The Commissioner of Superannuation's

Annual Report

2019-20

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The Honourable Michael Gunner MLA
Treasurer
GPO Box 3146
Darwin NT 0801

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 2020:

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

Yours sincerely

James Richards
Commissioner of Superannuation
8 December 2020

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About this annual report

Welcome to the second 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 2019-20, 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.

Historically annual reports have been prepared for both NTGPASS and LAMS under their enabling legislation but not for NTSSS, NTGDIS or APS prior to 2019. Accordingly, this is the second time a report is provided for these schemes.

During the 2019-20 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 the 2019-20 financial year.

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

Management and administration reforms

There were no significant management or administration reforms affecting the NTG schemes during 2019-20.

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 in the *Actuarial services* section and explanations regarding why the liabilities have changed are in that scheme's *Actuarial review* section 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 and NTPSBS are summarised in Table 1 and comprise the Territory's liability to both current members and to former members who are yet to claim their benefits.

Table 1: Territory-funded scheme liabilities

	Liability at 30 June 2020	Liability at 30 June 2019
Scheme	$M	$M
NTGPASS	984.8	958.3
NTSSS	243.3	239.4
NTGDIS	114.0	104.8
LAMS	132.6	126.4
APS	3.9	4.1
NTPSBS	83.8	85.7

Commonwealth superannuation law reforms

The Commonwealth announced four significant measures affecting superannuation during 2019-20. While these measures do not directly affect any of the NTG schemes, they may impact the members of those schemes.

The first measure, which commenced on 1 January 2020, changed how a person's ordinary time earnings are calculated for the purpose of determining their superannuation guarantee entitlement and also changed which superannuation contributions are counted towards a person's entitlement to superannuation guarantee. Prior to the reform:

- a person's ordinary time earnings were reduced by any amounts salary sacrificed to superannuation
- the employer's obligation to pay superannuation guarantee was reduced by any amount the person salary sacrificed to superannuation, as those contributions were counted as being made by his or her employer.

From 1 January 2020:

- a person's ordinary time earnings are no longer reduced by any amount they salary sacrifice to superannuation
- the employer's obligation to pay superannuation guarantee is no longer reduced by any amount the person salary sacrifices to superannuation.

The second measure was the announcement the Commonwealth intended to require eligible rollover funds (ERFs) to transfer accounts with balances below $6000 to the Australian Taxation Office (ATO) by 30 June 2020, with ERFs required to transfer all remaining accounts to the ATO by 30 June 2021. However, this reform was not legislated during the year. Subsequently, as part of the Commonwealth's 2020-21 Budget (released on 6 October 2020), the proposal has been revised so ERFs will now be required to transfer accounts with balances below $6000 to the ATO by 30 June 2021, with all remaining accounts required to be transferred by 31 January 2022.

The third measure, which commenced in March 2020, was a superannuation guarantee amnesty. For employers to be eligible for the amnesty, they were required to have declared unpaid superannuation guarantee amounts to the ATO by 7 September 2020. To be eligible for the amnesty:

- unpaid superannuation must be for a quarter between 1 July 1992 and 31 March 2018
- the underpayment cannot have already been disclosed to the ATO
- the ATO cannot already be examining the shortfall.

Underpayments eligible for the amnesty are not subject to the ATO's administration charge ($20 per person per quarter of underpayment) or penalties (up to 200 per cent of the underpayment).

The final measure was introduced as part of the Commonwealth's Economic Response to COVID-19, allowing eligible individuals to withdraw up to $10 000 from their superannuation in 2019-20 and a further $10 000 in 2020-21. Unlike many superannuation withdrawals, if approved, the ATO did not deduct tax from the withdrawal amount. Of note is that this measure did not apply to any of the NTG schemes or NTPSBS as it does not apply to defined benefit schemes.

