

NORTHERN TERRITORY GOVERNMENT
AND PUBLIC AUTHORITIES'
SUPERANNUATION SCHEME

ANNUAL REPORT



2016-17

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PUBLIC AUTHORITIES' SUPERANNUATION SCHEME

Annual Report

2016-17

Published by the Department of Treasury and Finance

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ISSN 1032-1241 (print)

ISSN 2204-5848 (online)

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The Honourable Nicole Manison MLA
Treasurer
GPO Box 3146
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Dear Treasurer

In accordance with the provisions of section 43 of the *Superannuation Act*, we are pleased to provide to you:

- the report of the Commissioner of Superannuation and the Superannuation Trustee Board on the operation and management of the Northern Territory Government and Public Authorities' Superannuation Scheme for the financial year ended 30 June 2017
- the audited financial statements of the Northern Territory Government and Public Authorities Employees' Superannuation Fund for the financial year ended 30 June 2017.

Yours sincerely



David Ryan
Acting Commissioner of Superannuation
25 October 2017



Kathleen Robinson
Chairperson, Superannuation Trustee Board
25 October 2017

Table of Contents

About this Annual Report	2
Report of the Commissioner of Superannuation and the Superannuation Trustee Board	3
Year in Review	4
Output Performance	6
Future Priorities	6
Fund Performance	6
Investments	8
Scheme Performance	13
Membership Profile	15
Governance	16
Summary of the Report of the Actuarial Investigation of the Scheme	22
Financial Statements	23
Overview of the Financial Statements	24
Independent Auditor's Report to Trustee Board	25
Statement by the Superannuation Trustee Board	27
Statement of Financial Position	28
Income Statement	29
Statement of Changes in Member Benefits	30
Statement of Changes in Equity	31
Statement of Cash Flows	32
Notes to the Financial Statements	33

About this Annual Report

Welcome to the Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS) Annual Report. NTGPASS was established by the *Superannuation Act* and provides superannuation benefits for eligible persons employed by the Northern Territory Government and certain public authorities. NTGPASS commenced operation on 1 October 1986 and was closed to new members on 9 August 1999.

Objective

The objective of this Annual Report is to provide information on the operations of NTGPASS to the Treasurer (as the Minister responsible for superannuation matters), to members and other interested parties. This includes information on the administration of NTGPASS as well as the management, financial position and investment performance of the Northern Territory Government and Public Authorities Employees' Superannuation Fund (fund).

Financial statements provided include the audited Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements as at 30 June 2017.

Reporting Requirements

The *Superannuation Act* requires, within six months of the end of each financial year, that:

- the Commissioner of Superannuation provides a report to the Treasurer on the operation and management of NTGPASS; and
- the Superannuation Trustee Board (STB) provides a report to the Treasurer on its operations during the year and audited financial statements in respect of the fund.

The Treasurer is then required to table the reports, together with the financial statements and the Auditor-General's report of the audit, in the Legislative Assembly within six sitting days of receiving the last of these reports.

Report of the Commissioner of
Superannuation and the
Superannuation Trustee Board

Year in Review

Fund Performance

All NTGPASS investment options recorded strong investment returns in 2016-17, with a return for the default growth option of 10.63 per cent.

Eligible Rollover Fund

As part of the amendments to the *Superannuation Act* made in 2016, the Legislative Assembly approved that inactive, lost and unclaimed accounts could be transferred to an eligible rollover fund (ERF). The primary reason for engaging an ERF is to provide a solution to the large number of unclaimed and lost NTGPASS accounts. Some of these accounts were established in the 1980s, though many were established in the 1990s. Many of these unclaimed accounts are the result of short-term employment in the Northern Territory by members who never maintained contact and for whom the Northern Territory Superannuation Office (NTSO) has no current contact details.

The Superannuation Trustee Board has selected AUSfund as the ERF for lost and unclaimed NTGPASS accounts. During the year the lost and unclaimed superannuation benefits of 345 former Territory Government employees, worth a total of \$3.5 million, were transferred to AUSfund.

Superannuation Changes

Changes to a number of superannuation rules had been proposed in the federal budget handed down 3 May 2016. During 2016-17 year many of these proposals were amended and became law. Members will be advised through the NTSO website of any of these legislative amendments that may impact NTGPASS.

SuperStream

SuperStream is a package of measures designed to enhance the 'back office' of superannuation, primarily involving electronic transmission of information between superannuation funds. The NTSO implemented a SuperStream compliant information technology solution during 2013-14, allowing the majority of NTGPASS superannuation benefit payments to be made via SuperStream.

In 2016-17, the NTSO successfully implemented the following enhancements to the SuperStream framework as required by the Australian Tax Office (ATO):

- rollover data and payment standard version 2.0
- electronic portability form version 2.0
- government to business contributions (G2B).

The ATO is currently developing additional reporting requirements that will use the SuperStream framework operating across the superannuation industry. These measures, set out below, are designed to move superannuation funds from annual to real-time event-based reporting.

Member Account Attribute Service (MAAS) – This service is expected to be deployed in the first quarter of 2018. The service will replace the annual lodgement of lost member statements and provide the infrastructure for superannuation funds to report open/closed accounts to the ATO in real time.

Member Account Transaction Service (MATS) – The aim of this service is to provide greater visibility of contributions received by superannuation funds. Member data on contributions reported to the ATO will in future be at event/transactional level as opposed to the current method where contributions are rolled up and reported on an annual basis. This service is scheduled to be deployed in the third quarter of 2018.

Anti-Money Laundering and CounterTerrorism 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 that are designed to combat money laundering and terrorism financing activities.

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

The AML/CTF program, implemented by the NTSO in early 2008, is reviewed annually and updated as appropriate. An annual compliance report is submitted to AUSTRAC by the end of March each year.

Member Education

The NTSO aims to provide information to assist members in understanding their NTGPASS entitlements. Information covering matters such as investment options is available on the website along with a range of publications including forms and fact sheets. Information is kept up to date and new items are developed as required.

NTSO staff engage with members over the phone, via 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.

Website

The NTSO website is a source of information for NTGPASS members. The website is regularly updated for investment returns, 'What's New' information, slides from member information seminars and changes made to forms and fact sheets.

Annual Report

This report is available electronically, via website download or email. Summarised information is produced in the Report to Members, which is also available on the website.

Memberships

Association of Superannuation Funds of Australia

The Association of Superannuation Funds of Australia (ASFA) is a national not-for-profit and apolitical organisation that represents the interests of superannuation funds, trustees and members. 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.

Australian Institute of Superannuation Trustees

The Australian Institute of Superannuation Trustees (AIST) is an independent professional body and registered training organisation offering a range of services for the superannuation industry, including professional development, national and international training, events, compliance services and member support.

STB members and senior staff from the NTSO have continued their membership of AIST. Membership offers discounted prices for training and events. A STB member attended the annual Conference of Major Superannuation Funds hosted by AIST in March 2017.

Australian Centre for Corporate Responsibility

The Australasian Centre for Corporate Responsibility (ACCR) is a not-for-profit association whose mission is to promote informed shareholder engagement and advocacy for more just and sustainable corporate activity. ACCR researches corporate activity and assists clients to use the research. The ACCR promotes ethical investment and aims to empower stakeholders in corporate Australasia.

Administration

Online member information statements

The annual Member Information Statement provides key information to members about their accumulation account and defined benefit. Member Information Statements from previous years can be viewed online by current Territory Government employees at ntgpass.nt.gov.au. Members must have access to ePASS to view the available information.

Output Performance

The following summary reports on the progress of priorities identified for 2016-17.

Priorities for 2016-17	Results in 2016-17
Commence transferring inactive, lost and unclaimed accounts to AUSfund, an ERF, in 2016-17.	Achieved – during the year the lost and unclaimed superannuation benefits of 345 former Territory Government employees, worth a total of \$3.5 million, were transferred to AUSfund.
Amend superannuation scheme rules to improve efficiency and remove redundant or superseded terms or requirements.	Ongoing – under review

Future Priorities

- Eligible rollover fund – continue transferring inactive, lost and unclaimed accounts to AUSfund in 2017-18.
- Superannuation schemes rules – review and amend rules to improve efficiency and remove redundant or superseded terms or requirements.
- SuperStream compliance – update NTSO systems and processes to ensure they remain SuperStream compliant.

Fund Performance

2016-17 Investment Returns

NTGPASS is an exempt public sector superannuation scheme and therefore is not regulated by the Australian Securities and Investments Commission (ASIC). Nonetheless, for information purposes, long-term returns (that is, five-year, 10-year and since inception), calculated as the compound average effective rate of net earnings, have been calculated consistently with the financial services regulations that are overseen by ASIC.

Table 1 details the fund's investment returns for 2016-17, as well as the average annual return (compound average effective rate of net earnings) since each option commenced. Options have been introduced at different times since 2007 and this information is provided in note form. The returns reported in Table 1 assume investment in that option for the full year.

Five-year and 10-year average returns to 30 June 2017 are calculated for all superannuation options other than managed cash, which was introduced in March 2009. The growth option is the only option that has been available for more than 10 years, with an average return of 4.76 per cent per annum over 10 years and 8.42 per cent per annum since inception.

Table 1: 2016-17 Investment Returns

Investment option	2017	2016	5-year average	10-year average	Since inception
	%	%	%	%	%
Superannuation					
Managed cash ¹	1.92	1.76	2.13	-	2.76
Conservative ²	4.93	2.31	5.79	4.39	4.39
Cautious ²	7.27	2.51	7.83	4.89	4.89
Growth (default) ³	10.63	1.66	10.40	4.76	8.42
Assertive ²	12.43	1.07	11.46	4.94	4.94
Aggressive ²	15.14	0.08	12.90	4.82	4.82

Commencement dates: (1) March 2009; (2) July 2007; (3) 1986

Table 2 reports the net return over the last five years for the superannuation growth option after accounting for the effect of inflation, as measured by the consumer price index (CPI).

