The Commissioner of Superannuation's

ANNUAL REPORT 2021-22

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The Honourable Eva Lawler MLA
Treasurer
GPO Box 3146
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Dear Treasurer

In accordance with the provisions of section 40 of the *Superannuation Act 1986*, I am pleased to provide to you my report on the operation and management of the following superannuation and pension schemes for the financial year ended 30 June 2022:

- Northern Territory Government and Public Authorities' Superannuation Scheme
- Northern Territory Supplementary Superannuation Scheme
- Northern Territory Government Death and Invalidity Scheme
- Legislative Assembly Members' Pension Scheme
- Administrators Pension Scheme.

Yours sincerely

James Richards
Commissioner of Superannuation
18 November 2022

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About this annual report

Welcome to the annual report of the Commissioner of Superannuation.

Under section 40 of the *Superannuation Act 1986*, the Commissioner is required to report annually to the Treasurer on the operation and management of each superannuation and pension scheme for which the Commissioner had responsibility during the financial year (collectively referred to as the Northern Territory Government (NTG) schemes). For 2021-22, the NTG schemes are:

- Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS)
- Northern Territory Supplementary Superannuation Scheme (NTSSS)
- Northern Territory Government Death and Invalidity Scheme (NTGDIS)
- Legislative Assembly Members' Pension Scheme (LAMS)
- Administrators Pension Scheme (APS).

This report is available electronically, via website download or email.

During the 2021-22 financial year, the Commissioner administered the Northern Territory Police Supplementary Benefit Scheme (NTPSBS) under a delegation from the trustees of that scheme. These trustees have separate annual reporting obligations to the Treasurer. Consequently, this report does not cover the operation or management of NTPSBS in any detail.

Objective

The objective of this report is to provide the Treasurer (as the minister responsible for public sector superannuation policy and administration), members of the NTG schemes and other interested parties with information on the administration, operation and management of the NTG schemes during 2021-22.

Reporting requirements

Section 40 of the *Superannuation Act 1986* requires, within six months of the end of each financial year, the Commissioner to provide a report to the Treasurer, as responsible minister, on the operation and management of each of the NTG schemes.

The Treasurer is required to table the report in the Legislative Assembly within six sitting days of its receipt.

Report structure

Each of the NTG schemes are administered by the Commissioner, with support from staff of the Northern Territory Superannuation Office (NTSO), a division of the Department of Treasury and Finance (DTF). Consequently, a number of operational and management issues are common to the NTG schemes. With this is mind, the report is presented in three major sections:

- year in review – a summary of major operational and management issues relating to the NTSO and NTG schemes, particularly where they apply to more than one scheme
- governance arrangements – summarises the governance arrangements for the NTG schemes
- scheme performance – an overview of each NTG scheme, operation and management issues specific to that scheme, and relevant performance information.

Year in review

Benefit payments

During 2021-22, benefit payments totalling $111.7 million were paid out across the NTG schemes ($80.2 million in 2021). Table 1 splits these payments between the lump sum (NTGPASS, NTSSS and NTGDIS) and pension (LAMS and APS) schemes.

Table 1: NTG scheme benefit payments

	2021-22	2020-21
	$M	$M
Lump sum schemes	107.1	75.6
Pension schemes	4.6	4.6
Total	**111.7**	**80.2**

The primary reason for the increase in lump sum payments is the 189 active NTGPASS members (who also belong to NTSSS) claiming their benefits, up from 141 members in 2021. Exits largely related to age retirement.

This represented 10.7% of active members exiting NTGPASS, which is above the long-term exit rate of 7.2% of members, as shown in the graph on page 12. The higher number of exits in 2021-22 follows two years of exits lower than the long-term trend, over the COVID-19 pandemic period.

Territory liability

The Territory's liability to pay superannuation and pension benefits for the NTG schemes and NTPSBS is actuarially assessed each year and reported in the Treasurer's Annual Financial Report, which also includes the Territory's liability for Supreme Court judges' pensions and pensions under the Commonwealth Superannuation Scheme.

The assumptions used in calculating the liabilities for each NTG scheme are set out under *Actuarial services* in the *Governance* section, and explanations regarding why the liabilities have changed are provided for each scheme in the *Scheme performance* section of this report, and in the *Actuarial summary* section of the NTPSBS Annual Report.

The liabilities for the NTG schemes are summarised in Table 2 and comprise the Territory's liability to both current members and former members who are yet to claim their benefits.

Table 2: Territory-funded scheme liabilities

	Liability at 30 June 2022	Liability at 30 June 2021
	$M	$M
NTGPASS	725.6	863.7
NTSSS	173.1	209.4
NTGDIS	86.7	102.0
LAMS	77.4	105.8
APS	3.1	3.3
Total	**1 065.9**	**1 284.2**

Commonwealth superannuation law reforms

Changes were announced as part of the Commonwealth's 2021-22 Budget, all of which commenced 1 July 2022:

- Removal of $450 monthly income threshold for superannuation guarantee. Previously, an employer was not obliged to pay superannuation guarantee where an employee's salary or wages did not exceed $450 in a month.
- An increase in the withdrawal limit for the First Home Super Saver Scheme from $30,000 to $50,000.
- Removal of superannuation contribution 'work test' for those aged between 67 and 74. The previous work test required a person to be employed for at least 40 hours in a consecutive 30-day period, during the financial year, before any non-concessional superannuation contributions can be accepted.
- Lowering of the age threshold for the superannuation downsizer scheme. The eligibility for downsizer contributions has been lowered from age 65 to 60, allowing individuals to contribute up to $300,000 to their superannuation following the sale of their home. Couples may be eligible to contribute up to $300,000 each.

