

# Northern Territory Government and Public Authorities' Superannuation Scheme

## Report to Members 2005-06

### HIGHLIGHTS

- 14.8% CREDITING RATE
- Third consecutive year of double-digit investment returns.
- Member account balances reached \$545.5 million (an increase of 20.3%).
- Rollovers, salary sacrifice and voluntary contributions totalled \$55.9 million.
- Benefits paid totalled \$93.4 million, including \$45.8 million in Territory-financed benefits.
- 20 spouse accounts opened and received \$0.5 million in contributions and rollovers.
- Transition of NTGPASS investment portfolio to MLC completed.
- Investment strategy changed and the fund's exposure to growth assets increased from 70 per cent to 75 per cent.
- The Annual Meeting of Government Superannuation Funds held in Darwin.

### CREDITING RATE

It was another strong year for investments with the fund returning 14.8 per cent for its members. This is the third consecutive year of double-digit returns.

### New Superannuation Products

The Northern Territory Public Sector 2004-2007 Certified Agreement (EBA) of 21 January 2005 provided for the implementation of new superannuation products for members of NTGPASS.

#### Spouse accounts

Spouse accounts commenced on 1 July 2005 and allow members to establish an account into which

they can make contributions on behalf of their spouse. A spouse is a person who lives with you as your husband or wife and includes a de-facto partner, but excludes same sex relationships.

Contributions can only be made from after-tax income. Employer and salary sacrifice contributions cannot be accepted.

Contributions are subject to NTGPASS investment returns but do not attract any Territory-financed benefits.

Members who contribute on behalf of their spouse may be entitled to a tax rebate of 18 per cent on the first \$3000 of contributions where their spouse's income is below \$10 800 (maximum rebate of \$540).

A spouse who works and makes personal after-tax contributions to their account may be eligible for the Australian Government co-contribution.

During 2005-06, 20 spouse accounts were opened and received just over \$0.5 million of contributions and rollovers.

Members with a spouse account will be able to take advantage of NTGPASS member investment choice and allocated pensions when these products are rolled out in 2007.

#### Continuation of membership

Continuation of membership commenced on 1 July 2005. Retained members can now make personal contributions and rollovers into NTGPASS.

A retained member is a person who elects to leave all or part of their benefit with NTGPASS after they have ceased employment with the Territory Government.

Contributions can only be made from after-tax monies and may be eligible for the Australian Government's co-contribution. Employer and salary sacrifice contributions cannot be accepted.

Contributions are subject to NTGPASS investment returns but do not attract any Territory-financed benefits.

Continuation of membership is proving to be popular with retained members as it allows them to continue to build up their retirement savings.

Retained members will also be able to take advantage of NTGPASS member investment choice and allocated pensions when these products are rolled out in 2007.

During the year, retained members made voluntary contributions of around \$0.85 million.

### Member Investment Choice

Member Investment Choice (MIC) is expected to commence in mid 2007.

MIC will allow members to choose from a range of investment options depending on their individual circumstances and personal attitudes towards investment risk and return.

Education seminars on MIC are planned for July 2006 and March 2007 in Darwin, Casuarina, Palmerston, Alice Springs, Katherine and Tennant Creek to explain administrative processes and the investment options in more detail.

An MIC booklet is currently being developed to assist members and will be available for distribution in March 2007.

Each investment option will contain a combination of defensive assets and growth assets.

Defensive assets comprise two major asset classes:

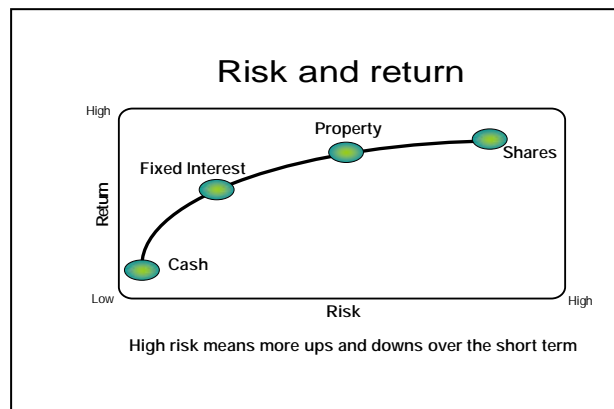
- **cash**
- **fixed interest** - includes government securities and term deposits where the interest income remains constant, such as income derived from bonds.

Growth assets comprise two major asset classes:

- **property** – includes Australian and global property trusts listed on the share market; and

- **shares** – includes Australian and international shares.

The following graph illustrates the risk and return trade-off between defensive and growth assets.



