

NORTHERN TERRITORY POLICE  
SUPPLEMENTARY BENEFIT SCHEME

# ANNUAL REPORT



2016-17



NORTHERN TERRITORY POLICE  
SUPPLEMENTARY BENEFIT SCHEME

# Annual Report

## 2016-17

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## NORTHERN TERRITORY POLICE SUPPLEMENTARY BENEFIT SCHEME

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The Honourable Nicole Manison MLA  
Treasurer  
GPO Box 3146  
DARWIN NT 0801

Dear Treasurer

In accordance with the provisions of clause 11 of the Northern Territory Police Supplementary Benefit Scheme Trust Deed, I am pleased to provide you:

- the report on the operations of the Northern Territory Police Supplementary Benefit Scheme for the financial year ended 30 June 2017
- the audited financial statements of the Northern Territory Police Supplementary Benefit Scheme for the financial year ended 30 June 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Robinson'.

Kathleen Robinson  
Chairperson, Superannuation Trustee Board  
25 October 2017

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

Marianne McAdie  
Member, Superannuation Trustee Board  
25 October 2017



## Table of Contents

Report on Operations	3
Introduction	5
Highlights	5
Significant Events	5
The Scheme	5
Governance	6
Investments	8
Scheme Membership	10
Administration	11
Summary of the Report of the Actuarial Investigation of the Northern Territory Police Supplementary Benefit Scheme (PSBS)	12
Financial Statements	13
Independent Auditor's Report to the Trustee Board	15
Trustee Statement	17
Statement of Financial Position	18
Income Statement	19
Statement of Changes in Equity	20
Statement of Cash Flows	21
Notes to the Financial Statements	22
Appendix:	
The Scheme and How it Works	33



# Report on Operations



## Introduction

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

PSBS was established under the Northern Territory Police Supplementary Benefit Scheme Trust Deed (Trust Deed) dated 15 June 1984, last amended on 2 June 2015.

PSBS provides a supplement to the pension payable from the Commonwealth Superannuation Scheme (CSS) for eligible members of the Northern Territory Police Force. The PSBS supplement is up to 25 per cent of the CSS pension.

The Northern Territory Government and Public Authorities' Superannuation Scheme replaced the CSS and PSBS for police recruited from 1 January 1988. PSBS has therefore been closed to new members since that date.

## Highlights

### New Pensions Commenced

During the year, eight former members commenced a supplementary police pension. At 30 June 2017 there were 192 former members and former members' spouses receiving a pension from PSBS.

### Crediting Rate

The 2016-17 crediting rate for PSBS is 10.85 per cent.

## Significant Events

There were no significant events during the year.

### Police Housing Allowance

Police housing allowance pension recalculations will continue to be processed as the adjusted pension data is received from CSS.

## The Scheme

PSBS is a defined benefit scheme, which pays two types of superannuation benefits:

- a lifetime pension for members who qualify for a supplementary benefit with the option to commute (cash up) the pension to a lump sum, or
- a refund of member contributions and investment earnings for members who do not qualify for a supplementary benefit from PSBS as they do not meet vesting requirements.

Members contribute 1 per cent of their salary to the fund. When a benefit is claimed, the member's contributions and earnings on them are either transferred to the Territory (for members entitled to the PSBS supplementary benefit) or repaid to the member. PSBS is unfunded, which means the Territory Government finances the supplementary benefit directly from the Central Holding Authority. This is guaranteed by the Territory under clause 20 of the Trust Deed.

The Appendix provides information on how PSBS works (see page 34).

## Governance

### Trustee

The Superannuation Trustee Board (STB) is the Trustee of PSBS. STB is a body corporate continued under section 8A of the *Superannuation Act*. Under the Trust Deed and the *Superannuation Act*, STB has overall responsibility for the operation, management and investments of the PSBS fund and for the investments of two other funds administered by the Northern Territory Superannuation Office (NTSO).

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 member is 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. In the transition from the former Police Trustee Board to STB, members previously nominated by the Commissioner of Police and NTPA became members of STB.

The functions and powers of STB are set out in section 8B of the *Superannuation Act*. The Commissioner of Superannuation, acting on behalf of STB, is responsible for administering PSBS and ensuring payment of the appropriate benefits to former members. PSBS administration is undertaken by the NTSO, a division of the Department of Treasury and Finance. In 2016-17, there were two membership changes with the appointment of a new Under Treasurer and a new member nominated by the NTPA.

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

### Trustee Meetings

STB met on four occasions during the year to consider general business and investment strategy of the funds it manages.