Table 2: Growth Option Investment Returns After Inflation

	2017	2016	2015	2014	2013	5-year average
	%	%	%	%	%	%
Investment return	10.63	1.66	10.79	14.04	15.40	10.40
CPI	1.90	1.00	1.50	3.00	2.40	1.96
Real rate of return	8.57	0.65	9.15	10.72	12.70	8.28

Note: Real rate of return = $\frac{\text{Investment returns} - \text{CPI}}{1 + \text{CPI}}$

Market performance

Global share markets performed strongly during the year, despite the political and geopolitical issues associated with elections in the USA, the UK and France, as well as instability on the Korean peninsula and terror attacks in Europe. The Australian share market returned a strong 13.8 per cent for the year. Bond yields traded in a narrow range, with Australian and global nominal bond returns all positive for the year. Global listed property returns (hedged) were positive for the year. All of these factors contributed to strong NTGPASS investment returns in the year. Interest rates remained at historically low levels around the globe for much of the year, with Australia's official cash rate finishing the year at 1.50 per cent.

Value of Fund's Investments

The value of the fund's investments represents the cumulative value of the fund's cash (and cash equivalents) as well as its investments in unit trusts and life policies. This value does not include the value of the employer-sponsor receivables (i.e. the Territory Government's liability) or other assets. Table 3 details the value of the fund's investments over the five years to June 2017.

The increase in asset values for 2013-14 and 2016-17 reflect the strong investment returns received during those years. The \$62.5 million fall in investment values for the 2014-15 year was largely due to the \$101 million transfer of NTGPASS pension accounts on 31 January 2015, partially offset by strong investment returns. The \$401.1 million fall in investment values for the 2015-16 year was largely due

to the \$278 million transfer of adherent accounts through a successor fund transfer to Sunsuper on 15 February 2016, as well as other adherent members rolling out to other superannuation funds prior to that transfer. The change in investment composition (from investments in life policies to investments in trusts) that occurred in May 2016, was required as a consequence of changes to the manner in which the fund's investment advisor operated its business.

Table 3: Five-Year Summary of the Value of the Fund's Investments as at 30 June

Investments	2017	2016	2015	2014	2013
	\$M	\$M	\$M	\$M	\$M
Cash and cash equivalents	1.9	1.8	0.4	1.5	5.7
Investments in life policies	-	-	947.3	1 007.5	888.3
Investments in trusts	573.8	545.4	0.6	0.8	1.1
Total value of investments	575.7	547.2	948.3	1009.8	895.1

The fund's net assets, after taking into account all assets and liabilities, is set out in the Statement of Financial Position at page 28.

Investments

Investment Returns

Returns for superannuation accounts are calculated and applied weekly. The current and historical NTGPASS investment returns are published on the NTSO website. Net earnings of the fund are distributed among members.

Investment Choices

Members have six investment options from which to choose. Premixed asset allocations have been determined for each option, containing a different mix of growth assets (property and shares) and defensive assets (fixed interest and cash). To improve diversity and reduce risk, low correlation and multi-asset strategies have been introduced into several investment options.

Superannuation members can choose one option for their account balance and another option for their future contributions. Where superannuation members do not choose an investment option, their member accounts continue to be invested in the growth (default) option. Members are able to change (switch) the option in which their accumulation account is invested.

Table 4 shows the distribution of member funds across investment choices for superannuation accounts as at 30 June 2017. The majority of NTGPASS members remain in the growth investment option. A total of 54 requests for superannuation account investment switches were processed during the year.

Table 4: Member Investment Choice

Investment option	Superannuation accounts % of funds
Managed cash	1.21
Conservative	1.69
Cautious	1.69
Growth (default)	90.58
Assertive	1.39
Aggressive	3.44
Total	100.00

Note: Includes creditors who have ceased employment but not claimed their benefit.

Return and Risk Objectives

Each investment option has a return and risk objective to assist members in choosing the investment option with the asset allocation that best suits their personal circumstances and appetite towards investment risk.

The return objective for an investment option is the net return (that is, after fees and taxes) that the option is expected to achieve above the rate of inflation (as measured by the increase in CPI) over rolling five-year periods. For example, the return objective for the growth option is expected to be at least 3 percentage points higher than inflation, when measured over a rolling five-year period.

Table 5 details the results of each option measured against their return objectives. For 2016-17, the five-year average CPI is 1.96 per cent. The five-year average return exceeds the target for all options other than managed cash, therefore all options other than managed cash have met return objectives. This five-year average is calculated on a simple average basis, which is different to the compound average approach under the financial services regulations.

Table 5: Return objectives for investment options

Investment option	Return objective	5-year average ¹	Objective met
Managed Cash	CPI + 0.5% = 2.46% pa	2.13%	No
Conservative	CPI + 2.0% = 3.96% pa	5.81%	Yes
Cautious	CPI + 2.5% = 4.46% pa	7.87%	Yes
Growth (default)	CPI + 3.0% = 4.96% pa	10.50%	Yes
Assertive	CPI + 3.5% = 5.46% pa	11.60%	Yes
Aggressive	CPI + 4.0% = 5.96% pa	13.12%	Yes

CPI = consumer price index; pa = per annum

¹ Actual rate of return on investment option.

The standard risk measure (SRM) objective on an investment option is expressed as an average number of years out of 20 where the option is expected to have a negative return. For example, the growth option is expected, on average, to have a negative return 4 out of every 20 years.

Table 6 details the results of each option measured against its risk objectives. The conservative, cautious and aggressive options have not met their SRM objectives, as negative returns have been experienced more frequently than the expected target.

Table 6: Original and new risk objectives

Investment option	Previous risk objective	Result	Objective met	SRM objective	SRM result	Objective met
Managed cash	Low probability	0 in 9 years	Yes	0.0 in 20 years	0.0 in 20 years	Yes
Conservative	1 in 7 years	1 in 10 years	Yes	1.5 in 20 years	2.0 in 20 years	No
Cautious	1 in 4.5 years	2 in 10 years	Yes	2.5 in 20 years	4.0 in 20 years	No
Growth (default)	1 in 4 years	3 in 31 years	Yes	4.0 in 20 years	1.9 in 20 years	Yes
Assertive	1 in 3.5 years	2 in 10 years	Yes	4.5 in 20 years	4.0 in 20 years	Yes
Aggressive	1 in 3 years	3 in 10 years	Yes	5.0 in 20 years	6.0 in 20 years	No

In November 2015 STB resolved to present the fund's risk objectives on a comparable basis to Australian Prudential Regulation Authority (APRA)-regulated superannuation entities. The investment risk objectives for the different investment options in the fund are presented in both the former format and using SRM – the industry standard.

Growth Option

More than 90.58 per cent of members' accounts are invested in the growth (default) option, which allocates approximately 75 per cent of the invested amounts to growth assets (shares and property)

and 25 per cent to defensive assets (cash and fixed interest). As noted in Table 7, the return and risk objectives for this option are to achieve a net return greater than CPI plus 3 per cent over rolling five-year periods and to limit the probability of a negative return to 4 out of every 20 years, on average. The key drivers to achieve the objective are the strategic asset allocation (to growth versus defensive assets) and the performance of the underlying investment markets in which these assets are invested.

Over the past 30 years the fund has exceeded expectations, with only three negative returns in 30 years.

Investment Manager Structure

JANA Investment Advisers Pty Ltd (JANA) is the implemented investment consultant for NTGPASS. In its role as consultant to STB, JANA provides advice on investment objectives and strategies, and selects and monitors investment managers. JANA provides advice on risk and asset allocation and reports quarterly to STB on this as well as investment performance. As part of risk management, JANA applies a range of stress testing (scenario analysis) to the NTGPASS portfolio. JANA also undertakes regular portfolio rebalancing to bring the actual asset mix in line with the target allocations set out in Table 7. JANA aims to keep the actual asset allocation of each investment option in the fund within plus or minus 5 per cent of the target allocation. The asset allocation ranges are continually monitored to ensure they are within targets.

JANA appoints investment managers across different asset classes, such as international and Australian shares, property and fixed interest securities. This creates a diversified portfolio that helps minimise risk and produce positive long-term returns. As at 30 June 2017, JANA's investment structure utilised 44 investment managers.

JANA's managers hold around 2000 bonds and invest in shares in around 1500 different companies across 60 industries and in over 40 countries.

Table 7: The Six Investment Options as at June 2017

Managed cash	Conservative		Cautious		
To provide greater assurance on the security of assets by investing in cash investments with an expectation to achieve low long-term returns	To provide limited volatility in investment value by investing primarily in cash and fixed interest investments		To provide a balanced mix of assets, steady long-term returns and a low level of investment volatility		
Return objective	Return objective		Return objective		
A high probability that the net return ¹ will exceed the increase in CPI over 5-year rolling periods by at least 0.5 per cent per annum	A high probability that the net return ¹ will exceed the increase in CPI over 5-year rolling periods by at least 2 per cent per annum		A high probability that the net return ¹ will exceed the increase in CPI over 5-year rolling periods by at least 2.5 per cent per annum		
Risk objective	Risk objective		Risk objective		
A low chance of a negative annual return	Limit the probability of a negative annual return to 1.5 years in every 20 years, on average		Limit the probability of a negative annual return to 2.5 years in every 20 years, on average		
Asset mix	Asset mix		Asset mix		
	Target		Target	Target	
	%		%	%	
Growth assets	0.0	Growth assets	30.0	Growth assets	50.0
Property	0.0	Property	3.0	Property	5.0
Australian shares	0.0	Australian shares	9.0	Australian shares	17.0
Global shares	0.0	Global shares	13.0	Global shares	22.0
Alternatives	0.0	Alternatives	5.0	Alternatives	6.0
Defensive assets	100.0	Defensive assets	70.0	Defensive assets	50.0
Cash	100.0	Cash	10.0	Cash	0.0
Fixed interest	0.0	Fixed interest	60.0	Fixed interest	50.0

¹ The net return is after investment management fees, custodian fees and taxes have been deducted.