The Trustees have approved five investment options:

- **Conservative** (30% growth/70% defensive)  
Funds will be invested primarily in defensive assets with an aim to provide limited ups and downs in investment value and to achieve low-to-moderate returns.
- **Cautious** (50% growth/50% defensive)  
Funds will be invested in a balanced mix of growth and defensive assets with the aim to provide steady long term returns with a low level of investment volatility.
- **Growth** (75% growth/25% defensive)  
Funds will be invested proportionately more in growth assets with an aim to achieve medium-to-high long term returns.
- **Assertive** (85% growth/15% defensive)  
Funds will be invested primarily in growth assets with a limited exposure to defensive assets. This means accepting higher volatility to seek higher returns over the long term.
- **Aggressive** (100% growth/0% defensive)  
Funds will be invested wholly in growth assets. This means accepting high volatility to seek higher long term returns.

The conservative and cautious investment options are lower risk options and are generally for members who are in or nearing retirement or who have a low threshold for risk.

The NTGPASS portfolio is currently invested in the growth investment strategy. This will be the default option for members who do not make a choice.

The assertive and aggressive investment options are higher risk options and are generally for members who have a longer time frame to retirement or who have a higher tolerance for risk.

Members should seek independent financial advice to help them choose an option that is most appropriate for their circumstances.

### **Allocated Pensions**

It is anticipated that allocated pensions will be implemented in late 2007 following the introduction of member investment choice.

An allocated pension is a retirement product that provides a regular retirement income stream. It can have significant taxation advantages but can only be purchased with superannuation monies.

There is no guarantee that an allocated pension will continue to provide income for the member's lifetime and the "investment risk" is carried by the member.

In the event of death, the remaining balance of a member's allocated pension account is paid to their dependants or their estate.

Currently, NTGPASS only provides a lump sum benefit. Therefore, members wishing to purchase a retirement income stream such as an allocated pension, need to take their money from NTGPASS and roll it into a fund that provides this type of product.

## **NTGPASS Closure**

In 1998, the Territory Government announced that NTGPASS would be closed to new members.

New employees commencing after 9 August 1999 are subject to choice of superannuation fund arrangements under which the Territory contributes 9 per cent superannuation guarantee into their nominated superannuation fund.

In January 2004, unions representing Territory public sector employees commenced a campaign over the validity of the closure of NTGPASS.

In June 2004, the Territory Government agreed to the union's request to fund a test case in the Supreme Court. The Deed establishing the terms and conditions of the test case provided for enactment of retrospective legislation confirming closure of NTGPASS and for the test case to determine whether the closure of NTGPASS had affected an acquisition of property otherwise than on just terms.

The test case was expected to be heard during 2005-06, however no court dates were set.

In August 2006, the CPSU filed a claim in the Supreme Court seeking orders that NTGPASS had not been effectively closed and alternatively that the closure of NTGPASS effected an acquisition of property other than on just terms.

The matter is presently at the very early stages of the Court process.

## **Amendments to Rules**

During the year, amendments were made to the NTGPASS Rules to implement spouse accounts and continuation of membership.

In addition, a number of minor amendments were also undertaken to refine the treatment of benefits and administrative processes to:

- enable returned and unclaimed benefits (including NT Supplementary Superannuation Scheme benefits) to be preserved in NTGPASS; and
- allow superannuation surcharge debts to be deducted from a retained members preserved benefits.

The Rules were also amended to allow for the NTGPASS prospective employer component of a death or invalidity benefit to be offset against an amount payable under a workers' compensation agreement.

A workers' compensation agreement is any agreement between an employee and employer paid in lieu of worker's compensation under the *Work Health Act* and includes a Hopkins Agreement.

Previously the prospective employer component could only be offset against an amount payable under the *Work Health Act*.

The amendments came into operation on 3 May 2006.

## Australian Budget Superannuation Changes

The 2006-07 Australian Budget included a proposal to simplify and streamline superannuation and associated taxation. The objective is to improve incentives to work and save for retirement.

The proposals are subject to the passage of legislation which is scheduled for introduction in the November / December Sittings of Parliament.

A detailed analysis of the major changes and their implications for NTGPASS members are discussed on page 11 of this report.

## Surcharge Abolished

The superannuation surcharge was abolished effective from 1 July 2005. The initiative was part of the 2005-06 Australian Budget.

The surcharge was a tax on employer superannuation contributions for individuals with an 'adjusted taxable income' above the surcharge income threshold.

Currently, NTGPASS maintains 993 surcharge debt accounts for members totalling around \$3.14 million.

