

LEGISLATIVE ASSEMBLY MEMBERS'
SUPERANNUATION FUND

Annual Report

2015-16

Published by the Department of Treasury and Finance

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Introduction

The Legislative Assembly Members' Superannuation (LAMS) scheme is established by the *Legislative Assembly Members' Superannuation Fund Act* (LAMS Act) and provides superannuation benefits for eligible members of the Northern Territory Legislative Assembly. The LAMS scheme commenced operation on 23 September 1979 and was closed to new members on 9 May 2005. Since that date, parliamentarians elected to the Legislative Assembly for the first time have the superannuation guarantee paid to their nominated complying superannuation fund.

Superannuation Trustee Board

The Superannuation Trustee Board (STB) is the trustee of the scheme. STB is a body corporate established under section 8A of the *Superannuation Act*. Under the LAMS Act and the *Superannuation Act*, the STB has overall responsibility for the management and the investments of the three funds administered by the Northern Territory Superannuation Office (NTSO), including the LAMS fund. Day-to-day administration is undertaken by the Commissioner of Superannuation.

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

The functions and powers of STB are set out in section 8B of the *Superannuation Act*. STB is responsible for investing monies, while the Commissioner of Superannuation is responsible for administering the LAMS scheme and ensuring payment of the appropriate benefits to former members. Scheme administration is undertaken by the NTSO, a division of the Department of Treasury and Finance. In 2015-16, there were two resignations from the STB, with one member replaced in 2015-16 and the second member replaced in July 2016.

Kathleen Robinson	Chairperson
Marianne McAdie	Deputy Chairperson
Jodie Ryan	Member
Michael Martin	Member
Alex Pollon	Member
Vicky Coleman	Member
Mark McAdie	Member
Naomi Porrovecchio	Member (resigned October 2015)
Sarah Burchett	Member (appointed 18 December 2015)
Gowan Carter	Member (resigned March 2016)

Colin Goodsell replaced Gowan Carter on the board in July 2016.

Trustee Meetings

STB met four times during the year. The meetings related to general business of STB and investment decisions 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 2015-16, four STB members were entitled to receive sitting fees. Remuneration payments made to STB members totalled \$4561.

STB resolved to apply its associated costs to the three funds administered according to the value of funds under management. STB expenses totalled \$65 092, of which \$6880 was attributed to LAMS for 2015-16. Total costs are detailed below.

Sitting fees	\$4 561
Training and conferences	\$3 265
AIST membership	\$13 255
Governance expenses	\$27 511
Internal audit	\$16 500
Total	\$65 092

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 the scheme; 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.

Administration

Compliance and Taxation Status of the LAMS Scheme

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

The LAMS scheme is a complying fund for the purposes of the *Income Tax Assessment Act 1997*. Consequently, income tax is assessable at 15 per cent on net investment earnings and net taxable contributions.

Audit

An audit of the scheme was conducted by the Northern Territory Auditor-General as at 30 June 2016.

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

Actuarial Services

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.

An actuarial investigation of the scheme was undertaken as at 30 June 2016. A summary of the report is provided on page 6. The next triennial actuarial review is due in 2019.

Summary of the Report of the Actuarial Investigation of the Scheme

as at 30 June 2016

The triennial actuarial investigation of the scheme was carried out as at 30 June 2016 by John Rawsthorne FIAA of Cumpston Sarjeant Pty Ltd and the results were presented in his report dated 26 July 2016.

The scheme opened in 1979, was closed to new members in 2005, and the contributory membership has decreased quickly since. The reversionary nature of the lifetime pension means that there will be pensions payable from the scheme for many years, despite there only being two active contributing members remaining as at 30 June 2016. The most important assumption in determining the eventual employer liability for current contributors is the rate of future salary and pension growth. The exercise of exit and commutation options by the two remaining contributors, and the eventual longevity of pensioners, will also impact on liabilities to a moderate extent.

Accrued liabilities at 30 June 2016 were \$77.6 million compared to \$71.4 million at 30 June 2013. The liability is based on assumptions of future salary growth of 3.0 per cent for 2016-17 and 4.0 per cent per annum thereafter, and future investment returns on assets of 6.5 per cent per annum net of income tax. While lower recent and anticipated short-term salary growth has reduced liabilities by about \$2.5 million compared to expected, a lower discount rate has increased the liability by about \$5 million. Currently assets are 84 per cent of liabilities.

Emerging costs are expected to be about \$4.2 million in 2016-17, and will increase in nominal terms to about \$6.6 million per annum in 2035.

The assets of the fund are invested with 70 per cent in growth assets and 30 per cent in defensive assets. This is appropriate for a fund with long-term wage-linked liabilities.

The present value of total future employer contributions required is \$13 million, grossed up to \$15.3 million when contributions tax is included.

The long-term employer contribution rate recommended at the valuation is \$1 million per annum.