In addition, the superannuation guarantee rate increased on 1 July 2022 to 10.5% (10% from 1 July 2021). The superannuation guarantee rate is legislated to increase by 0.5 percentage points each 1 July until 1 July 2025, when it will be 12%.

Unclaimed and lost accounts

As at 30 June 2022, there were 5,539 unclaimed superannuation accounts, compared with 5,993 at the end of June 2021. This represents a 7.5% reduction in the number of unclaimed accounts. In previous years, unclaimed and lost accounts were transferred to Ausfund, one of the eligible rollover funds (ERFs) that specialised in uniting lost superannuation fund members with their unclaimed superannuation. It is no longer possible to transfer unclaimed and lost accounts to an ERF following amendments made by the *Treasury Laws Amendment (Reuniting More Superannuation) Act 2021*, which effectively prevented all ERFs from receiving new accounts after 1 April 2021. The NTSO will begin transferring unclaimed and lost accounts voluntarily to the Australian Taxation Office (ATO) as soon as the Commonwealth enacts enabling regulations to allow for such transfers.

Anti-money laundering and counter-terrorism financing

The Commonwealth's anti-money laundering and counter-terrorism financing (AML/CTF) legislation imposes a range of governance and operational obligations on superannuation funds and other entities involved in the financial services industry, designed to combat money laundering and terrorism financing activities.

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

The AML/CTF programs for NTGPASS and NTSSS were implemented by the NTSO in early 2008, and are reviewed annually and updated as appropriate. In this regard, the 2022 program updates have incorporated a number changes recommended following an independent review.

An annual compliance report is also submitted to AUSTRAC in March each year.

AUSTRAC has provided a reporting exemption for the other NTG schemes, however they remain subject to AML/CTF legislation.

Member education

The NTSO aims to provide information to assist members in understanding their entitlements under their defined benefit superannuation schemes. Relevant information is kept up to date and new items are developed as required.

NTSO staff engage with members over the phone, by email or in person through arranged appointments. Members are encouraged to seek the services of a qualified professional as the NTSO cannot provide personal financial advice. Table 3 shows the range of member contacts (including enquiries and service requests) with the NTSO in the 2021-22 financial year.

Table 3: NTSO member contacts during 2021-22

Event/topics	No. of enquiries
Benefit quote request	213
Member information statement	80
Death	73
Contributions	56
Scheme rules	30
Taxation	29
Invalidity	13
Hardship	7
Family law	6
Total contacts	**507**

The NTSO did not hold any face-to-face member seminars during 2021-22. However, Hostplus and Statewide Super, which were the NTG's default superannuation fund providers, held a number of virtual and face-to-face superannuation seminars in the Territory in the financial year.

Online member information

The annual member information statement provides key information to each member of NTGPASS, NTSSS and NTPSBS about his or her defined benefit, and for NTPSBS, his or her accumulation account balance. Current members who have access to NTG Central can view their information statements from current and previous years at ntgpass.nt.gov.au.

Professional memberships

All staff of the NTSO and trustees of the NTPSBS are members of the Association of Superannuation Funds of Australia (ASFA). ASFA is a national not-for-profit and apolitical organisation that represents the interests of superannuation funds, trustees and members. Membership fees are paid from the NTSO's budget. ASFA is the peak industry body for Australia's superannuation funds. It undertakes extensive analysis and research on superannuation, and provides education and professional development courses for trustees and fund administrators.

Governance

Key changes

During the year there were no changes to the governance and administration arrangements of any NTG schemes. The Commissioner and NTSO are responsible for the administration and management of each of these schemes.

Trustee arrangements

The Commissioner is the formal trustee of NTGPASS, NTSSS, NTDGIS and LAMS. The Commissioner is also the de facto trustee of the APS, as this role is responsible for managing the APS.

Compliance with superannuation legislation

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

All NTG schemes are exempt public sector superannuation schemes and therefore not regulated under the Commonwealth *Superannuation Industry (Supervision) Act 1993* (SIS Act). SIS legislation treats exempt public sector superannuation schemes as complying funds for concessional taxation and superannuation guarantee purposes.

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

Each scheme was a complying fund for the purposes of the *Income Tax Assessment Act 1997* during the reporting period. Consequently, income tax is assessable at 15% on net investment earnings and net taxable contributions, and 10% on realised capital gains, with tax exemptions provided on ordinary earnings from assets held to support current pension income streams.

Audits

The Northern Territory Auditor-General's Office provides audit services to the fund associated with NTPSBS, with those audited financial statements included in the NTPSBS Annual Report. The bank accounts used to pay benefits arising from the NTG schemes are audited as part of DTF's agency audits.

Review of decisions

Section 49C of the *Superannuation Act 1986* provides a mechanism for members of NTG schemes, and other persons dissatisfied by a decision of the Commissioner, to apply to the Commissioner to reconsider a decision about the operation or management of an NTG scheme in relation to a particular person. The *Superannuation Act 1986* also provides for a decision in relation to the operation or management of an NTG scheme as a whole that is not a reviewable decision (as the decision will not relate to a particular person).

Where the original decision was made by the Commissioner, decisions on an application for review are made by the Commissioner's delegate.

One application for decision review was made to the Commissioner during 2021-22. The delegate upheld the Commissioner's original decision.

Northern Territory Civil and Administrative Tribunal

Once the Commissioner has reviewed a decision under the *Superannuation Act 1986*, the person who requested the review can apply to the Northern Territory Civil and Administrative Tribunal (NTCAT) for a further review of the decision under section 49G of that Act.