Members who still had a surcharge debt at 30 June 2005 have the option of paying the surcharge debt to the fund or accumulating the debt with interest at the 10-year bond rate (5.785 per cent as at 30 June 2006).

Where a member accumulates the debt, the total of the surcharge debt plus interest will be deducted from their benefit when they claim their benefit.

Financial advice should be sought on the preferred payment option, as there may be different taxation implications for each member.

## The Co-contribution

The Australian Government's co-contribution was introduced on 1 July 2003. The Australian Government will contribute up to \$1.50 for every \$1 of personal after-tax contributions made by a member to their superannuation fund. Salary sacrifice contributions do not qualify as after-tax contributions.

The maximum co-contribution is \$1500 and applies to individuals on or below an income of \$28 000. The co-contribution is reduced by 5 cents for every dollar of income earned over \$28 000, and tapers out at incomes of \$58 000 and above.

Members do not need to apply for the co-contribution. The Australian Taxation Office will use information from your income tax returns as well as contribution information provided by NTGPASS to determine your eligibility for the co-contribution.

The co-contribution is deposited directly into your NTGPASS account and is subject to NTGPASS investment returns, but does not attract any Territory-financed benefits.

Active members, retained members and spouse account holders who make after-tax contributions are eligible for the co-contribution.

This year, 2135 members received a co-contribution (totalling \$1.35 million) for voluntary after-tax contributions they made during 2004-05.

The following table provides an indication of the co-contribution a member could be eligible to receive for after-tax contributions made in 2005-06 and 2006-07:

| Income         | Personal contribution |       |       |
|----------------|-----------------------|-------|-------|
|                | \$1 000               | \$500 | \$200 |
| Up to \$28 000 | \$1 500               | \$750 | \$300 |
| \$36 000       | \$1 100               | \$750 | \$300 |
| \$46 000       | \$ 600                | \$600 | \$300 |
| \$54 000       | \$ 200                | \$200 | \$200 |

## Your Trustees

The NTGPASS Employees' Fund is the responsibility of the Superannuation Investment Board, which is comprised of three members and three alternate members appointed by the Treasurer, each for a five-year term.

The Chair and the employee representative are appointed after consultation between the Treasurer and the Northern Territory Trades and Labour Council. A third member is appointed by the Treasurer.

The current board members are:

| <b>Position</b> | <b>Name</b>          | <b>Date Appointed</b> |
|-----------------|----------------------|-----------------------|
| Chair           | Mr Joe Smith         | 25/03/1997            |
| Alt Chair       | Ms Lee Berryman      | 14/02/2002            |
| Member          | Mr John Montague     | 2/12/2003             |
| Alt Member      | Mr Alex Pollon       | 2/12/2003             |
| Member          | Mr Michael Martin    | 11/05/2004            |
| Alt Member      | Ms Michelle Kempster | 11/05/2004            |

## Appointment of MLC

Following the board's decision to tender for the services of an implemented investment consultant to manage the NTGPASS portfolio, in August 2005, the board appointed MLC Implemented Consulting.

MLC currently manages around \$70 billion for Australian Investors in a number of different asset classes, including international and Australian equities, emerging markets, property and fixed interests.

## Transition of Investments

Following the appointment of MLC, \$137.2 million invested with Vanguard was transitioned to MLC in October 2005.

As a result of the transition, MLC now manages over 99 per cent of the NTGPASS investment portfolio valued at \$558.4 million as at 30 June 2006.

\$1.5 million is also invested in a bond with Super Member Home Loans, which allows members access low interest rate loans.

## Target Asset Allocation

In their role as the board's implemented consultant, MLC analysed the board's current investment strategy and NTGPASS membership profile.

Following consideration of MLC's analysis, the board accepted MLC's recommendation to increase the fund's exposure to growth assets from 70 per cent to 75 per cent.

## The Fund In Review

### Investments

The fund returned 14.8 per cent for 2005-06.

Strong economic growth in major developed countries, an increased demand for resources and high commodity prices contributed to a third year of double-digit returns.

The Australian sharemarket continued on from where it left off last year returning 23.9 per cent, with international shares and property returning 19.9 per cent and 18 per cent respectively.

Returns on Australian and international bonds continued to be low as higher interest rates caused bond prices to fall.

Whilst the end of year results were good, concerns about the impact of higher oil prices on economic growth and inflation created several volatile months towards the end of the financial year, which saw markets rise and fall by 4 per cent or more.

Looking forward, it is likely that markets will continue to be volatile. The Australian economy has gone through an exceptional period of stability and growth, without an occurrence of high inflation and has taken advantage of strong demand for resources and commodities.