Table 7: The Six Investment Options as at June 2017 (continued)

Growth	Assertive	Aggressive			
To invest proportionately more in shares and property than cash and fixed interest with an expectation to achieve medium to high long-term returns	To invest primarily in shares and property with limited exposure to fixed interest investments, accepting higher volatility with an expectation to achieve higher returns over the long term	To invest wholly in shares and property, accepting high volatility with an expectation to achieve higher long-term returns			
Return objective	Return objective	Return objective			
A high probability that the net return ¹ will exceed the increase in CPI over 5-year rolling periods by at least 3 per cent per annum	A high probability that the net return ¹ will exceed the increase in CPI over 5-year rolling periods by at least 3.5 per cent per annum	A high probability that the net return ¹ will exceed the increase in CPI over 5-year rolling periods by at least 4 per cent per annum			
Risk objective	Risk objective	Risk objective			
Limit the probability of a negative annual return to 4 years in every 20 years, on average	Limit the probability of a negative annual return to 4.5 years in every 20 years, on average	Limit the probability of a negative annual return to 5 years in every 20 years, on average			
Asset mix	Asset mix	Asset mix			
	Target		Target		
	%		%		
Growth assets	75.0	Growth assets	85.0	Growth assets	100.0
Property	5.0	Property	5.0	Property	5.0
Australian shares	30.0	Australian shares	32.0	Australian shares	37.0
Global shares	34.0	Global shares	42.0	Global shares	52.0
Alternatives	6.0	Alternatives	6.0	Alternatives	6.0
Defensive assets	25.0	Defensive assets	15.0	Defensive assets	0.0
Cash	0.0	Cash	0.0	Cash	0.0
Fixed interest	25.0	Fixed interest	15.0	Fixed interest	0.0

¹ The net return is after investment management fees, custodian fees and taxes have been deducted.

Scheme Performance

Scheme Overview

NTGPASS is established under the *Superannuation Act*, which sets out the arrangements for administration and management of the scheme.

NTGPASS is a defined benefit scheme that provides a lump sum benefit upon resignation, age retirement, retrenchment, death or invalidity. Lump sum benefits generally comprise two components, a member accumulation component and a Territory-financed component. The member component comprises member contributions, rollovers and investment earnings. Members are required to contribute either 2, 3, 4, 5 or 6 per cent of their salary to the fund.

The Territory-financed component is calculated according to a formula based on the member's length of membership in the scheme, final average salary and contribution rate. NTGPASS members are also entitled to a Territory-financed benefit from the Northern Territory Supplementary Superannuation Scheme (NTSSS). NTSSS is a non-contributory lump sum scheme that provides a 3 per cent productivity payment for each year of membership since 1 October 1988.

Other publications (primarily the Member Information book) are available, which provide more information on NTGPASS.

Operational Activity

Table 8 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 Department of Treasury and Finance Annual Report.

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

Table 8: Superannuation Office Activity

	2016-17 Target	2016-17 Actual
Benefits processed	1 743	1 612
Stakeholder satisfaction ¹	≥ 5	5
Average days to make benefit payments:		
• from date of receipt of all information ²	30	11
• where there is a delay in the receipt of information ³	-	16

¹ Stakeholders are the Treasurer, STB and superannuation scheme members. Measures range from a rating of 1: extremely dissatisfied to 6: extremely satisfied.

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 9 reports the different categories of benefits paid. Of members leaving Northern Territory Public Sector (NTPS) employment, resignation was the most common type of benefit category, although age retirement had the greatest monetary value. During 2016-17, 418 superannuation lump sum benefits were paid, totalling \$135.6 million. This is a decrease of \$406.61 million from 2015-16, largely due to the high volume of benefits paid during the successor fund transfer in February 2016.

Table 9: Total Benefits Paid for the Year Ended 30 June

Type of benefit paid	2016-17		2015-16	
	Number of members	Total paid	Number of members	Total paid
		\$M		\$M
Resignation	341	23.57	226	25.30
Age retirement	153	95.77	151	90.17
Retrenchment	12	7.89	13	7.47
Invalidity	4	2.01	3	1.90
Death	6	2.20	11	1.71
Anti-detriment	12	0.09	13	0.06
Transfer	-	-	1	0.30
Retained	284	4.08	4 249	415.31
Annuity bonus	-	-	-	-
Total	812	135.61	4 667	542.22

Note: Amounts reflect actual payments made and may be inconsistent with financial statements due to accounting treatment.

Contributions

Table 10 shows the number and value of contributions received into the fund. In 2016-17, there was a decrease in the value of superannuation contributions received.

Table 10: Total Contributions Received for the Year Ended 30 June

Type of contribution	2016-17		2015-16	
	Number of contributors	Value of contributions	Number of contributors	Value of contributions
		\$M		\$M
Superannuation				
Compulsory	2 934	16.19	3 190	17.23
Voluntary:				
Active	69	2.61	72	1.08
Retained	-	-	66	0.63
Salary sacrifice	576	7.33	611	7.76
Roll overs	582	3.71	599	42.47
ATO contribution	72	0.02	122	0.06
Spouse contribution	-	-	4	0.01
Total	4 233	29.86	4 664	69.24

Note: Contributions may differ to financial statements due to categorisation.

Membership Profile

Following legislative amendments to the *Superannuation Act* in December 2015, active members can no longer choose to retain any of their NTGPASS benefit in the fund when they cease NTPS employment (or opt out of the scheme). During the year, active membership of NTGPASS decreased by 7 per cent to 2773, while the number of adherent members decreased by around 79 per cent to 10 following the transfer of lost and unclaimed benefits to AUSfund.

Active Members

Active members of NTGPASS are those members still employed by NTPS and eligible to receive a Territory-financed benefit when they leave employment. Table 11 illustrates the changes in active NTGPASS membership.

Table 11: Active NTGPASS Members

	2016-17	2015-16
Active members at beginning of period	2 982	3 243
Less exits		
Resignation	52	84
Age retirement	124	156
Retrenchment	8	13
Invalidity	4	5
Death	5	3
Transfer	-	-
Opt out	16	-
Total exits	209	261
Members at 30 June	2 773	2 982

Member contribution rates

Active members must contribute between 2 and 6 per cent of their salary into their NTGPASS accumulation account.

Of active members, 85.16 per cent choose 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 62.80 per cent of the total membership. Just under half (46.94 per cent) of active members are in the 50 to 59 age group, with 31.99 per cent under age 50 and 21.07 per cent age 60 and over.

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 2016-17.

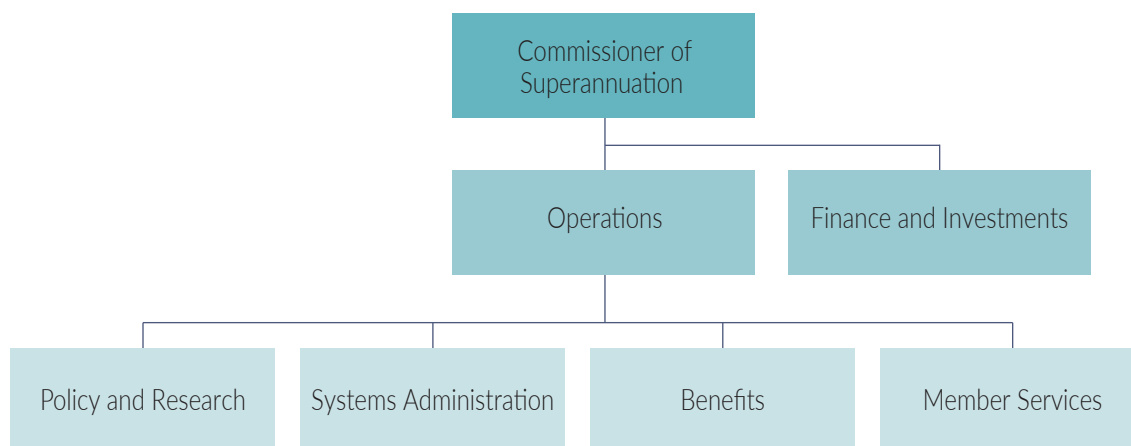
Governance

Administration and Management of NTGPASS

The *Superannuation Act* requires:

- the Commissioner of Superannuation to administer NTGPASS; and
- STB to act as Trustee of the fund.

Figure 2: NTGPASS Administrative Structure



The *Superannuation Act* requires the fund to pay expenses incurred by or on behalf of the Trustee in relation to the management of the fund. These expenses include investment management fees, tax agent fees and board expenses.

The costs of day-to-day administration and management of NTGPASS are paid by the Territory. These costs include the salaries of NTSO staff, actuarial fees, office accommodation and system administration costs. The costs of some services are recovered through fees, such as family law valuations and benefit quote requests.

The NTSO provides secretariat services to STB. These services include recording minutes of meetings, preparation and distribution of board papers, financial and investment reports, travel arrangements, payment of sitting fees to STB members and arranging their attendance at conferences. The Commissioner of Superannuation also manages the NTSO, which is a division of the Department of Treasury and Finance (DTF), a Territory Government agency.

Commissioner of Superannuation

Section 4 of the *Superannuation Act* provides for a Commissioner of Superannuation to be appointed by the Administrator. The statutory role of the Commissioner is to administer NTGPASS and undertake and manage the investments of the fund as directed by STB.

Further information on the NTSO can be found in the DTF Annual Report.

Superannuation Trustee Board

STB is a body corporate continued by section 8A of the *Superannuation Act*. The functions of STB are to act as trustee of a number of superannuation funds, including this fund, and to direct the Commissioner of Superannuation in managing the investments and funds on its behalf.

The *Superannuation Act* provides for a nine-member board consisting of the Under Treasurer, chairperson, deputy chairperson and six nominated members. Two members must be nominated by Unions NT, one member must be nominated by the Commissioner of Police and one by the Northern Territory Police Association (NTPA). Apart from the Under Treasurer, all members are appointed

by the Treasurer and hold five-year appointments. There were two changes to STB membership during 2016-17.

