

# Northern Territory Government Death and Invalidation Scheme

## Background

The Northern Territory Government Death and Invalidation Scheme (NTGDIS) provides free death and invalidity cover to eligible NTG employees. The scheme was introduced in 2007 under the *Superannuation Act* (NT) to provide death and invalidity benefits equivalent to those provided by the Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS).

NTGDIS benefits are payable in addition to any private insurance cover purchased through a life insurance provider or a superannuation fund.

The Superannuation Office administers the scheme.

## Changes to NTGDIS effective 1 April 2010

From 1 April 2010, benefits are no longer reduced based on a person's medical status and NTG employees are no longer required to complete a medical declaration in order to be eligible for NTGDIS benefits. Instead, all eligible persons are entitled to receive a full NTGDIS benefit.

## Who is covered by NTGDIS?

NTGDIS membership covers NTG employees, police officers and executive contract officers who are in choice of fund superannuation arrangements (i.e. employees who are not NTGPASS or CSS members). NTGDIS also covers members of the Legislative Assembly elected for the first time on 18 June 2005 or later.

## Eligibility Criteria

To be eligible for death and invalidity cover, an employee must be less than 60 years of age and be either:

- a permanent employee (full time or part time);
- a temporary employee on a fixed term contract of at least six months; or
- a temporary employee on a short-term contract who has had at least six months continuous employment.

Death and invalidity cover automatically ceases when an employee ceases NTG employment. Casual employees are not eligible for NTGDIS benefits.

## Death Benefits

In the event of death, a benefit is only payable where an employee is survived by a dependant(s). Dependants include a spouse, de facto or same sex partner, children and adopted children, or a person who (at the time of death) was financially dependant upon or had a legal right to look to the employee for support.

In order for the death benefit to be processed, the Superannuation Office will require copies of either grant of probate or letters of administration.

The Commissioner of Superannuation may release up to \$20 000 for funeral expenses or pay direct to dependant(s) without the production of probate or letters of administration of the deceased estate. Payments in excess of this limit may be made if the Commissioner is of the opinion that the payment will alleviate financial hardship.

## Invalidity Retirement Benefit

An invalidity retirement benefit can only be paid where an employee (or former employee) has been assessed as being totally and permanently incapacitated for any form of employment, as defined by the *Superannuation Act*. This assessment will be made based on specialist medical information.

Assessments to determine an employee's capacity for continued employment are arranged by the employee's human resources area.

## Benefit Calculation

In the event of invalidity retirement or death the NTGDIS provides a lump sum benefit calculated as follows:

### 17.5% x benefit salary x prospective service

- The benefit salary is the final salary (including approved allowances) for superannuation purposes at the time of invalidity retirement or death.

For part time employees, the benefit salary is converted to full time equivalent salary.

- Prospective service is calculated as the difference between the age at invalidity retirement or death and age 65, or if retirement is compulsory at a younger age, the age at which retirement becomes compulsory.

For part time employees, the part time ratio is taken into account for the calculation of prospective service.

**Example:** Michael dies at 45 years old. He has a benefit salary of \$40 000 and is a full time employee. Michael has eligible dependants and workers compensation is not payable. His benefit is calculated as follows:

$$17.5\% \times \$40\,000 \times 20$$

(benefit salary)                      (years from 45 to 65)

Michael's benefit is equal to \$140 000.

**Example:** Jane is 40 years old and is retired on the grounds of invalidity. She is a part time employee, working 3 days a week with a part time salary of \$36 000 (full time equivalent salary of \$60 000). Jane is not entitled to workers compensation. Her benefit is calculated as follows:

$$17.5\% \times \$60\,000 \times 25 \times 0.60$$

(full time equivalent salary) (years from 40 to 65) (ratio)

Jane's benefit is equal to \$126 000.

### Benefit Reduction After Age 50

Benefits payable after age 50 are reduced on a sliding scale. Employees aged 60 and older have no entitlement to benefits from the scheme.

**Example:** George dies at 57 years old. He has a benefit salary of \$50 000 and is a full time employee. George has eligible dependants and workers compensation is not payable. His benefit is calculated as follows:

$$17.5\% \times \$50\,000 \times 3$$

(benefit salary) (years from 57 to 60)

George's benefit is equal to \$26 250.

### Temporary Income Support Benefit

An employee who is currently undergoing assessment for invalidity retirement and is unable to work because of illness or injury may apply to the Commissioner of Superannuation for payment of a temporary income support benefit.

This benefit is means tested and the maximum amount payable is 80% of an employee's benefit salary. Payments are made fortnightly through the PIPS system. To be eligible for this benefit, the Commissioner must be satisfied that the employee is:

- substantially incapacitated; and
- has exhausted all available sick leave entitlements; and
- is suffering financial hardship.

If the employee subsequently becomes entitled to a benefit from the NTGDIS, the benefit will be reduced by the amount of temporary income support paid.

### Continuing Income Support Benefit

If an employee suffers a loss of salary through transferring to a lower paid position for medical reasons, they may apply to the Commissioner of Superannuation for an income support payment to make up part of the loss in salary.

This payment is limited to 80% of the difference between the old and the new salaries. It is not indexed but is reviewed annually and adjusted to take into account any promotions and movements in salary.

This benefit is not payable where income is reduced due to a reduction in hours worked or where the employee no longer receives overtime or allowances.

### Workers Compensation Payments

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

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

In most cases, the prospective component will be completely offset by the workers compensation payment.

### Beneficiaries

Employees are not required to advise the Superannuation Office of their beneficiaries as, except for limited circumstances, death benefits are paid to the employees estate. It is therefore important that an employee has a will.

A will is a legal document, which sets out instructions for the distribution of assets. Whether an employee has a will or not, does not affect their eligibility for NTGDIS benefits. However, it may result in the benefit being distributed in a way that is not intended by the employee.

In determining whether a benefit is payable from NTGDIS in the event of an employee's death, information about an employee's dependants and next of kin will be sought from the employee's payroll and human resources area.

This information is required upon commencement of employment and should be updated annually. It is important that you advise your human resources area of any changes to your next of kin details.

### More information

For more information about NTGDIS, please contact the Superannuation Office by phoning (08) 8901 4200 or by emailing us at [ntsuperannuation@nt.gov.au](mailto:ntsuperannuation@nt.gov.au). You can also visit our website at [www.nt.gov.au/ntt/superannuation](http://www.nt.gov.au/ntt/superannuation).

Please be aware that we cannot provide personal financial advice. If you require assistance, you can seek the services of a qualified professional.

### Disclaimer

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