However, the recent volatility in these sectors may provide the first signs that the strong returns experienced over the last three years may not continue.

### Fund Assets at 30 June 2006

During the year the net assets of the fund increased from \$453.4 million to \$545.5 million (20.3% increase).

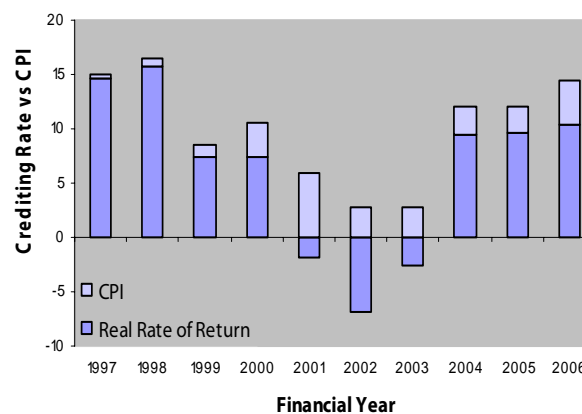
This increase is largely attributable to the number of exiting members who have elected to retain their benefits within the fund and to the fund's strong investment earnings.

### Five-Year Return

| As at<br>30 June | 2006<br>% | 2005<br>% | 2004<br>% | 2003<br>% | 2002<br>% | 5 Year<br>Avg |
|------------------|-----------|-----------|-----------|-----------|-----------|---------------|
| Crediting Rates  | 14.8      | 12.4      | 12.2      | 0.0       | (4.2)     | <b>7.0</b>    |
| CPI              | 4.0       | 2.5       | 2.5       | 2.7       | 2.8       | <b>2.9</b>    |
| Real Return      | 10.4      | 9.6       | 9.5       | (2.6)     | (6.8)     | <b>4.02</b>   |

**Note:**  $Real\ Return = \frac{Fund\ Return}{1 + Inflation}$

The following graph illustrates the fund's crediting rate after inflation over a ten-year period.



## Member Services

During the year, the Superannuation Office responded to around 4400 phone, 350 e-mail and 360 counter enquiries from members, and prepared 1223 written quotes for members.

18 information seminars were conducted in Darwin, Alice Springs and Katherine, which were attended by 420 members.

The seminars provided information on superannuation and financial issues relevant to members of NTGPASS. The seminars focused on pre-retirement issues and on encouraging members to maximise their superannuation contributions.

The 2006-07 seminar programs will focus on educating members on member investment choice and allocated pensions.

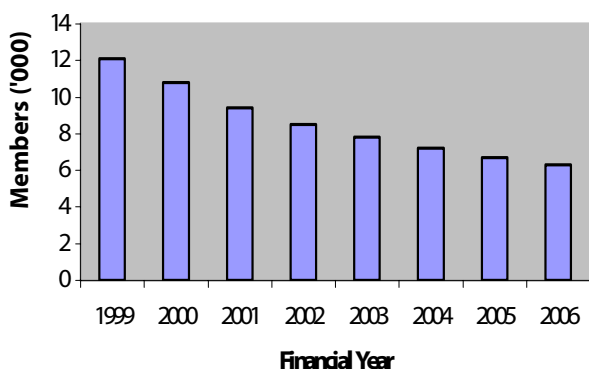
The first round of member investment choice seminars will be presented in early July 2006, with another round of seminars scheduled for March and April 2007.

## Membership Statistics

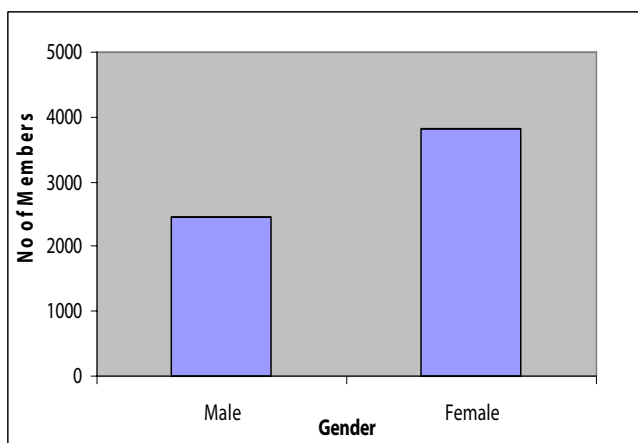
Prior to the closure of NTGPASS in 1999, membership was compulsory for permanent Territory public sector employees.

In the financial year immediately prior to scheme closure, there were approximately 12 000 members. By the end of this year (2005-06), the membership had declined to 6298 and now represents approximately 37 per cent of the Territory public sector.