## Trustee Remuneration and other STB Expenses

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 board member is also an employee of the Northern Territory Public Sector, the Commonwealth or a state public service. In 2016-17, three STB members were entitled to receive sitting fees. Remuneration payments made to STB members totalled \$3344.

STB resolved to allocate its associated costs to the three funds administered according to the value of funds under management. Board expenses totalled \$24 221 for 2016-17, of which \$92 was attributed to PSBS. Total STB costs are detailed below.

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

1 Australian Institute of Superannuation Trustees.

## Conflict of Interest

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

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

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

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

There were no conflicts of interest recorded during the year.

## Review of Decisions

The Trust Deed provides that STB (or delegate) is required to make a decision upon receiving an application to claim a benefit, within 30 days for death benefits or 90 days for other benefits. Once a decision is made the applicant can seek a review of that decision within 30 or 90 days (depending on the benefit type), and STB (or delegate) has the same number of days to review the decision. If the applicant is aggrieved by STB's decision on review, both the Trust Deed and Part 5A of the *Superannuation Act* give them a right to apply to the Northern Territory Civil and Administrative Tribunal for a further review of the decision.

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

## Trustee Education

STB is responsible for the operation of PSBS and STB members attend seminars and information sessions to keep themselves informed on superannuation issues and industry practices.

## Investments

The PSBS fund returned 10.85 per cent for the 2016-17 financial year.

### Crediting Rate Policy

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

### Investment Objective

The investment objective of STB is to achieve a rate of return at least 3 per cent above consumer price index (CPI) on fund assets measured over a five-year period. PSBS is an exempt public sector superannuation scheme and therefore is not regulated by the Australian Securities and Investments Commission (ASIC). Nonetheless, for information purposes, long-term returns, calculated as the compound average effective rate of net earnings, have been calculated consistently with the financial services regulations overseen by ASIC. Fund returns over the last five years are presented in Table 1.

Table 1: Fund returns over the last five years

	Fund return (crediting rate)	CPI	Real rate of return <sup>1</sup>
	%	%	%
2012-13	14.70	2.40	12.01
2013-14	13.20	3.00	9.90
2014-15	10.10	1.50	8.47
2015-16	1.25	1.00	0.25
2016-17	10.85	1.90	8.78
5-year average	9.92 <sup>2</sup>	1.96	7.81
10-year average	4.08 <sup>2</sup>	2.36	1.68

1 Real rate of return =  $\frac{\text{Fund return} - \text{CPI}}{1 + \text{CPI}}$

2 Compound average effective rate of net earnings.

The five-year average annual real rate of return on the fund is 7.81 per cent per annum, in line with the investment objective set in 2016-17. The 10-year average annual real rate of return is 1.68 per cent per annum.

Investment returns can be either positive or negative. The current investment structure of the fund has moderate to low volatility, which means the possibility of a negative annual crediting rate is not expected to exceed, on average, 4 in every 20 years.

Composition of the fund's assets as at 30 June 2017 is presented in Table 2.

Table 2: Portfolio composition

	% of Portfolio
Australian shares	28.6
International shares	34.6
Property	4
Low correlation strategy	5
Diversified debt	22.7
Enhanced cash	5.1
<b>Total</b>	<b>100</b>

## Investment Overview

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 PSBS 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.

## Fund Investments

PSBS has been closed to new members since January 1988 and has reached a stage where the value of benefits paid from the fund for members exiting the scheme exceeds the value of compulsory contributions received into the fund from active members. This means the fund has a negative cash flow in some years. In 2016-17, this resulted in redemptions of \$400 000 from the fund's investment.

Fund investments are managed by JANA Investment Advisers Pty Ltd (JANA).

Investment returns over the year resulted in a net increase of \$289 749 in the fund's assets, which was offset by the \$400 000 redemption leading to a net reduction to investments of \$110 251. At the end of the financial year, the fund had \$2.48 million in assets, of which \$2.43 million was invested with JANA, and the residual \$54 704 held in cash.

## Fees

JANA charged a fee of approximately 0.5 per cent (after rebates) for managing the funds invested. The investment returns are net of these fees.

No administration or account-keeping fees are deducted from member accumulation accounts, as the day-to-day running costs of PSBS are met by the Territory.

## Scheme Membership

### Contributions and Benefit Payments

Members contribute 1 per cent of their salary to the fund. During 2016-17, member contributions to the fund totalled \$63 235.

Members who do not qualify for a benefit receive a refund of their contributions from the fund. Members who qualify for a benefit are paid by the Territory and their contributions are transferred from the fund to the Territory. Total PSBS benefits paid in 2016-17 are outlined in Table 3.