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

No applications were made to NTCAT during 2021-22, nor did it consider any applications made in prior years.

Complaints

The NTSO has a complaints management policy and internal complaints management framework. The objective of the policy is to ensure complaints are dealt with fairly, promptly, and in an efficient and confidential manner. No complaints were received during 2021-22.

Actuarial services

Actuarial services for the NTG schemes are provided under a panel contract. The contract, which runs until 31 March 2026, has Cumpston Sarjeant Pty Ltd and PricewaterhouseCoopers Securities Ltd on the panel.

The actuary for each NTG scheme is as follows:

NTG scheme	Actuary
NTGPASS	PricewaterhouseCoopers Securities Ltd
NTSSS	PricewaterhouseCoopers Securities Ltd
NTGDIS	PricewaterhouseCoopers Securities Ltd
LAMS	Cumpston Sarjeant Pty Ltd
APS	Cumpston Sarjeant Pty Ltd

Cumpston Sarjeant Pty Ltd also provides actuarial services for the NTPSBS.

Under the terms of the HOGA, there is an expectation the Territory will undertake regular actuarial reviews of the NTG schemes and NTPSBS. In this regard, the *Superannuation Act 1986* requires an actuarial review of NTGPASS and NTGDIS every three years, the *Legislative Assembly Members' Pensions Act 1979* (LAMS Act) requires an actuarial review of LAMS every three years and the NTPSBS Deed requires an actuarial review of NTPSBS every three years. For NTSSS and APS, there is no legal requirement for regular actuarial reviews, however these are undertaken every three years in line with the other schemes. The actuaries update their reviews annually to take into account changes to scheme membership, member wages and investment markets, with these updates used to report the Territory's superannuation scheme liabilities.

Actuarial reviews examine the experience of each scheme during the previous three years and provide projections of the Territory-financed cash flows and accrued liabilities.

In addition to undertaking actuarial reviews, the actuaries provide advice on superannuation policy matters, including advice on the offset provisions that apply where a member is retired on the grounds of invalidity and entitled to workers compensation benefits due to an injury (relevant to NTGPASS and NTGDIS). The actuaries have also assisted with advice in relation to taxation deductions available to funds historically associated with the different schemes.

The most recent actuarial review of each NTG scheme was undertaken as at 30 June 2022, with a summary of the actuary's report and estimates of future cash flows needed to fund the Territory-financed component of benefits and accrued liabilities of each scheme provided in the *Scheme performance* section of this report.

All the actuarial reviews were undertaken using the same key assumptions regarding discount rates, salary rates, inflation and the imputed cost of interest, which are set out in Table 4.

Table 4: Actuarial assumptions for valuing scheme liabilities as at balance date and for the following year

Key assumption	30 June 2022	30 June 2021
	%	%
Discount rate (gross of tax)	3.69	1.49
Short-term salary rate[1]	Zero	Zero
Long-term salary rate	3.00	3.00
Inflation (pensions)[2]	2.20	1.50
Imputed cost of interest	1.49	0.9
Tax rate for employer contributions	nil	nil

1 Short-term salary rate assumption for judges and administrators pension schemes as at 30 June 2022 is 2%, based on the Remuneration Tribunal (Judicial and Related Offices – Remuneration and Allowances) Determination 2022.

2 CSS and NTPSBS CPI-linked pensions reflect an increase of 7.4% in 2021-22 based on Australian CPI assumptions.

Scheme performance

Northern Territory Government and Public Authorities' Superannuation Scheme

Scheme overview

NTGPASS is a defined benefit superannuation scheme that provides members with a lump sum benefit upon resignation, age retirement, retrenchment, death or invalidity. NTGPASS is established under the *Superannuation Act 1986*, which sets out the arrangements for management and administration of the scheme, and the NTGPASS Rules that provide for the calculation of NTGPASS benefits.

Members are required to contribute either 2, 3, 4, 5 or 6% of their contribution salary to their accumulation account from their after-tax income.

NTGPASS benefits are calculated according to a formula based on the member's length of membership in the scheme, final average salary (referred to as the member's 'benefit salary') and contribution rate during membership. NTGPASS benefits are paid by the Territory from the Central Holding Authority (CHA) at the time scheme membership ceases, which for most members occurs when their employment ceases. NTGPASS members are also entitled to a separate Territory-financed benefit from the NTSSS. The activities of NTSSS for the year are provided separately in this report.

NTGPASS was closed to employees whose employment with the Territory government or a public authority commenced on or after 10 August 1999.

NTGPASS Rule change

The NTGPASS Rules were amended on 8 October 2021 by the Northern Territory Government and Public Authorities' Superannuation Scheme Amendment Rules 2021 (the Amendment Rules).

The amendments allow the Commissioner to pay unclaimed NTGPASS benefits to the ATO when it is in the best interests of the account owner. This change became necessary following commencement of the Commonwealth's *Treasury Laws Amendment (Reuniting More Superannuation) Act 2021*, which among other things closed the ERFs that would normally receive unclaimed NTGPASS superannuation accounts. A number of minor statute law revision-type amendments to clarify the definition of 'contribution salary' were also made.

Operational activity

Table 5 reports on the activities of the NTSO in its administration and management of NTGPASS. It shows the actual performance against targets, some of which are also published in the DTF Annual Report.

Most contact with members during the year arose in responding to member inquiries regarding benefit status, scheme rules, statement requests and contributions.