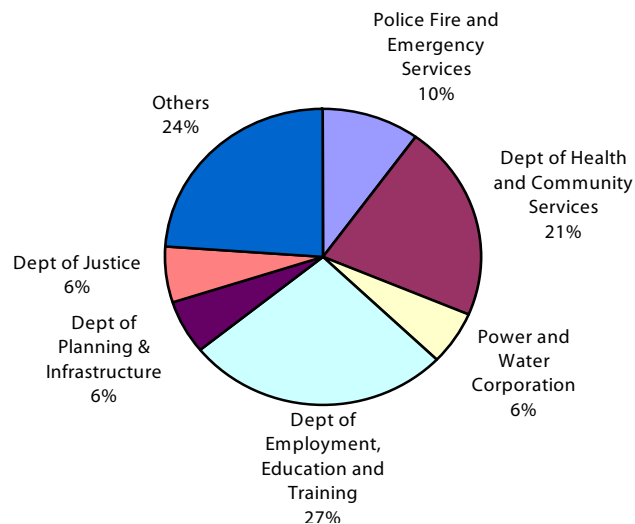
The following graph illustrates the declining membership since scheme closure.



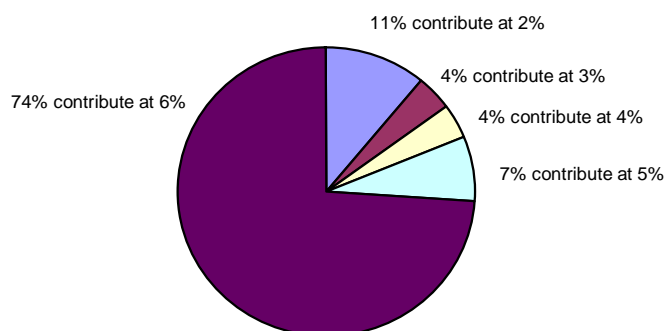
Females dominate the NTGPASS membership with 3829 active members (61 per cent) compared with 2469 males (39 per cent).



NTGPASS membership is widely distributed across the Territory public sector. Approximately 48 per cent of members are employed in the education and health sectors.



NTGPASS members must elect to contribute at either 2, 3, 4, 5 or 6 per cent of their salary to the fund. Approximately 74 per cent of members contribute at the highest contribution rate of 6 per cent and 11 per cent contribute at the lowest rate of 2 per cent.



## Understanding Your Scheme

NTGPASS is established by the *Superannuation Act*, which sets out the arrangements for the management of the scheme. The Scheme Rules established under the Act provide for the operation of the scheme and payment of benefits.

The scheme commenced operation on 1 October 1986 and was closed to new members on 9 August 1999.

NTGPASS is a 'split benefit' lump sum scheme and provides benefits upon resignation, age retirement and retrenchment which generally comprise two components:

- a **member-accumulation component** being the member's accumulation account balance (contributions and rollovers accumulated with interest). This component is included in all NTGPASS benefits; plus
- a **Territory-financed component** equal to 2.5 per cent of benefit salary for each benefit point a member accrues during their membership. A qualifying period of membership is required for this component to be included in a resignation benefit.

NTGPASS members are also entitled to a Territory-financed benefit from the Northern Territory Supplementary Superannuation Scheme (NTSSS).

The NTSSS is a non contributory lump sum scheme which provides a 3 per cent productivity payment for each year of membership.

The NTSSS commenced operation on 1 October 1988 and was closed to new members on 9 August 1999.

### **Age Retirement and Retrenchment Benefits**

Members who retire after age 55 or who are retrenched will receive a benefit comprising:

- a refund of their member accumulation account; plus
- an accrued employer component.

### **Resignation**

Members who resign or are dismissed before age 55 will receive a benefit comprising:

- a refund of their member accumulation account; plus
- an accrued employer component (subject to vesting).

### **Death and Invalidity Benefits**

NTGPASS provides Territory-financed death and invalidity benefits for members under the age of 60.

The benefit is equal to 17.5 per cent of a member's benefit salary for each year of prospective service forgone (that is, service from cessation date to maximum retirement).

The death and invalidity benefit:

- is reduced within the first 10 years of membership where death or invalidity is the result of a pre-existing medical condition or where no medical information was provided upon entry to the scheme;
- is reduced where death or invalidity occurs after age 50. The benefit is unavailable after age 60;
- is fully offset against workers compensation benefits payable under the *Work Health Act* or a workers' compensation agreement; and
- is not payable where a member dies and has no dependants.