Eligible rollover fund

As part of amendments to the *Superannuation Act 1986* made in 2016, the Legislative Assembly approved that inactive, lost and unclaimed NTGPASS and NTSSS accounts could be transferred to an ERF. An ERF is a specialised superannuation fund dedicated to trying to reunite lost superannuation fund members and members not eligible to continue membership of a fund with their unclaimed superannuation.

The primary reason for engaging an ERF is to increase the chance lost members will be reunited with their superannuation.

Some unclaimed Territory benefit entitlement accounts under NTGPASS and NTSSS were established in the 1980s, though many were established in the 1990s. Many of these accounts are the result of short-term employment in the Territory by members who never maintained contact and for whom the NTSO has no current contact details.

In 2016, the Superannuation Trustee Board (STB) and Commissioner selected AUSfund as the ERF for lost and unclaimed NTGPASS and NTSSS accounts. As part of amendments to the NTPSBS Deed commencing on 19 June 2019, AUSfund also became the ERF for unclaimed NTPSBS benefits.

During the year, lost and unclaimed superannuation benefits of 791 unclaimed NTGPASS and NTSSS accounts worth a total of $3.81 million (compared to 226 accounts worth $3.58 million in 2018-19) were transferred to AUSfund.

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. An annual compliance report is 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 2 shows the range of member contacts (including seminar attendances, enquiries and service requests) with the NTSO in the 2019-20 financial year.

Table 2: NTSO member contacts during 2019-20

Event/topics	No. of enquiries
Benefit quote request	327
Scheme rules	4
Contributions	1
Taxation	2
Member information statement	4
Hardship	1
Invalidity	4
Death	1
Unclaimed benefits	966
COVID-19 early release	104
Total contacts	**1 414**

The NTSO did not hold any face-to-face member seminars during 2019-20, but intends doing so during 2020-21, providing this can be done safely in line with COVID-19 physical distancing requirements.

Online member information

The annual member information statement provides key information to each member of NTGPASS, NTSSS and the NTPSBS about his or her defined benefit, and for NTPSBS, his or her accumulation account balance. Member information statements from previous years can be viewed online by current members at ntgpass.nt.gov.au. Members must have access to ePASS to view the available information.

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.

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).

No applications were made to the Commissioner during 2019-20 for decisions to be reviewed.

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) under section 49G of that Act for a further review of the decision.

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

One review application was made to NTCAT during the year, with NTCAT deciding to uphold the Commissioner's decision (relating to a decision made in the previous financial year).

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 2019-20.

Compliance with Commonwealth superannuation legislation

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

All the 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 per cent on net investment earnings and net taxable contributions, and 10 per cent 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 has historically provided audit services to the funds associated with NTGPASS, LAMS and NTPSBS. The financial statements of each of these funds was required to be audited by the Auditor-General and tabled in the Legislative Assembly.

As a consequence of amendments made by the *Superannuation Legislation Amendment Act 2019*, the fund associated with LAMS ceased to exist on 12 April 2019 when its assets were transferred to the Central Holding Authority (CHA) and the fund associated with NTGPASS was transferred to Statewide Superannuation on 8 May 2019. As both of these funds no longer exist, the audit requirements were also removed from the *Legislative Assembly Members' Pension Act 1979* and the *Superannuation Act 1986*. Despite this, the Commissioner requested the Auditor-General to audit special-purpose financial statements for both the LAMS and NTGPASS funds on a one-off basis. Details of both audits were published in the Auditor-General's June 2020 report to the Legislative Assembly and did not raise any material issues. The Auditor-General also noted the financial balances of both schemes controlled by the Territory were subject to audit procedures as part of her audit of the Treasurer's Annual Financial Statements for the year ended 30 June 2019.

The requirement to audit the fund associated with the NTPSBS remains, with audited financial statements for that fund included in the NTPSBS Annual Report.

Actuarial services

Actuarial services for the NTG schemes are provided under a panel contract. The contract, which runs until 31 December 2020, has Cumpston Sarjeant Pty Ltd and PricewaterhouseCoopers Securities Ltd on the panel.