Table 5: NTSO performance

	2021-22 Target	2021-22 Actual
Member statements issued within approved timeframes	100%	100%
Average days to make benefit payments:		
– from date of receipt of all information[1]	30	11
– where there is a delay in the receipt of information[2]	30	15

1 As a non-APRA-regulated superannuation fund, benefits are processed as soon as practicable but within 30 days.
2 All necessary information from the member and the employing agency must be received before a benefit can be paid.

Benefit payments

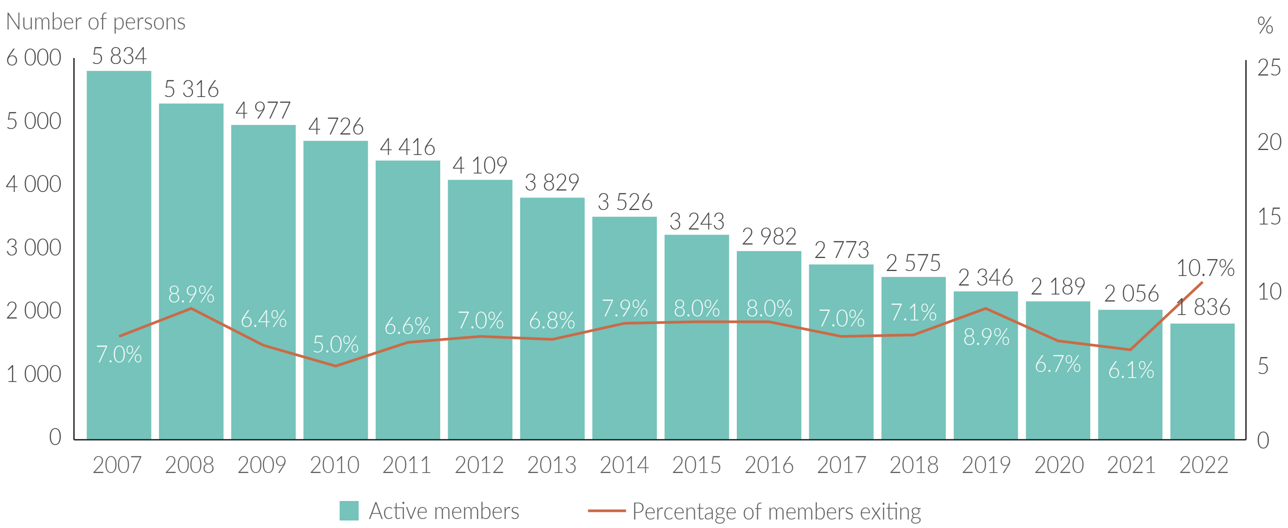
Table 6 reports the different categories of NTGPASS benefits paid. Of members ceasing NTGPASS membership, age retirement was the most common type of benefit category and had the greatest monetary value. During 2021-22, 189 NTGPASS benefits were paid, totalling $83.62 million, $26.54 million more than the 141 benefits paid in 2020-21. The increased number of benefits and their value is primarily attributable to more resignations and age retirements during 2021-22.

Table 6: Total NTGPASS benefits paid for the year ended 30 June

	2021-22		2020-21	
	Members	Total paid	Members	Total paid
	No.	$M	No.	$M
Resignation	27	10.60	22	7.68
Age retirement	152	67.68	96	40.72
Retrenchment	5	2.68	12	4.81
Invalidity	3	1.69	2	1.19
Death	2	0.96	5	2.33
Family law split			4	0.33
Total	**189**	**83.62**	**141**	**57.06**

Membership profile

During the year, active membership of NTGPASS decreased by 10.7% from 2,056 to 1,836 due to members claiming their benefits and exiting the scheme. In contrast, in 2020-21 active membership decreased by 6.1% from 2,189 to 2,056. As shown in the graph below, since 2007, the exit rate has been 7% per annum on average until it increased significantly in 2021-22 to 10.7%. This increase may be in part a result of COVID-19-related uncertainty.



Active members

Active members of NTGPASS are those members employed by the Territory or one of its public authorities who are required to make contributions under the NTGPASS Rules and eligible to receive a Territory-financed benefit when they leave employment or exit the scheme. Table 7 illustrates the changes in active NTGPASS membership during 2021-22 compared with 2020-21.

Table 7: Changes to active NTGPASS members

	2021-22	2020-21
Active members at beginning of period	2 056	2 189
Less exits:		
Resignation	41	25
Age retirement	154	92
Retrenchment	10	8
Invalidity	4	2
Death	5	1
Opt out	6	5
Total exits	215	133
Members at 30 June	**1 836**	**2 056**

Note: due to benefit application and payment processing timeframes, not all benefits for exiting members were paid during the financial year.

Member contribution rates

Active members must contribute 2 to 6% of their contribution salary to their nominated complying superannuation fund.

Of active members, 87.9% on 30 June 2022 (85.9% on 30 June 2021) chose to contribute at the highest rate of 6%.

Membership by age and gender

Women represent the majority of active members at 63% of the total membership. Just over half (51.8%) of active members are in the 50 to 59 age group, with 18% under age 50 and 30.2% aged 60 and over. Table 8 shows the membership of the scheme by age and gender as at 30 June 2022.

Table 8: NTGPASS members by age and gender at 30 June 2022

Age	Females	Males
< 35	–	–
35 to 49	220	111
50 to 59	579	372
60 to 65	271	141
66+	88	54
Total	**1 158**	**678**

Actuarial review

The last triennial actuarial review of NTGPASS was performed as at 30 June 2022 by PricewaterhouseCoopers Securities Ltd.