### **Income Support Benefits**

A Territory-financed temporary income support benefit is available where a further period of time is needed to assess whether a member is to be retired on invalidity.

The maximum benefit is 80 per cent of salary and is available for up to twelve months. The benefit is means-tested and is payable when sick leave and other available entitlements have been exhausted.

A non-means tested continuing income support benefit is also available where a member suffers a reduction in salary due to redeployment for medical reasons. The benefit is set at 80 per cent of the difference between the old and new salaries.

### **Annuity Bonus**

Members who purchase an approved annuity using an age retirement benefit or an invalidity benefit, or the dependants of a former member who purchase an approved annuity using a death benefit may be eligible for a 5% annuity bonus.

An approved annuity is an income stream that pays a regular income for a minimum period of ten years such as a Term Allocated Pension. The annuity must be purchased within 90 days of a member receiving their benefit.

## **Additional Voluntary Contributions**

Members contributing at 6 per cent can make additional voluntary contributions, either by lump sum or regular pay deductions.

Contributions receive interest at the fund's annual crediting rate but do not attract any Territory-financed benefits.

All contributions made after 1 July 1999 are subject to preservation.

This year, 143 active members chose to make additional contributions of \$1.3 million.

## **Salary Sacrifice**

Salary sacrifice for NTGPASS members commenced on 28 September 2001.

Salary sacrifice contributions are made by fortnightly payroll deductions into the fund and receive interest at the fund's annual crediting rate but do not attract employer contributions. All contributions made after 1 July 1999 are subject to preservation.

NTGPASS members can salary sacrifice up to 50 per cent of their before tax salary into the fund or up to their age based limit if aged 50 or older (\$105 113 : 2006-07). Future accruals of annual leave, long service leave, back pay, annual allowances, annual leave loading, recreation airfares and bonuses can also be sacrificed into superannuation.

Salary sacrifice contributions are subject to a 15 per cent contributions tax on receipt into the fund.

From 1 July 2007, the Australian Government has proposed that the age based limits on employer and salary sacrifice contributions will be removed and replaced with an annual limit of \$50 000.

Transitional arrangements will allow individuals aged 50 years and over to contribute up to \$100 000 each year until 30 June 2012.

This year, 691 members salary sacrificed to NTGPASS contributing a total of \$8.35 million, an increase of \$1.75 million over 2004-05.

The average salary sacrifice contribution has increased from around \$4 200 pa (2001-02) to around \$12 000 pa (2005-06).

## **Rollovers to NTGPASS**

Contributing members can transfer superannuation from any other superannuation funds into their NTGPASS accumulation account.

Rollovers receive interest at the annual crediting rate but do not attract any Territory-financed benefits.

Members are unable to withdraw or transfer a rollover made to the NTGPASS until cessation from Territory Government employment.

This year, rollovers received into the fund (including spouse accounts and exiting members who retained all or part of their benefit in NTGPASS) totalled \$45.2 million, an increase of \$8.6 million from 2004-05.

## **Retaining Your Benefit**

Members have the option of leaving all or part of their benefit in NTGPASS after ceasing employment. Benefits retained in the fund receive interest at the annual crediting rate.

No account keeping fees or charges apply.

NTGPASS members who retain their superannuation benefit in NTGPASS can make after-tax contributions into their NTGPASS retained account and establish a spouse account within NTGPASS on behalf of their spouse.

## **Family Law**

On 28 December 2002, the Commonwealth amended the *Family Law Act 1975* to enable the splitting of superannuation upon marriage breakdown, either by a certified agreement or a Family Court order.

Where a superannuation interest is split, the non-member spouse has the option of retaining it within NTGPASS or rolling the amount into another fund.

During 2005-06, 41 requests for family law valuations were received relating to members' superannuation

entitlements and 9 Court Orders were received regarding the division of superannuation interests in NTGPASS.

Around 60 per cent of non-member spouses elected to retain their family law benefit in NTGPASS.

### **Members Equity (Super Members Home Loans)**

The fund has an investment bond with Super Members Home Loans (SMHL). This allows members to access low interest rate loans with no application or account keeping fees.

Loans can be obtained to purchase homes, investment properties and for construction or renovations.

During 2005-06, Members Equity approved 90 loans to NTGPASS members totaling \$17.5 million, with an average loan value of \$0.19 million. To date, 288 loans have been approved to members totaling \$46.9 million.

Further information is available on the SMHL website [www.membersequity.com.au](http://www.membersequity.com.au). Alternatively, you can call Members Equity on 13 15 63 to speak to their local Territory representatives Steve Buethke and Richard Oliver.