Details of the actuarial firms responsible for each NTG scheme are 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 prepare 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 to 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 associated with the different schemes.

The most recent actuarial review of each NTG scheme was undertaken as at 30 June 2020, 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, expected returns on scheme assets, inflation and the imputed cost of interest, which are set out in Table 3.

Table 3: Actuarial assumptions for valuing scheme liabilities as at balance date and for the following year

	30 June 2020	30 June 2019
Key assumption	%	%
Discount rate (gross of tax)	0.90	1.30
Short-term salary rate	2.50	2.50
Long-term salary rate	3.00	3.00
Expected return on scheme assets (net of tax)[1]	Nil	4.00
Inflation (pensions)	1.50	1.50
Imputed cost of interest	1.30	2.60
Tax rate for employer contributions	Nil	Nil

1 Expected return on scheme assets for 2018-19 has been adjusted as a result of the LAMS Fund closure on 12 April 2019.

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.

Prior to 8 May 2019, NTGPASS lump sum benefits comprised two components: a member accumulation component and a Territory-financed component.

The member accumulation component comprises member contributions, rollovers and investment earnings. Members are required to contribute either 2, 3, 4, 5 or 6 per cent of their contribution salary to their accumulation account from their after tax income. The member component was subject to recent reforms with all NTGPASS accumulation accounts transferred to Statewide Superannuation on 8 May 2019. The transfer of these funds did not change the rules or entitlements as they relate to members, that is, members must still make contributions (whether to Statewide Superannuation or another fund chosen by the member) and they remain entitled to a Territory-financed component.

The Territory-financed component is 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 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

On 14 August 2019, an amendment was made to the definition of 'benefit salary' in the NTGPASS Rules to ensure this figure would not be less than the average of a member's last three 'contribution salaries'. This outcome could occur if there was a decline (rather than growth) in Territory average weekly ordinary time earnings over a two-year period. Prior to the amendment, a member's benefit salary was the average of their last three contribution salaries after those salaries had been adjusted to full-time equivalent values and indexed by Northern Territory average weekly ordinary time earnings to current values. Following the amendment, a member's benefit salary is the greater of:

- the average of his or her last three contribution salaries after those salaries have been adjusted to full-time equivalent values and indexed by Territory average weekly ordinary time earnings to current values
- the arithmetic average of his or her last three contribution salaries after those salaries have been adjusted to full-time equivalent values.

Operational activity

Table 4 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 4: NTSO performance

	2019-20 Target	2019-20 Actual
Benefits processed[1]	1 750	1 846
Member statements issued within approved timeframes	100%	100%
Average days to make benefit payments:		
– from date of receipt of all information[2]	30	8
– where there is a delay in the receipt of information[3]		18

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

Benefit payments

Table 5 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 2019-20, 164 superannuation benefits were paid, totalling $65.02 million, $92.93 million less than the 334 benefits paid in 2018-19. The reduced number of benefits and their value is primarily attributable to there being fewer resignations and age retirements during 2019-20, as well as the successor fund transfer of all NTGPASS accumulation accounts to Statewide Superannuation on 8 May 2019.

Table 5: Total NTGPASS benefits paid for the year ended 30 June

	2019-20		2018-19			
Type of benefit	Members	Total paid[1]	Members	Accumulation account	Territory-funded	Total paid
	No.	$M	No.	$M	$M	$M
Resignation	29	10.24	45	5.75	13.72	19.47
Age retirement	106	44.94	149	40.65	58.92	99.57
Retrenchment	16	6.65	36	11.33	16.14	27.47
Invalidity	3	0.96	3	0.62	1.02	1.64
Death	2	1.00	6	1.16	1.97	3.13
Anti-detriment[2]	–	–	1	–	0.01	0.01
Family law split	8	1.23	4	0.52	0.87	1.39
Retained[3]	–	–	90	5.49	–	5.49
Total	**164**	**65.02**	**334**	**65.52**	**92.65**	**158.17**