Members of the Superannuation Trustee Board



Ms Kathleen Robinson FCPA BBUS (Acc) – Chairperson

Kathleen is Chief Executive, Department of Corporate and Information Services. She has had a long career with NTPS, including extensive experience in senior positions in Shared Services and DTF.

Kathleen was appointed as Chair of the former Superannuation Investment Board on 22 March 2007. She was reappointed as Chairperson of STB on 8 March 2017, for a five-year term.



Ms Marianne McAdie BBUDP – Deputy Chairperson

Marianne is a former public servant with the Territory government. She retired in 2013 after 35 years of service. Marianne is currently working as a consultant for Tourism NT.

Marianne was appointed as Acting Chair of the former Superannuation Investment Board on 22 March 2007. She was reappointed as Deputy Chairperson of STB on 7 March 2017, for a five-year term.



Mr Craig Graham BEc – Member, Under Treasurer

Craig was appointed Under Treasurer in April 2017. The Under Treasurer represents members of the Legislative Assembly Members' Superannuation scheme. Craig has had a long career in Treasury and previously held senior positions including Deputy Under Treasurer.



Mr Michael Martin OAM FCPA BA BCom Grad Dip (Admin) AdvDip (Superannuation) – Member, nominated by Unions NT

Michael is a former senior public servant with both the Commonwealth and Territory governments and has been involved in the accounting and finance environment for over 30 years. He is currently Chairman of NT Build, Chairman of the NT Remuneration Tribunal and a member of the Top End Health Services Board. He is also a partner with a local Territory consultancy firm and a Graduate Member of the Australian Institute of Company Directors.

Michael was appointed as a Member of the former Superannuation Investment Board on 11 May 2004. His position carried over as a Member of STB. Michael was reappointed on 11 May 2014 for a five-year term.



Ms Sarah Burchett – Member, nominated by Unions NT

Sarah was nominated by Unions NT in November 2015 and formally appointed to STB by the Treasurer on 15 December 2015 for a five-year term. Ms Burchett has served the Territory public for 17 years in the areas of women's and senior's policy. Ms Burchett is employed in the Office of Gender Equity and Diversity in Territory Families, and has previously been the Community and Public Sector Union Section Secretary for the NTPS.



Mr Alex Pollon GAICD – Member, nominated by the Under Treasurer

Alex is General Manager of the Northern Territory Treasury Corporation. He joined NTPS in 1998 and has over 20 years' experience in the finance and treasury industry, and is a member of various inter-agency committees and boards, including the Agents Licensing Fidelity Guarantee Fund, Legal Practitioners Fidelity Fund and Public Trustee Investment Board. Alex is a member of the Australian Institute of Company Directors and holds Australian Financial Markets Association dealer accreditation.

Alex was appointed as a Member of the former Superannuation Investment Board on 1 April 2009. His position carried over as a Member of STB. Alex was reappointed on 1 April 2014 for a five-year term.



Ms Vicky Coleman BBUS (Acc) MBA CPA GAICD – Member, nominated by the Under Treasurer

Vicky is Manager Financial Administration of the Northern Territory Treasury Corporation. She holds a Bachelor of Business (Accounting) and a Master of Business Administration from Deakin University. She is a Certified Practising Accountant, has completed the Australian Institute of Company Directors course, and the Chartered Secretaries Australia's Certificate in Governance and Risk Management. She joined NTPS in 2000.

Vicky was appointed as a Alternate Member of the former Superannuation Investment Board on 1 April 2009. Her position carried over as a Member of STB. Vicky was reappointed on 1 April 2014 for a five-year term.



Mr Mark McAdie BEc M Pub Pol Grad Cert App Mgt – Member, nominated by Commissioner of Police

Mark is a former Assistant Commissioner, Crime and Support Services of the Northern Territory Police. He retired in 2010 after 35 years of service. Mark is also President of the Northern Territory Police Museum and Historical Society (Inc).

Mark previously held an ongoing appointment as Chairman of Trustees of the Northern Territory Police Supplementary Benefit Scheme (NTPSBS) (police representative). His appointment carried over as a Member of STB. Mark was reappointed on 11 April 2017 for a five-year term.



Mr Col Godsell

Col is a Detective Superintendent with the Northern Territory Police and has served in a variety of roles and locations throughout his 33 year career. He has also undertaken secondments with the Australian Federal Police and the Australian Crime Commission.

Col has been a member of the NTPA since joining the Territory Police in 1984 and has been a member of the Executive for the past 11 years, including four years as the Senior Vice President. He is the NTPA nominee to STB.



Ms Jodie Ryan – Member, Under Treasurer

Jodie commenced as Under Treasurer from 1 July 2013. The Under Treasurer represents members of the Legislative Assembly Members' Superannuation scheme.

Jodie has had a long career in DTF and previously held senior positions including Deputy Under Treasurer. Jodie's membership of the Board ceased in December 2016, when she was appointed as Chief Executive of the Department of the Chief Minister.

STB meetings

STB met four times during the year. The meetings related to general STB business and investment decisions of the fund. Representatives of JANA attended all meetings to provide an update on investment performance and present on contemporary investment topics.

Board expenses

STB resolved to apply its associated costs to the three funds administered according to the value of funds under management. Board expenses for 2016-17 totalled \$24 221, of which \$21 505 was attributed to NTGPASS. Total costs are detailed below.

	\$
Sitting fees	3 344
Training and conferences	8 211
AIST membership ¹	12 409
Governance expenses	257
Total	24 221

¹ Australian Institute of Superannuation Trustees.

Remuneration

Payments to STB members are made in accordance with a determination under the *Assembly Members and Statutory Officers (Remuneration and Other Entitlements) Act*, which sets the rates payable for attendance at meetings, travel and other STB-related activities. Remuneration is not payable where an STB member is also an employee of the NTPS, the Commonwealth or a state public service.

In 2016-17, three STB members were entitled to receive sitting fees for meeting and conference attendance and the total amount of remuneration received was \$3344. A portion was attributed to NTGPASS.

Conflict of interest

Section 8S of the *Superannuation Act* provides that an STB member who has a direct or indirect interest in any matter being considered by it must disclose the nature of that interest as soon as possible at an STB meeting.

The disclosure of interests does not apply where an STB member has a direct or indirect interest in a matter because they are a member of NTGPASS, or if they are a member of an incorporated company with 25 or more members of which they are not a director.

STB maintains a conflict of interest register as part of its best practice processes. At the commencement of each meeting, members are required to sign the register and record any disclosure in the minutes of that meeting.

Northern Territory Government and Public Authorities' Superannuation Scheme

Where a disclosure is made in relation to a matter being considered, members cannot take part in deliberations or decisions made on that matter and the member is disregarded for constituting a quorum on that matter. During the year, there were no conflicts of interest registered.

Review of decisions

The *Superannuation Act* provides for a member or other person dissatisfied by a decision of the Commissioner of Superannuation to request the Commissioner to reconsider the decision. During the year one member requested a decision relating to them be reviewed. In reconsidering the decision the Commissioner decided to affirm the original decision.

Northern Territory Civil and Administrative Tribunal

Persons aggrieved by a decision made by the Commissioner of Superannuation about the operation or management of NTGPASS in relation to a particular person can appeal to the Northern Territory Civil and Administrative Tribunal (NTCAT) regarding that decision.

Prior to NTCAT considering an appeal, the *Superannuation Act* requires that a member or another person aggrieved by a decision must first request the Commissioner of Superannuation to reconsider 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.

No appeals were made to NTCAT during the year.

Compliance with Commonwealth Superannuation Legislation

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

NTGPASS is an exempt public sector superannuation scheme 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, NTGPASS will be administered in accordance with the Commonwealth's retirement income policies and principles including those relating to preservation, vesting and portability of benefits. NTGPASS remains subject to other legislation affecting superannuation, such as that relating to income tax, the superannuation surcharge and splitting of benefits under the *Family Law Act*.

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

The NTGPASS Annual Report is provided to the Commonwealth each year to assist in its monitoring under the HOGA.

Audits

The Northern Territory Auditor-General's Office provides audit services to the fund. Section 43 of the *Superannuation Act* requires the fund's financial statements to be audited by the Auditor-General and tabled in the Legislative Assembly. The audited financial statements are presented from page 23.

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

Actuarial Services

The provision of actuarial services to the DTF and ad hoc actuarial advice to the Territory Government are available under a panel contract. A new panel contract is effective from 1 July 2013 for a five-year period, with Cumpston Sarjeant Pty Ltd and PricewaterhouseCoopers Securities Ltd on the panel.

Actuarial services to the scheme are provided by PricewaterhouseCoopers Securities Ltd.

Section 45ZA of the *Superannuation Act* requires an actuarial review of NTGPASS to be undertaken every three years. The review examines the scheme's experience during the previous three years and prepares projections of the Territory-financed cash flows and accrued liabilities.

The most recent actuarial review of the scheme was undertaken as at 30 June 2017 by PricewaterhouseCoopers Securities Ltd. A summary of the review is presented on page 22.

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 2016-17 information as shown in Table 12.

Table 12: Estimated NTGPASS Territory-financed Benefit Costs

Year to 30 June	Estimated cash flow	Estimated accrued liability
	\$M	\$M
2020	87.5	796.5
2025	86.5	643.0
2030	75.2	439.3
2035	55.2	238.6
2040	31.2	91.3
2045	10.4	19.2
2050	1.3	1.1

In addition to undertaking actuarial reviews, the actuary provides advice on superannuation policy matters, including advice on the offset provisions to apply where a member is retired on the grounds of invalidity and is entitled to workers' compensation benefits due to an injury. The actuary also assists with advice in relation to taxation deductions available to the fund.

Summary of the Report of the Actuarial Investigation of the Scheme

as at 30 June 2017

The last triennial actuarial review of the scheme was performed as at 30 June 2016 by Catherine A Nance FIAA, from PricewaterhouseCoopers Securities Ltd and the results were provided in her report dated 16 September 2016. The current liabilities reported result from the annual valuation conducted for the period ending 30 June 2017, presented in the PricewaterhouseCoopers report dated 29 August 2017. The next triennial review is due in 2019.