### **Early Release of Superannuation Benefits**

Under the Commonwealth's *Superannuation Industry (Supervision) Act 1993 (SIS)*, a preserved benefit must generally remain in a superannuation fund until permanent retirement after age 55.

Former members who have retained their preserved superannuation benefit within NTGPASS can apply to the Commissioner of Superannuation for the release of their benefit due to severe financial hardship or on compassionate grounds.

During the 2005-06, 30 applications for release of superannuation benefits on hardship grounds were received. Of these, 14 applications were approved totalling \$0.083 million.

## **Analysis of the Australian Budget Superannuation Changes**

The major changes of the 2006-07 Australian Budget and their implications on NTGPASS members are discussed in the following.

### **Contribution limits**

An annual limit of \$150 000 on personal after-tax contributions will commence from 1 July 2007. If you are under 65 years of age, you will be able to bring forward two years of contributions, enabling \$450 000 to be contributed in one year, with no further contributions in the next two years.

The annual limit operates on a 'use it or lose it' basis ie unused amounts cannot be credited to a future year. Any after-tax contributions that exceed the limit will be taxed at the top marginal tax rate.

Transitional arrangements will allow you to make up to \$1 million of after-tax contributions between 10 May 2006 and 30 June 2007 to accommodate larger contributions that could have been made under the existing rules.

Prior to the announcement on budget night, there was no limit on the amount of after-tax contributions that could be made.

### **Employer and salary sacrifice contributions**

The complex aged based limits on employer and salary sacrifice contributions will be removed and replaced with an annual limit of \$50 000.

Transitional arrangements will allow individuals aged 50 years and over to contribute up to \$100 000 each year until 30 June 2012.

### **Reasonable Benefit Limits (RBL)**

The RBLs applying on lump sums and pensions will be removed. Currently, the RBL for a lump sum is \$678 149 and for a pension is \$1 356 291.

## Compulsory cashing of benefits

From 10 May 2006, the compulsory cashing of superannuation has been removed.

Previously, you could only keep your money in superannuation after age 65 if they were gainfully employed (i.e. working at least 10 hours per week) and you were required to claim your superannuation at age 75 regardless of your employment status.

The removal of cashing restrictions means that you can leave your money in NTGPASS indefinitely.

## Tax File Numbers (TFN)

Currently, there is no penalty if you don't provide your TFN to your superannuation fund but if you don't the fund has to withhold tax at the top marginal tax rate when your superannuation benefit is paid to you.

From 1 July 2007 tax will be deducted at the top marginal tax rate on taxable contributions (employer and salary sacrifice) which exceed \$1000 in a year where a TFN is not provided.

The Superannuation Office will be liaising with the Department of Corporate and Information Services to obtain the TFNs of NTGPASS members not currently held.

However, if you have not provided your TFN and would like to do so, you will have until 30 June 2008 to quote your TFN to NTGPASS before the higher rate of tax is applied.

## Taxation of Benefits

From 1 July 2007 you will not have to pay tax on lump sums and pensions when the benefit is paid to you after you reach age 60 if it is paid from a **taxed** source (eg NTGPASS member accumulation account).

Lump sums paid from an **untaxed** source (eg Territory-financed employer benefit) after you reach age 60 will be taxed at a single reduced rate of 15 per cent up to \$1 million and at the top marginal tax rate (MTR) on the excess.

The following table illustrates the effect the proposed changes will have on the taxation of lump sums paid from NTGPASS.

| Age          | Component                | Current Taxation   | Proposed Taxation   |
|--------------|--------------------------|--|---|
| Less than 55 | Undeducted contributions | Exempt   | Exempt  |
|              | Pre 83                   | 5% taxed at MTR  | Exempt  |
|              | Post 83 Taxed            | 20% to RBL<br>38% on excess over RBL   | 20%   |
|              | Post 83 Untaxed          | 30% to RBL<br>Excess over RBL taxed at top MTR   | 30% up to \$1 million<br>Excess over \$1 million taxed at top MTR                                       |
| 55-59        | Undeducted contributions | Exempt   | Exempt  |
|              | Pre 83                   | 5% taxed at MTR  | Exempt  |
|              | Post 83 Taxed            | Exempt to low tax threshold<br>15% over low tax threshold up to RBL<br>38% on excess over RBL        | Exempt to low tax threshold<br>15% on excess over low tax threshold                                     |
|              | Post 83 Untaxed          | 15% to low tax threshold<br>30% over low tax threshold up to RBL<br>Excess over RBL taxed at top MTR | 15% to low tax threshold<br>30% on excess up to \$1 million<br>excess over \$1 million taxed at top MTR |
| 60 and over  | Undeducted contributions | Exempt   | Exempt  |
|              | Pre 83                   | 5% taxed at MTR  | Exempt  |
|              | Post 83 Taxed            | Exempt to low tax threshold<br>15% over low tax threshold up to RBL<br>38% on excess over RBL        | Exempt  |
|              | Post 83 Untaxed          | 15% to low tax threshold<br>30% over low tax threshold up to RBL<br>Excess over RBL taxed at top MTR | 15% up to \$1 million<br>Excess above \$1 million taxed at top MTR                                      |