1 2019-20 values in Table 5 represent payments in respect of Territory-funded benefits only, as all accumulation accounts within the NTGPASS fund transferred to Statewide Superannuation on 8 May 2019.
2 Anti-detriment payments are paid with death benefits to offset the contributions tax paid on a benefit. Following changes to income tax legislation, these payments only apply to deaths before 1 July 2017 and can no longer be paid after 30 June 2019.
3 Retained accounts relate to the unclaimed NTGPASS benefits of former members where the Territory-financed component of their NTGPASS benefit was paid into their member accumulation account. Retained accounts have ceased to exist from 8 May 2019, when the NTGPASS fund was transferred to Statewide Superannuation.

Membership profile

During the year, active membership of NTGPASS decreased by 6.7 per cent from 2346 to 2189 due to members claiming their benefits and exiting the scheme. In contrast, in 2018-19 active membership decreased by 8.9 per cent from 2575 to 2346.

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 6 illustrates the changes in active NTGPASS membership.

Table 6: Changes to active NTGPASS members

	2019-20	2018-19
Active members at beginning of period	2 346	2 575
Less exits:		
Resignation	29	40
Age retirement	95	131
Retrenchment	17	38
Invalidity	2	4
Death	6	3
Opt out	8	13
Total exits	157	229
Members at 30 June	**2 189**	**2 346**

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 per cent of their contribution salary to their nominated complying superannuation fund. Prior to 8 May 2019, these contributions were required to be paid into the member's account within the NTGPASS fund.

Of active members, 85.5 per cent on 30 June 2020 (85 per cent on 30 June 2019) chose to contribute at the highest rate of 6 per cent.

Membership by age and gender

Women continue to represent the majority of active members at 63.7 per cent of the total membership. Just under half (49.4 per cent) of active members are in the 50 to 59 age group, with 23.7 per cent under age 50 and 26.9 per cent aged 60 and over.

Actuarial review

The last triennial actuarial review of NTGPASS was performed as at 30 June 2019 by Catherine Nance FIAA, from PricewaterhouseCoopers Securities Ltd and the results were provided in her report dated 30 August 2019.

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.

Accrued liabilities of NTGPASS were updated by Ms Nance in a report dated 18 September 2020. That report indicated that at 30 June 2020, the accrued liability estimate for the year was $978.6 million, compared to a liability estimate of $953.2 million at 30 June 2019. The $25.4 million increase in accrued liability is due to:

- increased interest costs of $12.0 million
- increased accruing costs of $40.4 million
- increases of $39.1 million due to changes in the valuation basis and experience, explained as follows:
  - an increase of 3.2 per cent ($30.2 million) due to the change in the discount rate, which has decreased from 1.3 per cent on 30 June 2019 to 0.9 per cent per annum on 30 June 2020
  - the impact of returning to the long-term salary increase assumption of 3.0 per cent per annum in one year rather than two years, increasing the liability by 0.7 per cent ($6.2 million)
  - an increase of 0.3 per cent ($2.8 million) due to experience differing from expectations
- less member exits during the year, with those members entitled to benefit payments of $66.1 million (with not all benefits paid during the financial year).

The employer cash flow (entitlement to benefit payments) for the year ended 30 June 2020 was $66.1 million (excluding invalidity and death benefits paid by the Territory). Over the longer term, using a forecast discount rate of 3.0 per cent, rather than the current discount rate of 0.9 per cent, it is expected the cash flow will be higher next year ($93.9 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 2019-20 information as shown in Table 7.

Table 7: Estimated NTGPASS Territory-financed benefit costs, year to 30 June

	Estimated cash flow	Estimated accrued liability
	$M	$M
2021	93.9	799.4
2025	81.9	674.5
2030	74.7	469.9
2035	57.6	257.8
2040	32.5	99.3
2045	11.2	20.7
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 the then 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 per cent 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 per cent 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.