Table 3: Benefits paid

	2016-17	2015-16
	\$	\$
By the fund		
Refunds of contributions	284	25 591
Transfers to the Territory for members who qualify for a benefit	575 444	276 074
	<b>575 728</b>	<b>301 666</b>
By the Territory		
Pensions	2 352 052	2 278 682
Lump sum payments	5 978	75 275
	<b>2 358 030</b>	<b>2 353 957</b>

### Membership

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

Table 4: Active contributing members

	2016-17	2015-16
Members at beginning of period	54	63
Less exits:		
Pension (including commutation)	8	5
Refunds of accumulation accounts	1	4
	45	54
Less creditors <sup>1</sup>	8	7
<b>Active members as at 30 June</b>	<b>37</b>	<b>47</b>

<sup>1</sup> Members who have ceased employment but not claimed their benefit.

The total number and types of pensioners as at 30 June are provided in Table 5.

Table 5: Pension members

	2016-17	2015-16
Pensioners	172	164
Reversionary (spouse) pensioners	20	19
<b>Total pensioners as at 30 June</b>	<b>192</b>	<b>183</b>

## Administration

### Compliance and Taxation Status of the Scheme

PSBS is an exempt public sector superannuation scheme and therefore not regulated under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS Act).

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

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

### Audit

A financial statement audit of the scheme was conducted by the Auditor-General's Office as at 30 June 2017.

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

### Actuarial Services

Actuarial services to the scheme were provided by John Rawsthorne FIAA of Cumpston Sarjeant Pty Ltd, under the panel contract arrangements for actuarial services to the Territory Government. Advice was received during the year in relation to PSBS.

A triennial actuarial investigation of PSBS was carried out as at 30 June 2015 with updated annual advice provided as at 30 June 2017. A summary of the updated report is provided on page 12. The next triennial actuarial review is due in 2018.

### Further Information

Members requiring additional information should contact the NTSO.

# Summary of the Report of the Actuarial Investigation of the Northern Territory Police Supplementary Benefit Scheme (PSBS)

as at 30 June 2017

In accordance with clause 17 of the Trust Deed, an actuarial review of PSBS was carried out as at 30 June 2015 by John Rawsthorne FIAA, of Cumpston Sarjeant Pty Ltd, and the results were presented in a report dated 17 August 2015. The next triennial review is scheduled for 2018. The Territory's liability for accrued benefits has been determined by reference to expected future salary levels, a market-based risk-adjusted discount rate and other relevant actuarial assumptions.

PSBS was closed to new members from 1 January 1988. Members contribute 1 per cent of salaries to the fund, which is accumulated with the earnings of the fund. On leaving without a Territory-financed benefit, the member accumulation account is refunded to the member. If a member is eligible to receive a Territory-financed benefit on exit, the member accumulation account is transferred to the Territory. Apart from refunds on accumulations, all benefit payments from the scheme are made directly by the Territory, rather than through the fund.

The investigation has focussed on Territory liabilities, examining recent experience, establishing demographic assumptions to apply in future, calculating the present value of future benefit payments and projecting both emerging costs and liabilities for accrued benefits into the future. The 2017 annual valuation used the 2015 demographic assumptions with updated economic assumptions.

## 2017 Annual Advice Results

The most recent actuarial valuation of the liability as at 30 June 2017 reports a decrease of \$6.4 million, from \$74.5 million in 2016 to \$68.1 million in 2017. This largely reflects updated economic assumptions with respect to the discount rate used for valuation purposes, offset by higher investment returns.

The contributory membership stands at 37 members, down from 46 contributors 12 months ago. This will continue to decline as members reach retirement age and claim benefits. The number of pensioners continues to increase, and now stands at 192 pensioners. At 30 June 2017 there were also two pending and four deferred pensioners.

Territory emerging costs are expected to be around \$2.054 million in 2017-18 and will continue to rise slowly in nominal terms until around 2031 to about \$3.35 million per annum. Liabilities are close to their peak in real terms, and will gradually decline after the next few years as membership declines.

# Financial Statements





**Auditor-General**  
**Independent Auditor's Report**  
**to the Superannuation Trustee Board**  
**Northern Territory Police Supplementary Benefit Scheme**  
**Page 1 of 2**

**Opinion**

I have audited the accompanying financial report of the Northern Territory Police Supplementary Benefit Scheme, which comprises the statement of financial position as at 30 June 2017, the income statement, statement of changes in equity, and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Northern Territory Police Supplementary Benefit Scheme as at 30 June 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 Northern Territory Police Supplementary Benefit Scheme in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

**The Responsibility of the Superannuation Trustee Board for the Financial Report**

The Superannuation Trustee Board of the Northern Territory Police Supplementary Benefit Scheme 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 Northern Territory Police Supplementary Benefit Scheme'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 Northern Territory Police Supplementary Benefit Scheme or to cease operations, or has no realistic alternative but to do so.