Note:

2006-07 Reasonable Benefit Limit (RBL) - \$678 149

2006-07 low tax threshold (LTT) - \$135 590

2006-07 top marginal tax rate (MTR) - 45%

## Financial Statements

| CHANGES IN THE NET ASSETS<br>IN THE FINANCIAL YEAR ENDING |                |                | STATEMENT OF NET ASSETS<br>AS AT 30 JUNE  |                |                |
|---|----------------|----------------|---|----------------|----------------|
|   | 2006<br>\$000  | 2005<br>\$000  |   | 2006<br>\$000  | 2005<br>\$000  |
| <b>Net assets to pay benefits at beginning of year</b>    | <b>453 475</b> | <b>380 114</b> | <b>Investments</b>  |                |                |
| <b>Net Investment Revenue</b>                             |                |                | Units in life policies  | 558 481        | 133 784        |
| Changes in net market value of investments                | 67 723         | 48 169         | Units in Pooled superannuation trusts   | 0              | 329 567        |
| Interest  | 295            | 301            | SMHL bond   | 1 500          | 1 500          |
| <b>Total Net Investment Revenue</b>                       | <b>68 018</b>  | <b>48 470</b>  | <b>Total Investments</b>  | <b>559 981</b> | <b>464 851</b> |
| <b>Contribution Revenue</b>                               |                |                | Other Assets  | 15 127         | 16 327         |
| Member Contributions                                      | 32 474         | 28 647         | <b>Total Assets</b>   | <b>575 108</b> | <b>481 178</b> |
| Surcharge Payments Received                               | 349            | 308            | Less:   |                |                |
| Territory Contributions*                                  | 45 623         | 40 712         | <b>Liabilities</b>  |                |                |
| Territory taxation contribution                           | 857            | 912            | Benefits payable  | 24 759         | 23 785         |
| Transfers and rollovers                                   | 45 263         | 36 607         | Other liabilities   | 4 802          | 3 918          |
| <b>Total Investment and Contribution Revenue</b>          | <b>124 566</b> | <b>107 186</b> | <b>Total Liabilities</b>  | <b>29 561</b>  | <b>27 703</b>  |
| <b>Total Revenue</b>                                      | <b>192 584</b> | <b>155 656</b> | <b>Net market value of assets at end of year</b>                                      | <b>545 547</b> | <b>453 475</b> |
| Less  |                |                | * All Territory contributions due and payable during the year have been received.     |                |                |
| General administration                                    | 311            | 306            | <b>Note: The financial data listed in these tables is based on unaudited accounts</b> |                |                |
| Benefits expense  | 94 369         | 78 878         |   |                |                |
| Superannuation contributions surcharge tax                | 868            | 722            |   |                |                |
| Income tax expense  | 4 964          | 2 389          |   |                |                |
| <b>Total Outgoings</b>                                    | <b>92 072</b>  | <b>82 295</b>  |   |                |                |
| <b>Net market value of assets</b>                         | <b>545 547</b> | <b>453 475</b> |   |                |                |

## Review of Decisions

If you are dissatisfied by a decision regarding your scheme membership or entitlement, you can request the Commissioner of Superannuation to reconsider the decision.

If dissatisfied with the outcome, you can appeal to the Superannuation Review Board. The final avenue of appeal is to the Supreme Court if there are grounds of appeal on a point of law.

## Any Questions?

If you have any questions about your superannuation, you can contact the NT Superannuation Office on 08 8901 4200, or on our free call number 1800 631 630 or email the office at the address below.

### NT Superannuation Office

Location: Ground Floor Enterprise House  
28-30 Knuckey Street  
Darwin NT 0800

Postal Address: GPO Box 4675  
Darwin NT 0801

Telephone: (08) 8901 4200

Free call: 1800 631 630

Fax: (08) 8901 4222

Internet: [www.nt.gov.au/ntt/super](http://www.nt.gov.au/ntt/super)

Email: [ntsuperannuation@nt.gov.au](mailto:ntsuperannuation@nt.gov.au)