Operational activity

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

- recording member service and salary details, to enable benefits to be calculated and paid
- calculating and reporting member benefits at different points in time (for example, for proceedings under the *Family Law Act 1975*, at 30 June each year when providing the ATO with account information and members with their annual statement)
- calculating and paying member benefits when members claim those benefits
- explaining benefit calculations and scheme rules to members and their financial advisers.

Membership profile

Members of NTSSS are those members who have been employed by an employer covered by NTSSS (the Territory Government and certain Territory Government public authorities) who are eligible to receive an NTSSS benefit. Table 8 illustrates changes in NTSSS membership. Of note is that 8617 accounts were created in 2017-18 following a review of historical payroll records. These accounts relate to the service of past employees prior to 10 August 1999.

Table 8: Changes to NTSSS membership

	2019-20	2018-19
Members at beginning of period	11 294	12 814
Plus new accounts	–	4
Less exits:		
Resignation	1 101	845
Age retirement	526	623
Retrenchment	17	42
Invalidity	4	3
Death	25	8
Other[1]	–	3
Total exits	1 674	1 524
Members at 30 June	**9 620**	**11 294**

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

Women represent the majority of NTSSS members at 63.5 per cent of total membership (66.5 per cent in 2019). Of the total NTSSS members, 49.9 per cent are in the 50 to 59 age group, with 22.6 per cent under age 50 and 27.5 per cent aged 60 and over.

Benefit payments

Table 9 reports on the number and type of NTSSS benefits paid during the last two financial years, as well as their value.

Table 9: Total NTSSS benefits paid for the year ending 30 June

	2019-20		2018-19	
Type of benefit	No. of benefits	Total paid $	No. of benefits	Total paid $
Resignation	1 107	4 133 312	845	5 395 889
Age retirement	530	11 881 714	623	14 211 915
Retrenchment	17	1 521 854	42	4 032 920
Invalidity	4	206 711	3	234 410
Death	24	238 229	8	408 644
Total	**1 682**	**17 981 821**	**1 521**	**24 283 778**

Note: the majority of the NTSSS benefit payments in Table 9 relate to periods of employment prior to the financial year in which they were paid. That is, 1524 of the benefits paid in 2019-20, with a value of $3 555 662, relate to members whose employment ended before the 2019-20 financial year, and 1282 of the benefits paid in 2018-19, with a value of $3 366 873, relate to members whose employment ended before the 2018-19 financial year.

Actuarial review

The last triennial actuarial review of the NTSSS scheme was performed as at 30 June 2019 by Catherine Nance FIAA, from PricewaterhouseCoopers Securities Ltd and the results were provided in her report dated 30 August 2019.

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 2055.

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

Accrued liabilities of NTSSS were updated by Ms Nance in a report dated 18 September 2020. That report indicated that at 30 June 2020, the accrued liability estimate for the year was $239.1 million, compared to a liability estimate of $234.6 million at 30 June 2019. The $4.5 million increase in accrued liability is due to:

- increased interest costs of $2.9 million
- increased accruing costs of $9 million
- increases of $13 million due to changes in the valuation basis and experience, explained as follows:
  - an increase of 3.3 per cent ($7.6 million) due to the change in the discount rate, which has decreased from 1.3 per cent on 30 June 2019 to 0.9 per cent per annum on 30 June 2020
  - the impact of returning to the long-term salary increase assumption of 3 per cent per annum in one year rather than two years, increasing the liability by 0.6 per cent ($1.4 million)
  - an increase of 1.8 per cent ($4 million) due to experience differing from expectations
- less member exits during the year, with those members entitled to benefit payments of $20.4 million (with not all these payments made during the financial year).

The employer cash flow (entitlement to benefit payments) for the year ended 30 June 2020 was $20.4 million. Over the longer term, using a forecast discount rate of 3.0 per cent, rather than the current discount rate of 0.9 per cent, it is expected the cash flow will be higher next year ($22.4 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. 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 the workers compensation payments.