The triennial review dealt with the Territory-financed employer liabilities, which are guaranteed by the Territory under the *Superannuation Act 1986* and met on an emerging-cost basis. The future employer cash flows and accrued liabilities were projected to the year 2054.

The scheme started in 1986 and was closed to new employees commencing employment with the Territory Government or a public authority on or after 10 August 1999.

The review report indicated that, at 30 June 2022, the accrued liability estimate for the year was $708.8 million, compared to a liability estimate of $859.3 million at 30 June 2021. The $150.5 million decrease in accrued liability is due to:

- increased interest costs of $12.1 million
- increased accruing costs of $33.8 million
- a decrease of $100.3 million due to changes in the valuation basis and experience, explained as follows:
  - a decrease of about 0.1% ($1 million) due to a change in demographic assumptions
  - a decrease of about 13.5% ($109.3 million) due to an increase in the discount rate from 1.49% to 3.69%
  - a decrease of 0.7% ($5.7 million) due to experience differing from expectations, partially offset by
  - an increase of about 1.4% ($11.7 million) due to the impact of returning to the long-term salary increase rate in three years rather than four years
  - an increase of 0.5% ($4 million) in liability resulting from the change in average weekly earnings increase assumption for benefit salary projections
- a decrease of $96 million due to member exits during the year, with not all of these benefits paid during the financial year.

The employer cash flow (entitlement to benefit payments) for the year ended 30 June 2022 was $96 million (excluding invalidity and death benefits paid by the Territory). Over the longer term, using a forecast discount rate of 2.51%, rather than the current discount rate of 3.69%, it is expected the cash flow will be lower next year ($92.2 million) and from there it will generally fall each year, declining slowly to become zero by 2053.

The actuarial estimates of future cash flows to fund the Territory-financed component of NTGPASS benefits and accrued liabilities of the scheme (based upon nominal values) have been updated based on 2021-22 information as shown in Table 9.

Table 9: Estimated NTGPASS Territory-financed benefit costs, year to 30 June

	Estimated cash flow	Estimated accrued liability
	$M	$M
2023	92.2	722.2
2025	74.9	653.7
2030	69.4	461.2
2035	55.3	257.5
2040	32.0	100.8
2045	11.6	21.4
2050	1.5	1.3

NTGPASS member contributions are paid into an externally administered complying superannuation fund nominated by the member. The financial soundness of NTGPASS arises from the legislated guarantee that the Territory will pay benefit entitlements as they are due. This is an appropriate way to meet benefits in a public sector scheme, provided the extent and nature of the liabilities are disclosed and included within public sector accounts, as is the case with NTGPASS.

Northern Territory Supplementary Superannuation Scheme

Scheme overview

The NTSSS was established by an instrument signed on 4 January 1989 (the NTSSS Instrument) by a former Treasurer.

The NTSSS is administered by the Commissioner and staff of the NTSO.

The NTSSS is a non-contributory scheme (that is, neither the member nor the Territory make contributions). It provides a lump sum employer-financed superannuation benefit on exit at the rate of 3% of a member's final salary for each year of full-time service since 1 October 1988.

The NTSSS closed to employees who commenced employment with the Territory Government or a Territory Government public authority on or after 10 August 1999 (employees who transfer between these employers are entitled to ongoing membership). While open, the NTSSS covered most Territory public sector employees (including permanent, temporary, casual or irregular employees) and many office holders.

NTSSS benefits are paid by the Territory from CHA at the time scheme membership ceases, which for most members occurs when their employment ceases. There is no NTSSS fund and therefore no member contributions or rollovers can be accepted.

The Territory introduced the *Superannuation Guarantee (Safety Net) Act 1993* following the introduction of superannuation guarantee legislation by the Commonwealth, to ensure it met its superannuation guarantee obligations. For some employees, the *Superannuation Guarantee (Safety Net) Act 1993* authorises their NTSSS benefits to be increased above the 3% level provided in the NTSSS instrument in order to meet superannuation guarantee requirements. This was necessary because many NTSSS members did not belong to NTGPASS for a sufficient time to earn an employer-funded benefit under that scheme, making NTSSS their sole superannuation benefit.

NTSSS Instrument

The NTSSS Instrument was amended on 6 September 2021 to allow the Commissioner to pay unclaimed NTSSS benefits to the ATO when it is in the best interests of the account owner. This change became necessary following commencement of the Commonwealth's *Treasury Laws Amendment (Reuniting More Superannuation) Act 2021*, which among other things closed the ERFs that would normally receive unclaimed NTSSS superannuation accounts. At the same time, a number of minor statute law revision type amendments were also made to the NTSSS Instrument.

Operational activity

The NTSSS is closed to new members so the key operational activities relating to this scheme are:

- recording member service and salary details, to enable benefits to be calculated and paid
- calculating and reporting member benefits when required (for example, proceedings under the *Family Law Act 1975*, and end of each financial year for the ATO and members' annual statements)
- calculating and paying member benefits when members claim those benefits
- explaining benefit calculations and scheme rules to members and their financial advisers.

Membership profile

Table 10 illustrates changes in NTSSS membership. Of note is that Table 10 includes a mix of open and closed accounts, and that a person may have more than one account, with each account relating to a different period of employment commencing before 9 August 1999. Additional accounts may be opened for a person where it is determined that their existing accounts do not cover all the periods of employment during which they were entitled to NTSSS benefits.