The Superannuation Trustee Board is responsible for overseeing the Northern Territory Police Supplementary Benefit Scheme'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 Northern Territory Police Supplementary Benefit Scheme'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 Northern Territory Police Supplementary Benefit Scheme'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 Northern Territory Police Supplementary Benefit Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

27 October 2017

## Trustee Statement

In the opinion of the Superannuation Trustee Board:

- the accompanying financial statements were prepared in accordance with the Australian Accounting Standard (AASB) 101 and other accounting standards and mandatory reporting requirements, and consist of a Statement of Financial Position, Income Statement, Statement of Cash Flows and Statement of Changes in Equity and notes to the financial statements, and are drawn up to present fairly the financial position of the Northern Territory Police Supplementary Benefit Scheme as at 30 June 2017 and the results of its operations for the year ended
- the financial statements have been prepared in accordance with the requirements of the Northern Territory Police Supplementary Benefit Scheme Trust Deed
- the scheme has been operated in accordance with the provisions of the Northern Territory Police Supplementary Benefit Scheme Trust Deed and Rules, the *Superannuation Act* and in compliance with 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
		\$	\$
<b>Assets</b>			
Cash and cash equivalents	9(b)	54 704	49 531
Investments	5, 6	2 428 573	2 538 824
Deferred tax assets	7(d)	295	288
<b>Total assets</b>		<b>2 483 572</b>	<b>2 588 643</b>
<b>Operating liabilities</b>			
Sundry liabilities		2 061	2 017
Current tax liability	7(c)	1 334	461
Deferred tax liability	7(e)	7 388	1 545
Provision for surcharge tax contributions		16 896	22 446
<b>Total operating liabilities</b>		<b>27 679</b>	<b>26 469</b>
<b>Member liabilities</b>			
Benefits payable	4	364 688	240 543
<b>Total member liabilities</b>		<b>364 688</b>	<b>240 543</b>
<b>Total liabilities</b>		<b>392 367</b>	<b>267 012</b>
<b>Net assets</b>		<b>2 091 205</b>	<b>2 321 631</b>
<b>Equity</b>			
Unallocated surplus/(deficit)		2 091 205	2 321 631
<b>Total equity</b>	8	<b>2 091 205</b>	<b>2 321 631</b>

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
		\$	\$
<b>Investment and operating revenue</b>			
Interest revenue		910	1 178
Distribution from investments	6	213 978	-
Net change in fair value of investments	6	75 771	32 056
Sundry income		-	1
<b>Total investment and operating revenue</b>		<b>290 659</b>	<b>33 235</b>
<b>Contributions revenue</b>			
Member contributions		63 235	76 598
Member surcharge payment received		5 978	4 988
<b>Total contributions revenue</b>		<b>69 213</b>	<b>81 585</b>
<b>Total revenue</b>		<b>359 872</b>	<b>114 820</b>
<b>Investment and operating expenses</b>			
Bank fees		76	20
Board expenses	10	92	267
Sundry expenses		7 094	1 750
<b>Total investment and operating expenses</b>		<b>7 262</b>	<b>2 037</b>
<b>Benefits paid</b>			
Refund of accumulated contributions		284	25 591
Payment of accumulated contributions to the Territory		575 444	276 074
<b>Total benefits paid</b>	4	<b>575 728</b>	<b>301 666</b>
<b>Total expenses</b>		<b>582 990</b>	<b>303 703</b>
<b>Operating result before income tax expense</b>		<b>(223 118)</b>	<b>(188 883)</b>
Income tax expense	7	7 309	2 061
<b>Net operating result</b>		<b>(230 427)</b>	<b>(190 944)</b>

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

## Statement of Changes in Equity

for the year ended 30 June 2017

	Note	Unallocated surplus/ (deficit)	Total equity
	8	\$	\$
<b>Opening balance as at 1 July 2016</b>		<b>2 321 631</b>	<b>2 321 631</b>
Unallocated surplus/(deficit)		(230 427)	(230 427)
<b>Closing balance as at 30 June 2017</b>		<b>2 091 205</b>	<b>2 091 205</b>
<b>Opening balance as at 1 July 2015</b>		<b>2 512 575</b>	<b>2 512 575</b>
Unallocated surplus/(deficit)		(190 944)	(190 944)
<b>Closing balance as at 30 June 2016</b>		<b>2 321 631</b>	<b>2 321 631</b>