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

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

Operational activity

The primary operational activities relevant to NTGDIS are:

- providing advice regarding the scheme's operation and member entitlements to members, 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 2020 is set out in Table 10.

Table 10: NTGDIS membership and benefits profile at 30 June

	2020	2019
Female members	12 512	12 460
Male members	6 643	6 487
Average age (years)	40.1	39.1
Total annual salary of all members	$1 917M	$1 837M
Average annual salary	$100 072	$96 967
Total death/invalidity cover[1]	$8.0B	$7.7B
Average death/invalidity cover	$417 823	$406 330

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 2020 is set out in Table 11.

Table 11: NTGDIS benefit payments up to 30 June

	2020	2019
Death benefits		
Number paid	9	5
Value of benefits ($)	3 142 116	568 755
Invalidity benefits		
Number paid	4	2
Value of benefits ($)	529 492	423 926

Actuarial review

The last triennial actuarial review of NTGDIS was performed as at 30 June 2019 by Catherine Nance FIAA, from PricewaterhouseCoopers Securities Ltd and the results were provided in her report dated 30 August 2019.

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 per cent 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.

Accrued liabilities of NTGDIS were updated by Ms Nance in a report dated 18 September 2020. That report indicated that at 30 June 2020, the accrued liability estimate for the year was $96.1 million, an increase from $88.2 million at 30 June 2019. The $7.9 million increase in accrued liability is due to:

- increased interest costs of $1.1 million
- increases of $11.1 million due to changes in the valuation basis and experience, explained as follows:
  - an increase of 4.2 per cent ($3.9 million) due to the change in the discount rate, which has decreased from 1.3 per cent on 30 June 2019 to 0.9 per cent per annum on 30 June 2020
  - the impact of returning to the long-term salary increase assumption of 3 per cent per annum in one year rather than two years, increasing the liability by 0.5 per cent ($0.4 million)
  - an increase of about 8.0 per cent ($6.8 million) due to a change in the level of cover being provided ($7.7 billion at June 2019 to $8 billion at June 2020). This is mainly due to the increase in the number of NTGDIS members over the year of 1.1 per cent and the increase in average salary, which for continuing members was 3.2 per cent (0.7 per cent higher than expected)
- less member exits during the year, with those members entitled to benefit payments of $4.3 million.

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, 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 the superannuation guarantee paid to their nominated complying superannuation fund.

Prior to 12 April 2019, the LAMS Act required members and the Territory to contribute to a fund established under that Act (the LAMS fund), which was invested to provide member benefits. The STB was the trustee of the LAMS fund and responsible for administration of the LAMS Act. The Commissioner and staff of the NTSO undertook the day-to-day operations of LAMS and management of the LAMS fund on behalf of the STB. Members contributed 11.5 per cent of their basic and additional salary to the fund. The amount the Territory was required to contribute was determined in accordance with actuarial advice.

As part of administration and management reforms enacted by the *Superannuation Legislation Amendment Act 2019*, which commenced on 12 April 2019:

- the LAMS fund was closed, with its assets and liabilities transferred to CHA
- future member contributions are payable to CHA, rather than the LAMS fund
- LAMS superannuation benefits and pensions are paid from CHA, rather than the LAMS fund
- responsibility for administration and management of LAMS transferred from the STB to the Commissioner.

These reforms did not change the defined benefits provided under LAMS, which are either:

- a lifetime pension for members who have been elected on at least three occasions to the Legislative Assembly and who have served eight years. Members may 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 interest for members who do not meet the eligibility criteria for a pension.

The surviving spouse/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/de facto partners may also receive a LAMS defined benefit in accordance with the superannuation-splitting provisions of the *Commonwealth Family Law Act 1975*.

Operational activity

As LAMS is closed to new members, the only operational activities relevant to this scheme during 2019-20 were ensuring pensions were paid correctly and reported properly to the ATO, and that contributions from the last contributing member were received by CHA.

