated in the example above) applied to NTGPASS benefit calculations from the ABS report date of 19 August 2021 until the new AWOTE figure was published on 24 February 2022.

# How does the index factor affect benefit salary?

The following is an example of the benefit salary calculation for an NTGPASS member who exited the scheme on 19 August 2021. The last three contribution salaries prior to ceasing NTGPASS membership are 2018, 2019 and 2020. The below table shows the difference between a simple average of the contributions salaries and the contributions salaries after they have been indexed from the relevant review date to the exit date by the index factor of 1.0014484.

|  |  |  |
| --- | --- | --- |
| **Index Factor** | **1.0014484**  |  |
| Exit Date | 19/08/2021 |  |
| Review date | Review salary | Indexed salary1 |
| 1/10/2018 | $70 000 | **$70 293** |
| 1/10/2019 | $75 000 | **$75 205** |
| 1/10/2020 | $80 000 | **$80 103** |
|  | Actual Average | Indexed Average |
|  | $75 000 | **$75 200** |

1 Indexed contribution salary calculated using the AWE index factor compounded from annual review date to exit date.

In this example the resulting benefit salary of $75 200 is higher than the simple average salary of $75 000.

However, if the application of the index factor results in an indexed average less than the actual average, then the actual average is to be applied.

# Why is my benefit salary lower than last year?

There are a few contributing factors.

1. The NTGPASS benefit salary uses the average of your previous three full time equivalent contribution salaries set on 1 October.

You may have had a higher salary in a previous year, which is no longer included in the current average. Salaries can reduce due to demotion, changing shift penalties, ceasing higher duties or other allowances no longer meeting the qualifying criteria.

You can apply to maintain a previous higher contribution salary as part of the Annual Review process each year. For this to occur you must complete an *Application to Maintain Higher Contribution Salary* prior to the Annual Review date and have it approved by the Commissioner of Superannuation.

1. Your salaries are brought up to current values using the most recent AWOTE index factor, which fluctuates over time, being lower in some time periods and higher in others. For example, the indexation factor used when calculating the benefit salary for the 30 June 2021 Member Information Statement was 1.01821182 (1.821182%). Whereas, the index factor used for quotes and benefit payments from 19 August 2021 is 1.0014484 (0.14484%).

If the index factor used in your most recent member statement or benefit estimate is lower than the factor used in a previous estimate or member statement, this may result in a lower benefit salary, even though contribution salaries have not changed. This is because your contribution salaries are being indexed by a smaller factor. Alternatively, where the index factor applied is higher than the previous, a higher benefit salary may result.

It is important to note that your NTGPASS employer benefit advised on your information statement or benefit estimate is a notional amount. The NTGPASS employer benefit is not paid until you cease membership and claim your benefit. It will be calculated based on the index factor applicable at the date of your cessation.

# Disclaimer

The material in this fact sheet is provided for information purposes only. It does not take into account your personal circumstances and should not be relied upon for making financial commitments.

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