Table 10: Changes to NTSSS membership

	2021-22	2020-21
Members at beginning of period	8 122	9 620
Plus new accounts	4	6
Less exits:		
Resignation	283	271
Age retirement	409	1 103
Retrenchment	5	14
Invalidity	3	3
Death	26	112
Other[1]	-	1
Total exits	726	1 504
Members at 30 June	**7 400**	**8 122**

1 Members identified during the year who are ineligible for an NTSSS or superannuation guarantee benefit.

Women represent the majority of active NTSSS members at 67.81% of total membership (67.6% in 2021). Of the total active NTSSS members, 44.68% are in the 50 to 59 age group, with 18.59% under age 50 and 36.73% aged 60 and over.

Benefit payments

Table 11 reports on the number and type of NTSSS benefits paid during the last two financial years, as well as their value. Some individuals had more than one account, and others had no entitlement to a benefit payment, with the result that the number of member exits differ from the number of benefit payments.

Table 11: Total NTSSS benefits paid for the year ending 30 June

	2021-22		2020-21	
	Benefits	Total paid	Benefits	Total paid
	No.	$000	No.	$000
Resignation	283	4 105	378	3 195
Age retirement	410	16 216	1 110	10 384
Retrenchment	5	574	14	1 300
Invalidity	3	308	3	197
Death	26	183	6	515
Family Law	1	15	1	39
Total	**728**	**21 400**	**1 512**	**15 631**

Actuarial review

The last triennial actuarial review of the NTSSS scheme was performed as at 30 June 2022 by PricewaterhouseCoopers Securities Ltd.

The triennial review dealt with the employer liabilities, which are guaranteed by the Territory under the NTSSS instrument and met on an emerging-cost basis. The future employer cash flows and accrued liabilities were projected to the year 2053.

The scheme started in 1989 and was closed to employees commencing on or after 10 August 1999.

That review report indicated that, at 30 June 2022, the accrued liability estimate for the year was $166.6 million, compared to a liability estimate of $206.4 million at 30 June 2021. The $39.8 million decrease in accrued liability is due to:

- increased interest costs of $2.9 million
- increased accruing costs of $7.4 million
- decreases of $25.4 million due to changes in the valuation basis and experience, explained as follows:
  - a decrease of about 0.1% ($0.2 million) in liability due to a change in the demographic assumptions
  - a decrease of about 13.6% ($26.2 million) due to an increase in the discount rate from 1.49% to 3.69%
  - an decrease of 1.1% ($2.1 million) due to experience differing from expectations, partially offset by
  - an increase of about 1.6% ($3.1 million) due to the impact of returning to the long-term salary increase rate in three years rather than four years
- a decrease of $24.7 million due to member exits during the year, with not all of these benefits paid during the financial year.

The employer cash flow (entitlement to benefit payments) for the year ended 30 June 2022 was $24.7 million. Over the longer term, using a forecast discount rate of 2.51%, rather than the current discount rate of 3.69%, it is expected the cash flow will be lower next year ($21.5 million) and from there it will generally fall each year, declining slowly to become zero by 2053.

The financial soundness of NTSSS arises from the guarantee the Territory will pay benefit entitlements as they are due. This is an appropriate way to meet benefits in a public sector scheme, provided the extent and nature of the liabilities are disclosed and included within public sector accounts, as is the case with NTSSS.

Northern Territory Government Death and Invalidity Scheme

Scheme overview

NTGDIS provides free death and invalidity benefits to eligible employees up to age 60. The scheme was introduced in 2007 as part of amendments to the *Superannuation Act 1986* intended to provide death and invalidity benefits equivalent to those provided to members of NTGPASS. NTGDIS benefits are payable in addition to any private insurance cover purchased through a life insurance provider or a superannuation fund.

NTGDIS is administered by the Commissioner of Superannuation and the NTSO.

NTGDIS membership covers the following employees up to age 60, where they are not current members of NTGPASS:

- employees under the *Public Sector Employment and Management Act 1993* who are:
  - a permanent employee (full time or part time)
  - a temporary employee on a fixed-term contract of at least six months
  - a temporary employee on a short-term contract who has had at least six months continuous employment
- police officers
- executive contract officers.

Members of the Legislative Assembly elected for the first time at the general election held on 18 June 2005 or a later general election or by-election are also members of NTGDIS.

Eligibility and entitlement to NTGDIS benefits automatically cease when an employee ceases NTG employment or a person ceases to be a member of the Legislative Assembly. Casual employees are not eligible for NTGDIS benefits.

Under NTGDIS, a death benefit is only payable when the member is survived by one or more dependants. At the time of death, a dependant includes:

- a spouse/de facto partner (including same sex)
- children and adopted children of any age
- a person who had an 'interdependency relationship' (as defined in the SIS Act) with the deceased.

An invalidity retirement benefit can only be paid where an NTGDIS member (or former member) has been assessed by the Commissioner, based on specialist medical information, as being totally and permanently incapacitated for any form of employment as at the date his or her employment ceased.

NTGDIS benefits are calculated according to a formula that takes into account the member's nominal retirement age, which is age 65 for most members. Once a member reaches age 50 the level of their benefit progressively reduces, such that members aged 60 and older have no entitlement to benefits from the scheme.

If an employee is entitled to payments under workers compensation legislation, or a workers compensation agreement such as a 'Hopkins' agreement, the NTGDIS benefit will be reduced by the amount of that workers compensation benefit.

If a workers compensation payment is paid periodically, the notional redemption value of the compensation benefit will be actuarially calculated to determine the value of that workers compensation benefit.

In most cases, the NTGDIS benefit will be completely offset by a member's workers compensation payment.