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

# Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017	2016
		\$	\$
<b>Cash flow from operating activities</b>			
Interest received		910	1 178
Payments for goods and services		(7 218)	(2 066)
Member contributions		69 213	81 586
Payments to the Territory		(450 871)	(249 522)
Benefits paid		(284)	(25 591)
Contribution and surcharge taxes		(5 978)	(4 988)
Tax expense		(600)	-
<b>Net cash flow from operating activities</b>	9(a)	<b>(394 828)</b>	<b>(199 403)</b>
<b>Cash flow from investing activities</b>			
Proceeds from redemption of investments		400 000	2 773 894
Distribution income		126 997	-
Purchase of investments		(126 997)	(2 608 893)
<b>Net cash flow from investing activities</b>		<b>400 000</b>	<b>165 001</b>
<b>Net increase (decrease) in cash</b>		<b>5 173</b>	<b>( 34 402)</b>
Cash at the beginning of the financial year		49 531	83 933
<b>Cash at the end of the reporting period</b>	9(b)	<b>54 704</b>	<b>49 531</b>

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 Police Supplementary Benefit Scheme (PSBS) (ABN 64 563 356 970) is established under the Northern Territory Police Supplementary Benefit Scheme Trust Deed and Rules (the Trust Deed). PSBS incorporates a member accumulation and a defined benefit component and operates for the purpose of providing benefits for or in relation to eligible employees under the Northern Territory *Police Administration Act*. Administration of the scheme is conducted by the Commissioner of Superannuation and the Northern Territory Superannuation Office on behalf of the Trustee, the Superannuation Trustee Board (STB).

### 2. Basis of Preparation

#### (a) Statement of compliance

The financial report is a general purpose report prepared in accordance with Australian Accounting Standards. PSBS does not meet the definition of a 'superannuation entity' as defined in AASB 1056 Superannuation Entities and only holds member contributions and investments, however the benefit payments (pensions) themselves are paid directly by the Territory, not the PSBS fund. Accordingly, this report has been prepared in accordance with AASB 101 Presentation of Financial Statements and other applicable accounting standards, the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations and the provisions of the Trust Deed.

The financial statements were approved by STB on 25 October 2017.

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

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

#### (d) Rounding of amounts

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

#### (e) Use of estimates and judgments

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

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

There are no critical accounting estimates and judgments contained in these financial statements other than those used to determine the liability for vested benefits, which are not brought to account but disclosed by way of note. The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

## Notes to the Financial Statements

for the year ended 30 June 2017

### 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently in these financial statements.

#### (a) Financial assets

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

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

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 recorded in the Income Statement. Interest earned is recorded as 'interest revenue'.

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

#### (b) Cash and cash equivalents

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

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

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

#### (c) 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 that are unpaid at the end of the reporting period and, other than benefits payable, usually unsecured and payable on demand or within short timeframes of less than 60 days.

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

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

#### (d) Revenue recognition

##### *Interest revenue*

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

##### *Distributions*

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

##### *Movement in net market 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 (or cost) if the investment was acquired during the period.

## Notes to the Financial Statements

for the year ended 30 June 2017

### 3. Significant Accounting Policies (continued)

#### *Contribution revenue and transfers*

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

#### (e) Income tax

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

Income tax on benefits accrued as a result of operations for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in members' funds.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the Income Statement and any adjustments to tax payable in respect of previous years.

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

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

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

#### (f) Superannuation contributions (surcharge) tax

STB recognises amounts paid or payable in respect of the surcharge tax as an expense of the fund. 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 the Trustee 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 Australian Taxation Office (ATO) assesses the amount of surcharge based on each member's adjusted taxable income and level of surchargeable contributions and periodically sends grouped assessments to 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.

## Notes to the Financial Statements

for the year ended 30 June 2017

### 3. Significant Accounting Policies (continued)

#### (g) Goods and services tax

The fund is not registered for goods and services tax (GST). Where GST has been applied, revenues, expenses and assets are recognised inclusive of GST. Receivables and payables in the Statement of Financial Position are also shown inclusive of GST.

#### (h) Standards and Interpretations affecting amounts, presentation and disclosure reported in the current period

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

New standards, revised standards, interpretations or amending standards issued prior to the sign-off date applicable to the current reporting period did not have a financial impact on the fund and are not expected to have future financial impact on the fund.

Those most relevant to the fund are set out below. The fund will adopt these standards for the annual reporting periods beginning on or after the effective dates.

Amendment	Effective date
<b>AASB 9 Financial Instruments (and applicable amendments)</b>	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.	

### 4. Benefits Payable

Benefits payable include benefits in respect of members who ceased to be members prior to year end but had not been paid by that date.