The Triennial Review dealt with the employer liabilities, which are guaranteed by the Territory under the *Superannuation Act* 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 1986 and was closed to new members from 9 August 1999. The employer cash flow for the year ended 30 June 2017 was \$71.8 million (excluding invalidity and death benefits paid by the Territory). It is expected that the cash flow will be highest in the next year before falling in 2019 and then increasing over the next seven years to reach \$88.5 million (nominal) in the year 2024. It is then expected to decline slowly, becoming zero by 2053.

The discount rate used for valuation purposes is 2.7 per cent in the actuarial report of 2017, up from 2.0 per cent in 2016. This rate was advised to PricewaterhouseCoopers by the Department of Treasury and Finance, and is comparable to the effective yield on the 10-year government bond rate at 30 June 2017. The rate of general salary inflation is assumed at 3.0 per cent for 2017-18 and 3.5 per cent per annum thereafter. On this basis the accrued employer liability was \$943 million as at 30 June 2017, down from \$1036 million in 2016. The actuarial report of 2016 projected the liability to peak in 2016. The last members are expected to leave by 2052, at which stage the liabilities will be zero.

The valuation basis change and experience for the year ending 30 June 2017 is a Territory liability reduction of 8.7% (\$90.3 million), which resulted from the increase in discount rate (liability reduction of \$58.0 million, due to an increase from 2.0% to 2.7%), a reduction in the long-term salary increase assumption (liability reduction of \$40.9 million, reducing from 4.0% to 3.5% per annum), and an experience loss (liability increase of \$8.6 million) due to higher than expected benefit salaries.

The increased discount rate assumption is appropriate as it reflects the higher yields on government bonds at 30 June 2017 compared to 30 June 2016, which are required to be used for the Territory's accounting liabilities.

In 2016, the long-term salary increase assumption was 4.0 per cent per annum. This has been revised down to 3.5 per cent per annum. The change to the rate of salary increase has lowered the projected liability by \$64 million.

Compulsory member contributions are invested in the scheme fund, managed by JANA, and are credited with investment returns on a weekly basis. This is separate to the Territory liability, valued in the triennial report, for the defined benefit component of the NTGPASS scheme. The financial soundness of the scheme arises from the legislated guarantee that the Territory will meet the employer share of benefit entitlements as they arise. This is an appropriate way to meet benefits in a public sector scheme, provided the extent and nature of the liabilities is disclosed and included within public sector accounts, as is the case with NTGPASS.

Financial Statements

Overview of the Financial Statements

Form and Content

Financial statements for superannuation funds are prepared in accordance with Australian Accounting Standards Board (AASB) AASB 1056 Superannuation Entities and other accounting standards. AASB 1056 replaces Australian Accounting Standard (AAS) 25 effective this financial year. As a result the prior year financial statements have been re-stated for comparative purposes in compliance with AASB 1056. AASB 1056 required changes in the presentation format of the financial statements from three to five (as noted below), changes to the measurement of assets and liabilities, additional disclosure requirements for assets and liabilities, recognition of member benefits as liabilities rather than equity and contribution and benefit payment categories recognised as a movement in liabilities rather than as income and expenses.

- Statement of Financial Position
- Income Statement
- Statements of Changes in Member Benefits
- Statement of Changes in Equity
- Statement of Cash Flows

Investments

As at 30 June 2017, the fund held investments of approximately \$574 million with NAB Asset Services (NAS) through JANA and cash of approximately \$1.8 million was held in the operating accounts for the day-to-day operations of the fund.

Benefit Payments

A benefit payment comprises the member's accumulation account and, where applicable, a Territory-financed component. The Territory guarantees to meet the employer share of benefit entitlements as it arises and transfers the Territory-financed component to the fund at the time a benefit is paid. This funding method is known as emerging cost and is an appropriate way to meet benefits in a public sector superannuation scheme. The member accumulation account contains the member's contributions and rollovers, accumulated with earnings at the fund's crediting rate on an annual basis. If applicable, benefit payments are reduced by the amount of the member's surcharge debt account at the time the benefit is paid.

Fund Expenses

Expenses paid by the fund relate to benefit payments, management expenses incurred in the investment of funds, membership of the governance advisory service and the provision of tax accounting services. All other administrative costs such as salaries, audit, actuarial, administration and operational costs are paid by the Territory.



Auditor-General
Independent Auditor's Report
to the Superannuation Trustee Board
Northern Territory Government and Public Authorities Employees'
Superannuation Fund

Page 1 of 2

Opinion

I have audited the accompanying financial report of the Northern Territory Government and Public Authorities Employees' Superannuation Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2017, the income statement, statement of changes in members' benefits, statement of changes in equity, and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial report presents fairly, in all material respects, the financial position of Northern Territory Government and Public Authorities Employees' Superannuation Fund as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

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

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

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

The Responsibility of the Superannuation Trustee Board for the Financial Report

The Superannuation Trustee Board of Northern Territory Government and Public Authorities Employees' Superannuation Fund is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), and for such internal control as the Superannuation Trustee Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Superannuation Trustee Board is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Superannuation Trustee Board either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Superannuation Trustee Board is responsible for overseeing the Fund's financial reporting process.



Auditor-General

Page 2 of 2

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory

27 October 2017

Statement by the Superannuation Trustee Board

In the opinion of the Superannuation Trustee Board:

- The accompanying financial statements were prepared in accordance with the Australian Accounting Standards Board (AASB) AASB 1056 Superannuation Entities and comprise a Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements. They are drawn up to present fairly the financial position of the Northern Territory Government and Public Authorities' Employees' Superannuation Fund as at 30 June 2017 in accordance with Australian Accounting Standards and other mandatory reporting requirements.
- The financial statements have been prepared in accordance with the requirements of the *Superannuation Act*.
- The scheme has operated in accordance with the provisions of the *Superannuation Act*, and in compliance with the requirements of the Commonwealth's retirement income policies and principles during the year ended 30 June 2017.

Chairperson



KATHLEEN ROBINSON

Date: 25 October 2017

Member



MARIANNE McADIE

Date: 25 October 2017

Statement of Financial Position

as at 30 June 2017

	Note	2017	2016
		\$000	\$000
Assets			
Cash and cash equivalents	9	1 857	1 843
Investments	4	573 793	545 439
Employer-sponsor receivables	5(c)	961 860	1 058 316
Other receivables		57	65
Deferred tax assets	7(e)	1 298	5 045
Total assets		1 538 865	1 610 708
Liabilities			
Sundry liabilities		7	7
Current tax liability	7(d)	4 317	558
Deferred tax liability	7(f)	-	3 287
Total liabilities (excluding member benefits)		4 324	3 852
Net assets available for member benefits		1 534 541	1 606 856
Defined contribution member liabilities			
Active members		555 597	527 641
Creditors		13 200	17 758
	5(b)	568 797	545 399
Defined benefit member liabilities			
Active members		941 826	1 034 850
Creditors		18 660	21 916
Provision for surcharge tax contributions		1 374	1 550
	5(c)	961 860	1 058 316
Total member liabilities		1 530 657	1 603 715
Net assets		3 884	3 141
Equity			
Operational risk reserve		-	250
Unallocated surplus/(deficit) – defined contribution members		3 884	2 891
Total equity	6	3 884	3 141

The Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Income Statement

for the year ended 30 June 2017

	Note	2017	2016
Superannuation activities		\$000	\$000
Revenue			
Interest		61	46
Distribution income		37 906	32 349
Net change in fair value of investments	4	23 857	(34 069)
Sundry income		-	16
Total revenue		61 824	(1 658)
Expenses			
Investment fees		114	6
Administration fees		79	477
Board expenses		22	58
Sundry expenses		7	42
Total expenses	8	222	583
Net result from superannuation activities before income tax expenses		61 602	(2 242)
Income tax expense	7(b)	(5 044)	4 937
Net result from superannuation activities after income tax expenses		56 558	2 696
Net benefit allocated to defined contribution member accounts		(55 816)	(1 730)
Net change in defined benefit member liabilities		-	-
Operating result after income tax		742	966

The Income Statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Member Benefits

for the year ended 30 June 2017

	Note	Defined contribution members 2017 \$000	Defined benefit members 2017 \$000	Defined contribution members 2016 \$000	Defined benefit members 2016 \$000
Opening balance of member benefits		545 399	1 058 316	946 998	1 007 165
Contributions received					
Territory contributions		-	75 184	-	74 185
Member contributions		26 130	-	26 767	-
Member surcharge payment received		-	213	128	-
Transfers from other superannuation funds		3 708	-	42 472	-
Government co-contributions		20	-	61	-
Total contributions received		29 857	75 397	69 428	74 185
Income tax on contributions		(1 899)	-	(4 707)	-
Net after tax contributions		27 958	75 397	64 722	74 185
Benefits paid to members/beneficiaries					
Retirement		(42 479)	(53 292)	(90 173)	-
Withdrawal		(16 686)	(19 139)	(374 266)	(74 185)
Invalidity		(489)	(1 526)	(1 903)	-
Death		(723)	(1 473)	(1 708)	-
Total benefits paid to members/ beneficiaries		(60 376)	(75 429)	(468 050)	(74 185)
Net benefits paid		(32 418)	(32)	(403 328)	-
Net benefits allocated to defined contribution members comprising:					
Net investments result		55 895	-	1 253	-
Net administration fees		(79)	-	477	-
Total net benefits allocated to defined contribution members		55 816	-	1 730	-
Net change in defined benefit member benefits		-	(96 424)	-	51 151
Closing balance as at 30 June	5	568 797	961 860	545 399	1 058 316

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

Statement of Changes in Equity

for the year ended 30 June 2017

	Note	Operational risk reserve	Unallocated surplus/ (deficit)	Total equity
	6	\$000	\$000	\$000
Opening balance as at 1 July 2016		250	2 891	3 141
Operating result		-	742	742
Transfers to defined contribution member accounts		(250)	250	-
Closing balance as at 30 June 2017		-	3 884	3 884
Opening balance as at 1 July 2015		250	1 925	2 175
Operating result		-	966	966
Closing balance as at 30 June 2016		250	2 891	3 141

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements, in particular, Note 5 Member Liabilities and Note 6 Equity and Reserves.

Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017	2016
		\$000	\$000
Cash flow from operating activities			
Proceeds from redemption of investments		33 500	946 753
Purchase of investments		(37 906)	(578 329)
Distribution income		37 906	32 399
Interest received		61	46
Other income		-	16
Payment for goods and services		(222)	(644)
Tax expense		(1 841)	3 870
Net cash flow from operating activities	10	31 498	404 111
Cash flow from financing (member) activities			
Defined benefit members			
Employer (territory) contributions		75 397	67 434
Benefits paid		(75 184)	-
Contribution and surcharge taxes		1 130	-
Defined contribution members			
Member contributions		26 150	26 956
Transfers to/from other superannuation funds		3 708	42 472
Benefits paid		(60 363)	(531 274)
Contribution and surcharge taxes		(2 321)	(8 226)
Net cash flow from member activities		(31 484)	(402 636)
Net increase (decrease) in cash		14	1 475
Cash at the beginning of the financial year		1 843	368
Cash at the end of the reporting period	9	1 857	1 843

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

Notes to the Financial Statements

for the year ended 30 June 2017

1. Reporting Entity

The Northern Territory Government and Public Authorities Employees' Superannuation Fund (fund) (ABN 67 738 128 022) is established under the *Superannuation Act*. The fund incorporates a member accumulation and a defined benefit component and operates for the purpose of providing benefits for or in relation to members under the Northern Territory Government and Public Authorities' Superannuation Scheme Rules. Administration of the Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS) is conducted by the Northern Territory Superannuation Office on behalf of the Trustee, the Superannuation Trustee Board (STB). STB is domiciled in Australia and its principal place of business is Level 11 Charles Darwin Centre, 19 The Mall, Darwin NT 0811.

The significant accounting policies adopted in the preparation and presentation of the financial report are detailed in the following note.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards including AASB 1056 Superannuation Entities (AASB 1056) and other applicable accounting standards and interpretations, the requirements of the *Superannuation Industry (Supervision) Act 1993* and regulations, and the provisions of the *Superannuation Act*.

These financial statements cover the fund as an individual entity. These are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The financial statements of the fund were approved by STB on 25 October 2017.

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

(b) Adoption of AASB 1056

The NTGPASS reported financial position and results of operations were affected by the adoption of AASB 1056 effective 1 July 2016. The adoption resulted in:

- changes to the presentation format of the financial statements from three to five:
 - Statement of Financial Position
 - Income Statement
 - Statements of Changes in Member Benefits
 - Statement of Changes in Equity
 - Statement of Cash Flows
- changes to the measurement of assets and liabilities from 'net market value' to 'fair value'. This change did not materially impact on the carrying values of financial assets and liabilities reported by the fund
- additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13 Fair Value Measurement
- member benefits recognised as liabilities rather than equity
- contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses and are presented in the Statement of Changes in Member Benefits.

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

The new accounting standard was applied retrospectively from the start of the comparative period beginning 1 July 2015 as required by AASB 1056 and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

As a result, NTGPASS has restated amounts previously reported under AAS 25 Financial Reporting by Superannuation Plans (AAS 25) for the year ended 30 June 2016. The amounts reported under AAS 25 for the year ended 30 June 2016 are reconciled to the amounts reported under AASB 1056 as set out below.

(i) Statement of Financial Position

The adoption of AASB 1056 requires:

- an employer-sponsor receivable is to be recognised as there is a contractual statutory arrangement in place between the superannuation entity and the Northern Territory Government in the *Superannuation Act*. The receivable is the difference between the defined benefit member liability and the fair value of assets available to meet that liability.
- member liabilities to be recognised and measured as the amount of accrued benefits at the reporting date.

Description	Previously reported as at 30 June 2016	Transition adjustment	Restated total as at 1 July 2016
	\$000	\$000	\$000
Assets			
Employer-sponsor receivables	21 916	1 036 400	1 058 316
Liabilities			
Benefits payable	39 674	(39 674)	-
Defined contribution member liabilities	-	(545 399)	(545 399)
Defined benefit member liabilities	-	(1 058 316)	(1 058 316)
Sub total liabilities	39 674	(1 643 389)	(1 603 715)
Equity	529 232	(526 091)	3 141

(ii) Income Statement

The adoption of AASB 1056 requires all transactions directly attributable to members to be recognised separately in a Statement of Changes in Member Benefits. This includes \$4.7 million of income tax relating to contributions, which are now presented in the Statement of Changes in Member Benefits. The net benefits allocated to members and net change in defined benefit member liabilities are recognised in the Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

Description	Previously reported as at 30 June 2016	Transition adjustment	Restated total as at 1 July 2016
	\$000	\$000	\$000
Profit before income tax previously reported	(400 864)		(400 864)
Contribution revenue	–	(143 613)	(143 613)
Benefits paid	–	542 205	542 205
Surcharge contributions tax	–	30	30
Net result from operating activities	(400 864)	398 622	(2 242)
Net benefit allocated to members	–	(1 730)	(1 730)
Operating result before income tax	(400 864)	396 892	(3 972)
Income tax expense/(benefit)	232	4 706	4 937
Operating result after income tax	(400 632)	401 598	966

(iii) Statement of Cash Flows

The adoption of AASB 1056 requires all transactions directly attributable to members to be presented separately in the Statement of Cash Flows. Contributions received and benefits paid are treated as financing activities. Income tax from contributions is presented separately in the cash flows from financing activities.

(c) Functional and presentation currency

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

(d) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated. Figures in the financial statements and notes may not equate due to this rounding.

(e) Use of estimates and judgements

The preparation of the financial statements requires STB to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Estimates are evaluated on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. Actual results may differ from those estimates.

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

There are no critical accounting estimates and judgements contained in these financial statements other than those used to determine the liability for member benefits, which are brought to account under AASB 1056 with further disclosure in Note 5.

(f) Financial assets

Financial assets are recognised in the Statement of Financial Position at fair value at reporting date and movements in fair value are recognised in the Income Statement in the period in which they occur.

The funds are managed investment schemes and operate as units in unit trusts. NAB Asset Servicing are the appointed custodians who provide weekly unit prices to generate the investment option crediting rates. The investments are valued at fair value at reporting date.

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

The fund recognises financial assets on the date it becomes party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value are reported in the Income Statement as 'net change in fair value of investments'. Interest earned is recognised as 'interest revenue' and distribution revenue is recognised as 'distribution revenue'.

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

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

(g) Cash and cash equivalents

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

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

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

(h) Employer-sponsor receivables

This comprises the statutory arrangement in place between NTGPASS and the Northern Territory Government in section 29 of the *Superannuation Act*. The receivable is the difference between the defined benefit member liability and the fair value of assets available to meet that liability and is collectible on demand (refer to Note 5).

(i) Financial liabilities

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

The fund recognises financial liabilities at fair value (except member liabilities, tax assets and liabilities and employer-sponsor receivables) as at reporting date, with any change in fair value of the fund's financial liabilities since the beginning of the reporting period included in the Income Statement.

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

(j) Benefits payable (member liabilities)

The liability for member benefits is the fund's present obligation to pay benefits to members and beneficiaries and has been calculated on the basis of present value of expected future payments arising from membership of the scheme up to the reporting date. Benefits payable comprises entitlements of members who ceased employment with the employer-sponsor prior to the year end but have not been paid by that date and are included in the member liabilities value.

The value of the defined contribution and defined benefit liabilities are provided in Note 5.

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

(k) Revenue recognition

Interest Revenue

Interest revenue is recognised in profit or loss, when the fund establishes its right to receive the interest, for all financial instruments held at fair value through profit or loss using the effective interest method.

Interest income on assets held at fair value through profit or loss is included under investments in the Income Statement.

Distributions

Unit trust distribution income is recognised gross of withholding tax in the period in which the fund's right to receive payment is established.

Movement in fair value of investments

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

Contributions revenue and transfers

Member and employer contributions and transfers into the fund are recognised in the Statement of Changes in Member Benefits when the control of the asset has been attained. These transactions are recorded in the period to which they relate.

Member and contribution revenue is recognised on an accrual basis. Members contribute to the fund each pay period at an elected contribution rate of between 2 and 6 per cent of their contribution salary. Member contributions are accumulated with investment returns in the fund.

Members may make additional contributions to their accumulation accounts with voluntary contributions or by entering into an approved salary sacrifice arrangement. Investment returns are applied annually to member's accumulation accounts based on the earning rate of the fund. Member contributions and investment returns are accumulated in the fund.

Under section 29 of the *Superannuation Act*, all benefits are paid from the fund. Where a benefit contains a Territory-financed component, the Territory reimburses the fund for this amount at the time the benefit is paid. Thus, the employee component of benefits is met on a fully funded basis while the Territory-financed component of benefits is met on an emerging cost basis (refer to employer-sponsor receivables at Note 5(b)). This policy is reflected in the difference between the net assets available to pay benefits and the amount of the accrued benefits, as calculated by the actuary.

Superannuation co-contributions from the Commonwealth are recognised on a cash basis as this is the only point at which measurement is reliable.

Co-contributions revenue from the Australian Taxation Office (ATO) is recognised when the control and benefits of the funds from revenue have transferred to the fund.

(l) Income tax

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

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

Current tax is the expected tax payable on the estimated taxable income for the current year based on the applicable tax rate adjusted for instalment payments made to the ATO during the year and by changes in the deferred tax assets and liabilities attributable to temporary differences.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

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

(m) Superannuation contributions (surcharge) tax

STB recognises amounts paid or payable in respect of the surcharge tax in the Statement of Changes in Member Benefits. The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by STB and are properly payable by the fund.

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

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

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

(n) Goods and services tax

The fund is registered for goods and services tax (GST). Where GST has been applied, revenues, expenses and assets are recognised inclusive of GST. Receivables and payables in the Statement of Financial Position are also shown inclusive of GST.