Operational activity

The primary operational activities relevant to NTGDIS are:

- providing advice regarding the scheme's operation and entitlements to members, dependants, financial advisers and human resource staff
- considering and deciding NTGDIS applications
- paying NTGDIS benefits.

Membership profile

Details regarding current NTGDIS members and the level of cover provided to them as at 30 June 2022 are set out in Table 12.

Table 12: NTGDIS membership and benefits profile at 30 June

	2022	2021
Female members	13 036	12 943
Male members	7 059	6 903
Average age (years)	39.9	40.0
Total annual salary of all members ($M)	2 082	2 037
Average annual salary ($)	103 621	102 646
Total death/invalidity cover[1] ($B)	8.7	8.5
Average death/invalidity cover ($)	433 492	428 144

1 The total amount of death or invalidity benefits payable if all NTGDIS members were to die or become subject to invalidity at the reporting date.

Benefit payments

Details of NTGDIS benefits paid up to 30 June 2022 and 2021 are set out in Table 13.

Table 13: NTGDIS benefit payments up to 30 June

	2022	2021
Death benefits		
Number paid	10	13
Value of benefits ($)	2 026 617	2 519 083
Invalidity benefits		
Number paid	2	3
Value of benefits ($)	106 738	395 352

Actuarial review

The last triennial actuarial review of NTGDIS was performed as at 30 June 2022 by PricewaterhouseCoopers Securities Ltd.

The triennial review dealt with the liability to pay benefits, which is guaranteed by the Territory under the *Superannuation Act 1986* and met on an emerging-cost basis.

Through NTGDIS, the Territory has extended death and invalidity cover to all public sector employees under choice of fund arrangements. The cover is self-insured, with the Territory Government meeting the cost as the amounts become payable. The scheme formally commenced from 1 July 2007 and is open to new members.

The benefits payable in the event of death or invalidity retirement are set out in the *Superannuation Act 1986*. These benefits are the same as for NTGPASS, that is, 17.5% of salary for each year of future service to age 65 for members up to age 50, but decreasing to nil at age 60.

The amount of benefits payable are reduced in the case where:

- workers compensation benefits are payable
- in the event of death under age 60, there are no dependants.

As at 30 June 2022, the accrued liability estimate was $71.8 million, a decrease from $87.2 million at 30 June 2021. The $15.4 million decrease in accrued liability is due to:

- increased interest costs of $1.3 million
- decreases of $14.4 million due to changes in the valuation basis and experience, explained as follows:
  - a decrease of about 3.4% ($3 million) in liability due to a change in the demographic assumptions
  - a decrease of about 18.9% ($16.5 million) due to an increase in the discount rate from 1.49% to 3.69%, partially offset by
  - an increase of about 2.3% ($2 million) due to the impact of returning to the long-term salary increase rate in three years rather than four years
  - an increase of about 3.5% ($3.1 million) due to experience, primarily arising from an increase in the level of cover provided under NTGDIS to $8.7 billion ($8.5 billion at 30 June 2021). This is driven by an increase in the number of scheme members of 1.2% and the increase in salary of continuing members being 4%, compared to an expected salary increase of 0%
- a decrease of $2.3 million due to benefit payments during the year.

The financial soundness of NTGDIS arises from the legislated guarantee that the Territory will pay benefit entitlements as they are due. This is an appropriate way to meet benefits in a public sector scheme, provided the extent and nature of the liabilities are disclosed and included within public sector accounts, as is the case with NTGDIS.

Legislative Assembly Members' Pension Scheme

Scheme overview

LAMS was established by the LAMS Act and provides a superannuation defined benefit for eligible members of the Northern Territory Legislative Assembly, and their surviving and former spouses and de facto partners. LAMS commenced operation on 23 September 1979 and was closed to new members on 9 May 2005. Since that date, parliamentarians elected to the Legislative Assembly for the first time have had superannuation contributions paid for them to their nominated complying superannuation fund.

The defined benefits provided under LAMS are either:

- a lifetime pension for members who have been elected on at least three occasions to the Legislative Assembly and have served eight years. Members could elect to commute (cash) all or part of their pension to a lump sum within six months of leaving the Legislative Assembly
- or a lump sum benefit equal to 2.5 times the member's own contributions and investment earnings on those contributions for members who do not meet the eligibility criteria for a pension.

The surviving spouse or de facto partner of a LAMS member who has died is also entitled to a defined benefit based on the entitlements of the deceased member (five-sixths of the deceased member's pension). Ex spouses or de facto partners may also receive a LAMS defined benefit in accordance with the superannuation-splitting provisions of the *Family Law Act 1975*.

Operational activity

Following the August 2020 Northern Territory Election, all LAMS members are now receiving a pension. Consequently, the only operational activities relevant to this scheme at the end of 2021-22 are ensuring pensions are paid correctly and reported properly to the ATO.

Membership profile

Table 14 provides details of the membership of LAMS, by member category.

Table 14: Changes in LAMS membership at 30 June

	2022	2021
Former assembly member pensioners	31	32
Spouse/de facto pensioners	6	5
Ex spouse/de facto pensioners	2	2
Total	39	39

Benefit payments

During 2021-22, LAMS pensions totalled \$4.24 million, a slight increase from the \$4.23 million paid in 2020-21.

Actuarial review

The last triennial actuarial review of LAMS was carried out as at 30 June 2022 by Cumpston Sarjeant Pty Ltd.

The reversionary nature of the lifetime pension (that is, surviving spouses and de facto partners receive a pension following the death of former members of the Legislative Assembly) means there will be pensions payable from the scheme for many years. The most important assumptions in determining the eventual employer liability are the rate of pension growth and longevity of pensioners.