	2017	2016
	\$	\$
<b>Benefits</b>		
Refunds of accumulated contributions	284	25 591
Payment of accumulated contributions to the Territory	575 444	276 074
<b>Total benefits</b>	<b>575 728</b>	<b>301 666</b>
<b>Benefits payable</b>		
Accumulated contributions payable	364 688	240 543
<b>Total benefits payable</b>	<b>364 688</b>	<b>240 543</b>

## Notes to the Financial Statements

for the year ended 30 June 2017

### 5. Financial Instruments

Investments of the fund (other than cash held for liquidity purposes) comprise units in unit trusts. STB has determined 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 established risk management policies to identify and analyse the risks faced by the fund and it set appropriate risk limits and controls, monitor risks and adhere-to-risk limits. Monitoring of risks includes those managed by the investment manager, JANA.

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 and the fund'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
- investment performance against benchmarks
- fund manager compliance reporting.

JANA manages these risks on behalf of the fund.

#### (a) Market risk

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

#### (i) Currency risk

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

#### (ii) 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 being directly subject to interest rate risk. As a result, the fund has limited exposure to interest rate risk due to fluctuations in market interest rates. All the fund's cash assets are held with National Australia Bank.

## Notes to the Financial Statements

for the year ended 30 June 2017

### 5. Financial Instruments (continued)

An increase (or decrease) of 1 per cent in interest rates at the reporting date would have increased (decreased) the benefits accrued as a result of operations and net assets available to pay benefits 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			
30 June 2017	54 704	± 649	± 649
30 June 2016	49 531	± 678	± 678

#### (iii) Other 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 interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The fund's financial instruments are carried at net market value and are recognised in the Statement of Financial Position. All changes in market conditions affecting market value are therefore 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 are in accordance with the fund's published investment strategy in respect of asset class allocation.

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 investment returns	
		Change for the year in net assets available to pay benefits	Net assets available to pay benefits
	\$	\$	\$
Investments			
30 June 2017	2 428 573	± 124 185	± 124 185
30 June 2016	2 538 824	± 130 265	± 130 265

#### (b) Credit risk

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

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

## Notes to the Financial Statements

for the year ended 30 June 2017

## 5. Financial Instruments (continued)

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

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.

	2017	2016
	\$	\$
Cash and cash equivalents	54 704	49 531
Units in unit trust	2 428 573	2 538 824
<b>Total</b>	<b>2 483 277</b>	<b>2 588 355</b>

## (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.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Balance	Contractual cash flows potentially payable in 2016-17
	\$	\$
<b>30 June 2017</b>		
Benefits payable	364 688	364 688
Vested benefits	2 082 000	2 082 000
	<b>2 446 688</b>	<b>2 446 688</b>
<b>30 June 2016</b>		
Benefits payable	240 543	240 543
Vested benefits	2 290 000	2 290 000
	<b>2 530 543</b>	<b>2 530 543</b>

Vested benefits have been included as potentially payable in 2016-17 as this is the amount contributing members could call upon as at year end. 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 to them during this time.

## Notes to the Financial Statements

for the year ended 30 June 2017

### 6. Fair value measurement

#### (a) Estimation of fair values

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. The major methods and assumptions used in determining fair value of financial instruments are disclosed in notes 3(a) and 3(c) of the Summary Of Significant Accounting Policies section.

#### (b) Recognised fair value measurements

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

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

STB determined the fair value of the fund's investments are level 2.

Level 2 investments	2017	2016
	\$	\$
<b>Financial assets</b>		
Units in unit trusts	2 428 573	2 538 824

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

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

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

	2017	2016
	\$	\$
Opening balance	2 538 824	2 671 769
Redemptions	(400 000)	(165 000)
Change in fair value	289 749	32 056
Closing balance	<b>2 428 573</b>	<b>2 538 824</b>