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

(o) New accounting standards and interpretations

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

AASB 1056 was adopted as of its effective date of 1 July 2016 (Note 2(b)). The main impact of the changes resulted in financial statement line items being reclassified within the five new primary financial statements. There was no impact resulting from the remeasurement of assets and liabilities on net assets and operating results.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been adopted early by the fund. The STB assessment of the impact of these new standards (to the extent relevant to the fund) is set out in the following table.

	Effective date
AASB 9 Financial Instruments (and applicable amendments)	Annual reporting on or after 1 January 2018
Addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. Amendments to this standard are not expected to have a material future financial impact on the fund's financial instruments as they are carried at fair value through profit and loss and investments are reported as units in unit trusts.	

3. Financial Risk Management

Investments of the fund (other than cash held for liquidity purposes) comprise units in unit trusts. STB determined that this type of investment is appropriate for the fund and in accordance with the fund's investment strategy.

STB has overall responsibility for the establishment and oversight of the fund's risk management framework. STB establishes risk management policies to identify and analyse the risks faced by the fund, sets appropriate risk limits and controls, and monitors risks and adherence to risk limits. Monitoring of risks includes those managed by the implemented consultant, JANA Investment Advisers Pty Ltd (JANA). JANA (previously MLC Implemented Consulting) has been the implemented consultant of the fund since 2005.

STB regularly reviews the risk management policies to ensure changes in market conditions and the fund's activities are reflected.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2017

3. Financial Risk Management (continued)

(a) Market risk

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

To mitigate market risk, JANA undertakes extensive due diligence prior to the appointment of fund managers and monitors ongoing investment manager performance.

Currency risk

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

The fund is exposed to currency risk on financial instruments denominated in a currency other than Australian dollars. Consequently, the fund is exposed to the risk exchange rates may change in a manner that adversely affects the value of the fund's investments held in foreign currencies.

Interest rate risk

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

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

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

	Balance	1% movement in interest rates	
		Benefits accrued as a result of operations	Net assets available to pay benefits
Cash and Cash Equivalents	\$000	\$000	\$000
30 June 2017	1 857	± 52	± 52
30 June 2016	1 843	± 38	± 38

Market price risk

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

The fund's financial instruments are carried at fair market value with changes recognised in the Income Statement therefore, all changes in market conditions affecting market value are recognised in the Income Statement. The fund's exposure to other market price risk is limited to the market price movement of the underlying investments. STB determined these investments are appropriate for the fund and in accordance with the fund's published investment strategy in respect of asset class allocation.

Notes to the Financial Statements

for the year ended 30 June 2017

3. Financial Risk Management (continued)

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

	Balance	5% movement in investments	
		Change for the year in net assets	Net assets
Investments	\$000	\$000	\$000
30 June 2017	573 793	± 27 981	± 27 981
30 June 2016	545 439	± 37 343	± 37 343

(b) Credit risk

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

No financial assets are considered past due as all payments are considered recoverable when contractually due. The employer-sponsored superannuation component is paid to the fund at the time the benefit is paid.

The maximum exposure to credit risk, excluding the value of any collateral or other security, to recognised financial assets at balance date is the carrying amount of those assets. With the exception of the Territory government, the fund does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the fund. The Territory-financed superannuation component is guaranteed under section 29 of the *Superannuation Act*.

	2017	2016
	\$000	\$000
Cash and cash equivalents	1 857	1 843
Units in unit trusts	573 793	545 439
	575 650	547 283

(c) Liquidity risk

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

Vested benefits (see Note 5) have been included as this is the amount members could call upon as at year end. It represents the present value of benefits payable in respect of former members and payable to current members on voluntary withdrawal at that date. This is the earliest date on which the fund can be required to pay members' vested benefits, however members may not necessarily call upon amounts vested during this time.

Notes to the Financial Statements

for the year ended 30 June 2017

3. Financial Risk Management (continued)

The following are the contractual maturities of financial liabilities:

	Balance	Contractual cash flows potentially payable in 2017-18
	\$000	\$000
30 June 2017		
Vested benefits	1 530 657	1 530 657
Benefits payable	31 860	31 860
30 June 2016		
Vested benefits	1 454 560	1 454 560
Benefits payable	39 674	39 674

4. Fair Value Measurement

(a) Estimation of fair values

The financial assets or liabilities are prepared on a fair value basis (except member liabilities, tax assets and liabilities and employer-sponsor receivables). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (that is, exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The price is not adjusted for transaction costs.

The fund's financial assets and liabilities included in the Statement of Financial Position are carried at market value, which STB believes approximates fair value.

(b) Recognised fair value measurements

The following table analyses financial instruments carried at fair market value, which approximates fair value, by valuation method. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. STB values units in unit trusts using the unit price provided by the investment manager.
- Level 3: one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. STB values the inputs from the Territory Government on salary growth rate and discount rate provided to the actuary for valuation of member liabilities.

The fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels for the year ended 30 June 2017, however, level 3 has been included in 2016-17 due to the inclusion of defined benefit member liabilities resulting from the adoption of AASB 1056.

Notes to the Financial Statements

for the year ended 30 June 2017

4. Fair Value Measurement (continued)

STB has determined the fair value of the fund's investments are at level 2 and defined benefit member liabilities are at level 3 as set out in the following tables.

	2017		2016	
	Level 2	Level 3	Level 2	Level 3
	\$000	\$000	\$000	\$000
Financial assets				
Units in unit trusts	573 793	-	545 439	-
Employer-sponsor receivables	961 860	-	1 058 316	-
Total fair value of financial assets	1 535 653		1 603 755	-
Financial liabilities				
Defined contribution member liabilities	-	568 797	-	545 399
Defined benefit member liabilities	-	961 860	-	1 058 316
Total fair value of financial liabilities		1 530 657		1 603 715

Market value movement

	2017	2016
	\$000	\$000
Opening balance	545 439	947 932
Proceeds from redemption of investments	(33 500)	(946 753)
Purchase of investments	37 997	578 329
Change in fair value	23 857	(34 069)
Closing balance	573 793	545 439

Refer to Note 5 for change in level 3 liabilities.

Notes to the Financial Statements

for the year ended 30 June 2017

5. Member Liabilities

NTGPASS is a contributory lump sum superannuation scheme that closed to new members from 10 August 1999. There were 3100 members of NTGPASS as at 30 June 2017, of whom 2773 were active contributing members.

(a) Recognition and measurement of member liabilities

Member liabilities comprises the member's accumulation account and, where applicable, a Territory-financed (defined benefit member) component. The entitlements of members to benefit payments are recognised as liabilities. They are measured as the amount of accrued benefits as at the reporting date, being the benefits the fund is presently obliged to transfer to members or their beneficiaries in the future as a result of the membership up to the end of the reporting period. The accrued benefits are reported as a liability in the Statement of Financial Position.

Vested benefits under both defined contribution and defined benefits are benefits not conditional upon continued membership of NTGPASS and include benefits that members are entitled to receive had they terminated their membership of NTGPASS at the reporting date. Vested benefits at a particular date represent the present value of benefits payable in respect of former members and the benefits payable to current members on voluntary withdrawal from NTGPASS membership at that date. These benefits include the payment of member contributions accumulated with investment returns.

The accrued employer-financed component is partially vested after five years of membership and fully vested after 10 years, and also on retrenchment or after attaining age 55.

Benefits credited to former members of the Northern Territory Electricity Commission Superannuation Scheme for Trade Categories and, where relevant, benefits payable in consequence of other transfer arrangements entered into by NTGPASS have been taken into account in determining vested benefits.

(b) Defined contribution member liabilities

Defined contribution member account balances are measured using unit prices determined by STB based on the underlying investment options values selected by members. The members bear the investment risk relating to the underlying investment options. Unit prices used to measure the liabilities are updated weekly for movement in investment values. The defined contribution member liability is shown under member liabilities in the Statement of Financial Position.

Member Value by Option

	2017	2016
	\$000	\$000
Investment option		
Aggressive	21 639	18 112
Assertive	9 496	10 001
Cash	9 109	13 045
Cautious	15 726	13 570
Conserve	13 987	12 877
Growth	498 840	477 794
Total (defined member contribution liabilities)	568 797	545 399

As at 30 June 2017, the net assets attributable to defined contribution members have been substantially allocated. Unallocated amounts are shown in the Statement of Financial Position as 'unallocated surplus/ (deficit)' within equity.

Notes to the Financial Statements

for the year ended 30 June 2017

5. Member Liabilities (continued)

Vested Benefits

	Contractual cash flows potentially payable in 2017-18	
	2017	2016
	\$000	\$000
30 June 2017		
Vested benefits	568 797	545 399
Benefits payable	13 200	17 758

Total vested benefits includes benefits payable. Refer to Note 3(c) Liquidity Risk for total defined contribution and defined benefit accrued and vested benefits.

(c) Defined benefit member liabilities

Defined benefit member liabilities are an unfunded Territory Government liability guaranteed under section 29 of the *Superannuation Act* with costs being met by the Territory as they become payable. The expected employer contributions in the next reporting period are equal to the expected benefits to be paid (including accrual during the year).

The liability is reported in the Statement of Financial Position under member liabilities with the employer-sponsor receivables reported under assets. The accrued liabilities do not include benefits payable to former members who have exited and are yet to claim their benefits. The benefit payable is reported with the aggregate employer-sponsor receivables and member liabilities in the Statement of Financial Position.

The net change in defined benefit member liabilities is reported in the Income Statement as nil. As the liability is funded by the Territory there are no allocations from the fund's investments.