Prior to 12 April 2019, the STB was responsible for managing and investing the LAMS fund. This activity ceased when the LAMS fund transferred to CHA.

Membership profile

Active members of LAMS are those members elected to the Northern Territory Legislative Assembly who are eligible to make contributions under the LAMS Act. The remaining members of LAMS are pensioners who are either former members of the Legislative Assembly, the surviving spouses/de facto partners or ex spouses/de facto partners of former members of the Legislative Assembly, or a pensioner whose pension has been suspended following re-election to the Legislative Assembly.

Table 12 provides details of the membership of LAMS, broken down by member category, at 30 June.

Table 12: Changes in LAMS membership at 30 June

	2020	2019
Former assembly member pensioners	32	32
Spouse/de facto pensioners	3	3
Ex spouse/de facto pensioners	2	2
Contributing members	1	1
Suspended pensioners	1	1
Total	**39**	**39**

Benefit payments

During 2019-20, LAMS pensions totalled $4.07 million, an increase from the $4.04 million paid in 2018-19.

Actuarial review

The triennial actuarial review of LAMS was carried out as at 30 June 2019 by John Rawsthorne FIAA of Cumpston Sarjeant Pty Ltd with the results presented in his report dated 15 August 2019.

The scheme opened in 1979, was closed to new members in 2005, and the contributory membership has decreased quickly since. The reversionary nature of the lifetime pension (that is, transfers to a spouse on death of the member) means there will be pensions payable from the scheme for many years, despite only one active contributing member remaining as at 30 June 2019. The most important assumptions in determining the eventual employer liability are the rate of future salary and pension growth, and the longevity of pensioners.

The financial operation of LAMS was modified on 12 April 2019 – the fund that held the LAMS assets ceased to exist and assets were transferred to CHA. The obligation to make benefit payments now falls upon CHA, to be made on an emerging-cost basis, and member contributions are paid directly into CHA. Consequently, LAMS changed from being a funded scheme to an unfunded scheme.

Accrued liabilities of LAMS were updated by Mr Rawsthorne in a report dated 11 August 2020. The liabilities of LAMS at 30 June 2020 were $132.6 million compared to $126.4 million at 30 June 2019. The liability increase of $6.2 million is primarily attributable to a reduction in the discount rate applied to value the liability (the 30 June 2020 discount rate was 0.9 per cent while the 30 June 2019 discount rate was 1.3 per cent) (+$8.3 million) partially offset by pensioners being a year older (and so decreasing the Territory's liability to pensioners) (-$2.5 million) .

Benefit payments are expected to be about $4.3 million in 2020-21, and will increase in nominal terms to about $5.0 million per annum by 2032 before starting to decrease from 2036.

The financial soundness of LAMS 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 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 per cent 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 per cent 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, their 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.

The *Administrators Pensions Act 1981* also contains rules regarding who will receive a pension in the event an Administrator or former Administrator dies, leaving both a spouse and a de facto partner.

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 2019-20 were $352 778, an increase from the $338 679 paid in 2018-19.

Actuarial review

The last triennial actuarial review of the APS was performed as at 30 June 2019 by John Rawsthorne FIAA, from Cumpston Sarjeant Pty Ltd and the results were provided in his report dated 15 August 2019.

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.

Accrued liabilities of APS were updated by Mr Rawsthorne in a report dated 11 August 2020. The report indicated that at 30 June 2020, APS liabilities were $3.9 million compared to $4.1 million at 30 June 2019. The liability decrease is attributable to lower than expected salary and CPI increases. 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
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*
MLA	Member of the Legislative Assembly
NTCAT	Northern Territory Civil and Administrative Tribunal
NTG	Northern Territory Government
NTGPASS	Northern Territory Government and Public Authorities' Superannuation Scheme
NTGDIS	Northern Territory Government Death and Invalidity 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*
STB	Superannuation Trustee Board