## Notes to the Financial Statements

for the year ended 30 June 2017

## 7. Income Tax Expense

	2017	2016
(a) Major components of tax expense	\$	\$
Current tax expense		
Current year	1 473	461
Deferred tax expense		
Relating to the origination and reversal of temporary differences	5 836	1 600
<b>Income tax expense</b>	<b>7 309</b>	<b>2 061</b>
(b) Income tax expense		
Total revenue less expenses before tax	(223 118)	(188 883)
Tax applicable at the rate of 15% (2016: 15%)	(33 468)	(28 332)
Tax effect of expenses that are not deductible in determining taxable income		
Refunds of accumulated contributions	18 664	7 840
Payments of contributions to the Territory	67 631	37 428
Superannuation contributions surcharge	64	(18)
Tax effect of income that is not assessable in determining taxable income		
Investment income	(26 170)	409
Member contributions	(9 485)	(11 490)
Surcharge payments received	(897)	(748)
Tax effect of other adjustments		
Imputation and foreign tax credits	(9 030)	(3 028)
<b>Income tax expense/(benefit)</b>	<b>7 309</b>	<b>2 061</b>
(c) Current tax liabilities		
Balance at beginning of year	461	-
Income tax paid – current period	(140)	-
Income tax paid – prior period	(461)	-
Current year's income tax provision	1 474	461
<b>Current tax liabilities</b>	<b>1 334</b>	<b>461</b>
(d) Deferred tax assets		
The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date is made up as follows:		
Accrued expenses	295	288
(e) Deferred tax liabilities		
The amount of deferred tax liabilities recognised in the Statement of Financial Position at reporting date is made up as follows:		
Unrealised capital losses (discounted)	7 388	1 545

## Notes to the Financial Statements

for the year ended 30 June 2017

### 8. Equity and reserves

The fund does not operate any reserves.

### 9. Reconciliation to the Statement of Cash Flows

	2017	2016
	\$	\$
(a) Reconciliation of benefits accrued after income tax as a result of operations to net cash provided by operating activities.		
<b>Benefits accrued after tax as a result of operations</b>	(230 427)	(190 944)
<b>Increase(-)/decrease(+) in net revenue</b>		
Net change in fair value of investments	(75 771)	(32 056)
Distribution income	(213 978)	-
<b>Increase(-)/decrease(+) in assets</b>	-	-
<b>Increase(+)/decrease(-) in liabilities</b>		
Benefits payable	124 145	26 674
Sundry liabilities	44	(29)
Surcharge tax	(5 550)	(5 109)
Tax payable	6 709	2 061
<b>Net cash flow from operating activities</b>	<b>(394 828)</b>	<b>(199 403)</b>
(b) Reconciliation of cash		
Cash at bank	54 704	49 531

### 10. Related Parties

#### (a) Employer

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

#### (b) Trustee

The Trustee of the fund is STB. In 2016-17, there were two membership changes 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)
Michael Martin	Member
Alex Pollon	Member
Vicky Coleman	Member
Mark McAdie	Member
Sarah Burchett	Member
Colin Goodsell	Member (appointed 11 July 2016)
Jodie Ryan	Member (resigned 6 December 2016)

## Notes to the Financial Statements

for the year ended 30 June 2017

### 10. Related Parties (continued)

Three members were entitled to, and received, sitting fees during the 2016-17 financial year totalling \$3344. 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 Legislative Assembly Members' Superannuation fund and Northern Territory Government and Public Authorities' Superannuation Scheme) proportional to the value of funds under management. STB expenses totalled \$24 221, of which \$92 was attributed to PSBS. Costs include sitting fees, Australian Institute of Superannuation Trustees membership and governance expenses.

Where a board member is also a member of PSBS, member contributions or benefit payments are made in accordance with PSBS rules and governing legislation. One STB member was in receipt of a pension under PSBS in 2016-17.

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

<sup>1</sup> Australian Institute of Superannuation Trustees

### 11. Auditors' Remuneration

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

### 12. Contingent Liabilities

The fund has no contingent liabilities at 30 June 2017 (2016: nil).

### 13. Segment Reporting

PSBS operates as one business, being 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.

# Appendix: The Scheme and How it Works

## Contributions

Members contribute 1 per cent of their salary to the fund, which is managed by the Superannuation Trustee Board. Each member has an accumulation account in the fund representing his or her contributions and investment earnings.

### Qualifying for a supplementary benefit

For a member of the Northern Territory Police Supplementary Benefit Scheme (PSBS) to qualify for a supplementary benefit he or she must:

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

Where a member qualifies for a supplementary benefit, the accumulation account balance will be transferred to the Territory and the Territory will pay the supplementary benefit directly from the consolidated holding account.

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

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

Table A1: Supplementary benefit percentage

Member's age	Supplementary benefit
Years	%
55	25.00
56	21.69
57	18.69
58	15.94
59	13.43
60 or more	11.11

The supplementary benefit is paid as a lifetime indexed pension and commences when the CSS pension begins to be paid. If a member defers or postpones his or her CSS pension, the PSBS pension commences when the deferred or postponed CSS pension commences. Members may elect to commute the PSBS pension to a lump sum equal to 10 times the annual amount of pension payable at the time the pension commences.