Type of benefit paid	2016-17		2015-16	
	Number of members	Total paid \$M	Number of members	Total paid \$M
Resignation	341	23.57	226	25.30
Age retirement	153	95.77	151	90.17
Retrenchment	12	7.89	13	7.47
Invalidity	4	2.01	3	1.90
Death	6	2.20	11	1.71
Anti detriment	12	0.09	13	0.06
Transfer	-	-	1	0.30
Retained	284	4.08	4 249	415.31
Annuity bonus	-	-	-	-
Total	812	135.61	4 667	542.22

Notes to the Financial Statements

for the year ended 30 June 2017

5. Member Liabilities (continued)

	2017	2016
	\$000	\$000
Assets		
Employer-sponsor receivables	943 200	1 036 400
Benefit receivable	18 660	21 916
Total assets	961 860	1 058 316
Liabilities		
Defined benefit member liability	943 200	1 036 400
Benefit payable	18 660	21 916
Total liabilities	961 860	1 058 316

Defined benefit member liabilities are measured as the estimated present value of a portfolio of investments that would be needed as at the reporting date to yield future net cash flows sufficient to meet the accrued benefits on the date when they are expected to fall due.

In accordance with section 45ZA of the *Superannuation Act*, an actuarial review of the operations of the scheme was carried out as at 30 June 2017. The actuarial review measured the defined benefit member liabilities using demographic assumptions and valuation methodology of the last triennial review (30 June 2016), updated annually with current assumptions of future salary growth, and discount rates (based on the yield on government bonds with a term consistent with the term of the liabilities). The discount and salary and (wage-linked) growth rates used were provided to the actuary by the Department of Treasury and Finance.

Economic assumptions

	2017	2016
	%	%
Discount rate (risk-free based)	2.7	2.0
Salary and (wage-linked) pension growth – short term	3.0	3.0
Salary and (wage-linked) pension growth – long term	3.5	4.0

Notes to the Financial Statements

for the year ended 30 June 2017

5. Member Liabilities (continued)

STB considers the potential impact of changes to key variables about which the assumptions need to be made. The main sensitivities in NTGPASS liability are the economic assumptions, followed by the mortality assumptions. The following table sets out the sensitivity of the AASB 1056 liability result to variations in those assumptions.

Sensitivity analysis

	Discount rate	Salary increase rate	Liability	Estimated impact
	%		\$M	%
Base	2.7	3% for the first year and 3.5% thereafter	943.2	-
Discount rate +1%	3.7	3% for the first year and 3.5% thereafter	874.0	(7)
Discount rate -1%	1.7	3% for the first year and 3.5% thereafter	1 022.4	8
Salary + 1%	2.7	4% for the first year and 4.5% thereafter	1 037.3	10
Salary - 1%	2.7	4% for the first year and 4.5% thereafter	859.8	(9)

Vested benefits as at 30 June 2017

	Contractual cash flows potentially payable in 2017-18	
	2017	2016
	\$000	\$000
Vested benefits	961 860	1 058 316
Benefits payable	18 660	21 916

Total vested benefits includes benefits payable. Refer to Note 3(c) Liquidity Risk for total defined contribution and defined benefit accrued and vested benefits.

6. Equity and Reserves

Investments not allocated to members at the end of year are the primary contributor to any surplus or deficit and are unallocated to ensure sufficient funds to cover end-of-year adjustments and tax obligations.

The funds' operational risk reserve was closed in December 2015 following clarification that the revised Heads of Government Agreement signed in 2014 made it clear an exempt public sector superannuation scheme did not require an operational reserve.

Notes to the Financial Statements

for the year ended 30 June 2017

7. Income Tax

The note provides an analysis of the fund's income tax expense and how the tax expense is affected by non-assessable and non-deductible items.

The notes below have changed from prior years due to the adoption of AASB 1056 and requirements to disclose member activities separately from investments.

(a) Major Components of Tax Expense

	2017	2016
	\$000	\$000
Current income tax		
Current tax charge	4 631	(4 937)
Adjustment to current tax for prior period	(47)	-
Relating to the origination and reversal of temporary differences	460	-
Total income tax expense	5 044	(4 937)
Contributions tax expense	1 899	4 707
	6 943	(231)

(b) Numerical reconciliation between tax expense and profit before income tax

	2017	2016
	\$000	\$000
Profit/(loss) from superannuation activities	61 602	(2 242)
Tax applicable at the rate of 15% (2016: 15%)	9 240	(336)
Tax effect of income/(losses) not assessable or (deductible) in determining taxable income		
Non assessable income from investments	(2 810)	(3 813)
Tax effect of other adjustments		
Imputation and foreign tax credits	(2 025)	(788)
Under provision in prior period	639	-
Income tax expense/(benefit)	5 044	(4 937)

Notes to the Financial Statements

for the year ended 30 June 2017

7. Income Tax (continued)

(c) Recognised in the Statement of Changes in Member Benefits

	2017	2016
	\$000	\$000
Contributions, transfers in and other items recognised in the statement of changes in member benefits	(30 551)	(398 622)
Tax applicable at the rate of 15% (2016: 15%)	(4 583)	(59 793)
Tax effect of income/(losses) not assessable or (deductible) in determining taxable income		
Member contributions and transfers in	(3 172)	(7 507)
Non taxable employer contributions	(10 462)	(9 161)
Member surcharge payments/receipts	(32)	5
Benefits paid	20 371	81 335
Anti-detriment payments	(103)	(46)
Notional premium deduction death and disability	(120)	(126)
Income tax expense/(benefit)	1 899	4 707

(d) Current tax (assets)/liabilities

	2017	2016
	\$000	\$000
Balance at beginning of year	558	948
Income tax paid – current period	(2 213)	(3 242)
Income tax paid – prior period	(511)	(948)
Current year's income tax provision	6 530	3 800
Under/(over) provision prior year	(47)	-
Current tax (assets)/liabilities	4 317	558

(e) Deferred tax assets

	2017	2016
	\$000	\$000
The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date comprises:		
Accrued expenses	1	1
Realised carried forward capital losses	-	1 398
Unrealised capital losses	1 297	3 646
Deferred tax assets	1 298	5 045

(f) Deferred tax liabilities

	2017	2016
	\$000	\$000
Contributions receivable	-	3 287

Notes to the Financial Statements

for the year ended 30 June 2017

8. Other Operating Expenses

Costs for the day-to-day management of NTGPASS are paid by the Territory and include salaries, audit, actuarial, office accommodation, administration and operational costs. Costs borne by NTGPASS are provided below, including STB costs (refer to Note 16 for details).

	2017	2016
	\$000	\$000
Bank fees		
Investment fees	114	6
Administration fees	79	477
Board expenses	22	58
Sundry expenses	7	42
	222	583

9. Cash and Cash Equivalents

	2017	2016
	\$000	\$000
Cash at bank	1 857	1 843

10. Reconciliation of Net Cash from Operating Activities to Net Profit After Income Tax

	2017	2016
	\$000	\$000
Operating result after tax	742	966
Adjustment for:		
Net proceeds from redemption/acquisition of investments	(4 406)	368 424
Net change in fair value of investments	(23 857)	34 069
Net benefits allocated to member accounts	55 816	1 730
Change in operating assets and liabilities		
(increase)/decrease in receivables	-	9
Increase/(decrease) in payables	1	(1)
Current tax asset	3 203	(1 085)
Net cash inflow (outflow) from operating activities	31 498	404 111

There were no non-cash financing activities during the year.

Notes to the Financial Statements

for the year ended 30 June 2017

11. Commitments

The fund has not made any commitments.

12. Contingent Liabilities

There are no outstanding contingent assets or liabilities as at 30 June 2017.

13. Segment Reporting

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

14. Events Subsequent to Reporting Date

There are no significant subsequent events.

15. Auditors' Remuneration

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

16. Related Parties

Trustee

NTGPASS' fund is managed by the Superannuation Trustee Board (STB), which is a body corporate continued under section 8A of the *Superannuation Act*.

Board members

The *Superannuation Act* provides for a nine-member board consisting of the Under Treasurer, chairperson, deputy chairperson and six nominated members. Two members are nominated by Unions NT, one nominated by the Commissioner of Police and one by the Northern Territory Police Association. Apart from the Under Treasurer, all members are appointed by the Treasurer and hold five-year appointments.

Key Management Personnel include persons who were members of STB at any time during the financial year. There were two membership changes in STB in 2016-17, with the appointment of a new Under Treasurer and Northern Territory Police Association nominee.

Kathleen Robinson	Chairperson
Marianne McAdie	Deputy Chairperson
Craig Graham	Member (appointed 24 April 2017)
Jodie Ryan	Member (resigned 6 December 2016)
Michael Martin	Member
Alex Pollon	Member
Vicky Coleman	Member
Mark McAdie	Member
Sarah Burchett	Member
Colin Goodsell	Member (appointed 11 July 2016)

Where a STB member is also a member of NTGPASS, member contributions or benefit payments are made in accordance with the normal terms and conditions of the scheme rules and governing legislation. No retirement benefits from the NTGPASS scheme were paid to STB members or relatives of STB members during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2017

16. Related parties (continued)

There were no other persons with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial year.

STB expenses and key management personnel compensation

Costs for the day-to-day management of the scheme are paid by the Territory and include salaries of Northern Territory Superannuation Office staff, audit, actuarial, office accommodation, administration and operational costs.

Payments to STB members are made in accordance with a determination under the *Assembly Members and Statutory Officers (Remuneration and Other Entitlements) Act*, which sets the rates payable to board members for attendance at board meetings, travel and other board-related activities. Remuneration is not payable where a STB member is also an employee of the Northern Territory Public Sector, the Commonwealth or a state public service. Three STB members were entitled to, and received, sitting fees during the year. There were no outstanding reimbursements or payments due to any STB member as at 30 June 2017.

The total STB cost is attributed to each of the three funds (which includes the Northern Territory Police Supplementary Benefit Scheme and Legislative Assembly Members' Superannuation Scheme) proportional to the value of funds under management. STB expenses totalled \$24 221, of which \$21 505 was attributed to NTGPASS for 2016-17. Total costs are detailed below.

	2016-17	2015-16
	\$	\$
Sitting fees	3 344	4 561
Training and conferences	8 211	3 265
AIST membership ¹	12 409	13 255
Governance expenses	257	27 511
Internal audit	-	16 500
Total	24 221	65 092

1 Australian Institute of Superannuation Trustees.