Following 2019 reforms that transferred the LAMS fund to CHA, the obligation to make pension payments on an emerging-cost basis falls on CHA.

The liabilities of LAMS at 30 June 2022 were $77.4 million compared to $105.8 million at 30 June 2021. The liability decrease of $28.4 million is primarily attributable to:

- increased interest costs of $1.5 million
- increased costs of $0.5 million due to changes of liability experience
- an increase in the discount rate applied to value the liability (the 30 June 2022 discount rate was 3.69% while the 30 June 2021 discount rate was 1.49%), which reduced liability by $26.6 million
- a decrease of about $2.7 million in liability due to a change in the demographic assumptions
- an increase of $0.4 million due to changes in demographic assumptions relating to mortality improvement rates, partially offset by
- a decrease of $4.2 million due to benefit payments during the year.

Benefit payments are expected to be about $4.2 million in 2022-23, and will increase in nominal terms to about $4.5 million per annum by 2035 before starting to decrease from 2036.

The financial soundness of LAMS arises from the legislated guarantee that the Territory will pay benefit entitlements from CHA as they are due. This is an appropriate way to meet benefits in a public sector scheme, provided the extent and nature of the liabilities are disclosed and included within public sector accounts, as is the case with LAMS.

Administrators Pension Scheme

Scheme overview

The APS is established under the *Administrators Pensions Act 1981*. It was open from 1 January 1981 to 26 April 2006.

The APS is administered by the Commissioner and staff of the NTSO.

The APS provides former administrators of the Northern Territory a lifetime pension. For an administrator who served five years or more, the maximum pension amount is 60% of the annual basic salary of the current administrator (these salaries are regularly reviewed and set by the Commonwealth Remuneration Tribunal). For an administrator who served less than five years, their maximum pension is a pro-rata amount of 60% of the annual basic salary of the current administrator.

Under section 3E of the *Administrators Pensions Act 1981*, if an administrator received an assessment for the superannuation surcharge (a tax on superannuation contributions that applied between 1997 and 2005), the administrator could elect to have the Territory pay that tax liability in return for a reduction to their pension. This option was taken up by two former administrators.

Separately, under section 7 of the *Administrators Pensions Act 1981*, the amount of an administrator's pension is required to be reduced by the amount of any pension or retiring allowance payable to them in respect of any other remunerative activity they had undertaken, for example, an entitlement to a pension as a consequence of being a former judge of the Supreme Court of the Northern Territory. Similarly, if an administrator had received a superannuation lump sum in respect of other remunerative activity undertaken, this would also reduce his or her administrator's pension.

When an administrator or former administrator dies, his or her spouse or de facto partner is also entitled to a lifetime pension. That pension is two-thirds of the pension to which the administrator would have been entitled had they resigned immediately before their death, or if the former administrator was already receiving a pension, two-thirds of that pension.

Operational activity

As the APS is closed to new members, the only operational activity relevant to that scheme is ensuring pensions are paid correctly and reported properly to the ATO.

Membership profile

Three former administrators receive an APS pension and one spouse of a former Administrator receives a spouse's pension.

Benefit payments

Total APS pension payments during 2021-22 were $351,501, $400 more than the $351,104 paid in 2020-21.

Actuarial review

The last triennial actuarial review of the APS was performed as at 30 June 2022 by Cumpston Sarjeant Pty Ltd.

The triennial review dealt with the Territory's liabilities as pension sponsor under the APS, which are met on an emerging-cost basis. The future pension cash flows and accrued liabilities were projected to the year 2055.

The scheme started in 1981 and was closed to new members from 26 April 2006.

The review report indicated that at 30 June 2022, APS liabilities were $3.06 million compared with $3.3 million at 30 June 2021.

The decrease in liability of $0.24 million is primarily attributable to:

- an increase in the discount rate applied to value the liability (the 30 June 2022 discount rate was 3.69% while the 30 June 2021 discount rate was 1.49%), which reduced liability by $0.35 million
- expected movements in line with experience, decreasing liability by $0.3 million, partially offset by
- a change in mortality and mortality improvement rate, which increased the liability by $0.21 million.

Due to the age of APS pensioners, it is expected the scheme's cash flow will decline slowly over time, becoming zero by 2055.

Abbreviations and acronyms

AML/CTF	anti-money laundering and counter-terrorism financing
APRA	Australian Prudential Regulation Authority
APS	Administrators Pension Scheme
ASFA	Association of Superannuation Funds of Australia
ATO	Australian Taxation Office
AUSTRAC	Australian Transaction Reports and Analysis Centre
CHA	Central Holding Authority
CPI	consumer price index
DTF	Department of Treasury and Finance
ERF	eligible rollover fund
FIAA	Fellow of the Institute of Actuaries of Australia
HOGA	Heads of Government Agreement
LAMS	Legislative Assembly Members' Pension Scheme
LAMS Act	*Legislative Assembly Members' Pensions Act 1979*
NTCAT	Northern Territory Civil and Administrative Tribunal
NTG	Northern Territory Government
NTGDIS	Northern Territory Government Death and Invalidity Scheme
NTGPASS	Northern Territory Government and Public Authorities' Superannuation Scheme
NTPSBS	Northern Territory Police Supplementary Benefit Scheme
NTSO	Northern Territory Superannuation Office
NTSSS	Northern Territory Supplementary Superannuation Scheme
SIS Act	*Superannuation Industry (Supervision) Act 1993*