Auditor-General

Independent Auditor's Report to the Superannuation Trustee Board Legislative Assembly Members' Superannuation Fund

Year Ended 30 June 2016

I have audited the accompanying financial report of the Legislative Assembly Members' Superannuation Fund, which comprises the statement of net assets as at 30 June 2016, the statement of changes in net assets and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes, and the statement by the Superannuation Trustee Board.

The Responsibility of the Superannuation Trustee Board for the Financial Report

The Superannuation Trustee Board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal controls as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Superannuation Trustee Board, as well as evaluating the overall presentation of the financial report.

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

Opinion

In my opinion the financial report gives a true and fair view of the financial position of the Legislative Assembly Members' Superannuation Fund as at 30 June 2016 and its changes in net assets for the year then ended in accordance with Australian Accounting Standards.

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

29 September 2016

Statement by the Superannuation Trustee Board

In the opinion of the Superannuation Trustee Board:

- the accompanying financial statements consisting of a Statement of Net Assets, Statement of Changes in Net Assets, Statement of Cash Flows and notes to the financial statements are drawn up to present fairly the financial position of the Legislative Assembly Members' Superannuation Fund as at 30 June 2016 and the results of its operations for the year then ended in accordance with Australian Accounting Standards and other mandatory reporting requirements;
- the financial statements have been prepared in accordance with the requirements of the *Legislative Assembly Members' Superannuation Fund Act*; and
- the scheme has operated in accordance with the provisions of the *Legislative Assembly Members' Superannuation Fund Act*, the *Superannuation Act*, and in compliance with the Commonwealth's retirement income policies and principles during the year ended 30 June 2016.

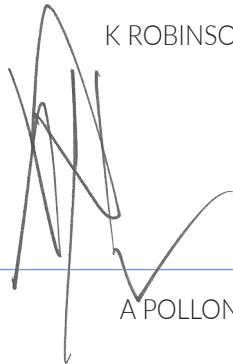
Chairperson



Date: 29 September 2016

K ROBINSON

Member



Date: 29 September 2016

A POLLON

Statement of Net Assets

as at 30 June 2016

	Note	2016	2015
		\$000	\$000
ASSETS			
Cash and cash equivalents		263	633
Wholesale unit trusts	4	64 825	67 804
Current tax asset	6(c)	149	50
TOTAL ASSETS		65 237	68 487
<i>Less</i>			
LIABILITIES			
Sundry liabilities		11	8
Provision for surcharge contributions tax		97	95
Current tax liability	6(c)	-	-
TOTAL LIABILITIES (excluding net assets available to pay benefits)		108	103
NET ASSETS AVAILABLE TO PAY BENEFITS		65 129	68 384

The Statement of Net Assets should be read in conjunction with the notes to the financial statements.

Statement of Changes in Net Assets

for the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
REVENUE			
Investment income		29	6 452
Interest		8	7
Distributions from investments		2 730	1 849
Movement in net market value of investments		- 2 709	4 596
Contributions revenue		1 037	2 104
Members' contributions		37	44
Surcharge debts paid		-	60
Territory contributions		1 000	2 000
TOTAL REVENUE		1 066	8 556
EXPENSES			
Benefits paid		4 422	3 979
Lump sum benefits		474	370
Pensions		3 948	3 609
Other expenses		12	14
Board expenses		7	4
Other expenses		3	3
Superannuation surcharge contributions tax		2	7
TOTAL EXPENSES		4 434	3 993
Net change for the year before income tax		-3 368	4 563
Income tax expense	6(b)	- 113	- 7
Net change for the year after income tax		- 3 255	4 570
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE FINANCIAL YEAR		68 384	63 814
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR		65 129	68 384

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

Statement of Cash Flows

for the year ended 30 June 2016

	Note	2016	2015
		\$000	\$000
Interest received		8	7
Payments for goods and services		- 7	- 6
Receipts from members		37	105
Receipts from the Territory		1 000	2 000
Payments to members		- 4 422	- 3 919
Taxes paid (surcharge)		-	- 208
Contributions tax		- 150	- 300
Income tax		164	252
NET CASH FLOWS FROM OPERATING ACTIVITIES	10(a)	- 3 370	- 2 069
Proceeds from investments		3 000	2 500
Purchase of investments		- 2 730	- 1 849
Investment distribution		2 730	1 849
NET CASH FLOWS FROM INVESTING ACTIVITIES		3 000	2 500
Net increase in cash		- 370	431
Cash at bank at beginning of period		633	202
CASH AT BANK AT END OF PERIOD	10(b)	263	633

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 2016

1. Reporting Entity

The Legislative Assembly Members' Superannuation (LAMS) scheme (ABN 61 929 107 845) was established under the *Legislative Assembly Members' Superannuation Fund Act*. The fund incorporates a member accumulation and a defined benefit component and operates for the purpose of providing Members of the Legislative Assembly (and their dependants or beneficiaries) lump sum or pension benefits or both upon retirement, termination of service, death or disablement. Administration of the scheme and the fund is conducted by 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 (AAS) including AAS 25 *Financial Reporting by Superannuation Plans*, other applicable accounting standards, the requirements of the *Superannuation Industry (Supervision) Act 1993* and regulations, and the provisions of the *Legislative Assembly Members' Superannuation Fund Act*.