If the member is able to commute the CSS consumer price-indexed pension to a lump sum and elects to do so (for example, an involuntary retirement lump sum or a deferred benefit converted to a transfer value), the supplementary benefit will be a lump sum equal to the employer-financed lump sum paid from the CSS multiplied by the percentage in Table A1 applicable to the member's age when they ceased to be a member of the Northern Territory Police or ceased to be a CSS contributor, whichever occurs later.

The Commonwealth Superannuation Corporation (CSC), the agency that manages Commonwealth superannuation, separately issues members information statements about their CSS entitlements as at the end of each financial year.

If members require more information on their CSS benefit, they can contact the CSC on 1300 000 277 or visit the website at [www.css.gov.au](http://www.css.gov.au).

#### No entitlement to a supplementary benefit

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

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

Where any of the above circumstances apply to a member, the accumulation account will be paid to the member, to a nominated superannuation fund or their legal personal representative.

### Taxation of Supplementary Pension Benefits

Table A2 illustrates the taxation arrangements for members who qualify for a supplementary benefit from PSBS, which is paid as a lifetime indexed pension.

Table A2: Taxation of pensions

Age	Component	Tax treatment <sup>1</sup> from 1 July 2007
Preservation age to 59 years	Taxed	Marginal tax rates with a 15% pension tax offset
	Tax-free	Exempt from tax
	Untaxed	Marginal tax rates
60+ years	Taxed	Exempt from tax
	Tax-free	Exempt from tax
	Untaxed	Marginal tax rates with a 10% pension tax offset for the first \$100 000 p.a. of untaxed benefits

<sup>1</sup> Prior to 1 July 2007, the tax-free component was called the annual deductible amount.

## Taxation of Commuted Lump Sums and Refunds of Member Accounts

Table A3 illustrates the taxation arrangements for members who receive a lump sum superannuation benefit from PSBS.

Table A3: Taxation of lump sums

Age	Component	Tax treatment <sup>1</sup> as at 1 July 2016
Under preservation age	<b>Tax-free component</b>	
	Non-concessional contributions (member contributions)	Exempt
	Pre July 1983	Exempt
	<b>Taxable component</b>	
	Post June 1983 taxed (investment return)	20%
	Post June 1983 untaxed (Territory-financed benefit)	30% up to \$1.445 million Excess over \$1.445 million taxed at top marginal tax rate <sup>2</sup>
Preservation age to 59 years	<b>Tax-free component</b>	
	Non-concessional contributions (member contributions)	Exempt
	Pre July 1983	Exempt
	<b>Taxable component</b>	
	Post June 1983 taxed (investment return)	0% to low rate cap <sup>3</sup> 15% on excess over low rate cap <sup>3</sup>
	Post June 1983 untaxed (Territory-financed benefit)	15% to low rate cap <sup>3</sup> 30% over low rate cap <sup>3</sup> up to \$1.445 million Excess over \$1.445 million taxed at top marginal tax rate <sup>2</sup>
60+ years	<b>Tax-free component</b>	
	Non-concessional contributions (member contributions)	Exempt
	Pre July 1983	Exempt
	<b>Taxable component</b>	
	Post June 1983 taxed (investment return)	Taxed at 0%
	Post June 1983 untaxed (Territory-financed benefit)	15% up to \$1.445 million Excess over \$1.445 million taxed at top marginal tax rate <sup>2</sup>

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

2 Top marginal tax rate: 45 per cent.

3 2017-18 low rate cap: \$200 000.

## Death Benefit

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

## Preserved Benefit

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

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

Table A4: Preservation age

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

Members have a non-preserved benefit calculated at 30 June 1999. Members can cash their non-preserved benefit from the fund if they leave PSBS before reaching their preservation age. The non-preserved amount remains constant and any superannuation contributions (includes both employer and employee contributions) and interest earned after 1 July 1999 are subject to the preservation rules.

## Northern Territory Supplementary Superannuation Scheme

In addition to a member's benefit from CSS and PSBS, members are entitled to a 3 per cent productivity benefit from the Northern Territory Supplementary Superannuation Scheme (NTSSS). The NTSSS benefit is paid as a lump sum at the rate of 3 per cent of final salary for each year of employment since 1 October 1988. The final salary for NTSSS purposes is 130 per cent of the member's current salary plus Northern Territory Allowance. No other allowances are included in this calculation.

Where a member does not qualify for a CSS employer-financed benefit (for example, by taking a CSS cash resignation benefit), the NTSSS benefit will be increased to satisfy superannuation guarantee requirements.

The NTSSS benefits are paid through the Northern Territory Superannuation Office (NTSO) and are subject to preservation rules. Member Information Statements are issued by the NTSO. Statements for both schemes (PSBS and NTSSS) have been combined since 2011-12.