International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB). Certain requirements of AAS 25 differ from the equivalent requirements that would be applied under IFRS.

The financial statements were approved by STB on 29 September 2016.

(b) Basis of measurement

The financial statements are prepared on a net market value basis.

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

The preparation of financial statements requires STB to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. 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 accrued benefits, which are not brought to account but disclosed by way of note. The significant accounting policies adopted in the preparation and presentation of the financial report are detailed in the following note.

Notes to the Financial Statements

for the year ended 30 June 2016

3. Significant Accounting Policies

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

(a) Assets

Assets are included in the Statement of Net Assets at net market value as at reporting date, and movements in net market value of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur.

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 net market value are recorded.

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

The fund's investments with JANA Investment Advisers (JANA) are unitised and operate as units in untaxed superannuation trusts. The investments are valued at the redemption price at reporting date, as advised by JANA, and are based on the net market value of the underlying investment.

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

(b) Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

(c) Financial liabilities

The fund recognises a financial liability on the date it becomes a party to the contractual provisions of the instrument.

Benefits payable comprises the entitlements of members who ceased employment with the employer sponsor prior to year end but have not been paid by that date. Other payables are payable on demand or short time frames of less than 60 days.

The fund recognises financial liabilities at net market value as at reporting date with any change in net market values of the fund's financial liabilities since the beginning of the reporting period included in the Statement of Changes in Net Assets for the reporting period. Net market value approximates to the amortised costs of the liability using the effective interest rate method less estimated transaction costs.

As disposal costs are generally immaterial, unless otherwise stated, net market value approximates fair value.

Notes to the Financial Statements

for the year ended 30 June 2016

3. Significant Accounting Policies (continued)

(d) Accrued benefits

The liability for accrued benefits is the fund's present obligation to pay benefits to members and beneficiaries and has been calculated on the basis of the present value of expected future payments arising from membership of the scheme up to the reporting date.

In accordance with Section 8 of the *Legislative Assembly Members' Superannuation Fund Act*, the triennial actuarial investigation of the fund was last undertaken as at 30 June 2016 and the results were provided in the actuary's report dated 26 July 2016. The main accrual assumption used to determine accrued benefits was that basic salaries on which pensions are indexed will increase at a long-term rate of 2 per cent below investment returns. The 2016 review assumed that members will commute 15 per cent of their pension at pension commencement.

(e) Revenue

Interest revenue

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

Distributions and dividends

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

Contribution revenue and transfers

Member and employer contributions and transfers into the fund are recognised when the control of the asset has been attained. These transactions are recorded in the period to which they relate. Under Section 16 of the *Legislative Assembly Members' Superannuation Fund Act*, members contribute to the fund at the rate of 11.5 per cent of their salaries.

Movement in net market value of investments

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

(f) Income tax

The contributory superannuation scheme established under the *Legislative Assembly Members' Superannuation Fund Act* 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*. Accordingly, the concessional tax rate of 15 per cent has been applied.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the Statement of Net Assets 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.

Notes to the Financial Statements

for the year ended 30 June 2016

3. Significant Accounting Policies (continued)

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

(g) 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 STB is unable to determine this amount until receipt of applicable assessments in the following period.

The superannuation contribution surcharge is levied on notional surchargeable contributions in relation to periods from 21 August 1996 to 30 June 2005. The 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 will be in respect of contributions made up to and including 30 June 2005.

(h) GST

The fund is not registered for GST. Where GST has been applied, revenues, expenses and assets are recognised inclusive of GST. Receivables and payables in the Statement of Net Assets are also shown inclusive of GST.

(i) 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/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 any future financial impact on the fund.

A number of new standards, amendments to the standards and interpretations effective for annual periods commencing 1 July 2016 have not been applied in preparing these financial statements. 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.

Notes to the Financial Statements

for the year ended 30 June 2016

3. Significant Accounting Policies (continued)

Amendment	Financial Year Expected to be Applied
AASB 1056 'Superannuation Entities'	30 June 2017
AASB 1056 is a new standard applying to superannuation entities replacing AAS 25 Financial Reporting by Superannuation Plans. This new standard specifies requirements for general purpose financial statements of superannuation entities and results in significant changes to presentation of financial statements, measurement and disclosure of defined benefit obligations and disclosure of disaggregated financial information.	
The adoption of AASB 1056 will result in:	
<ul style="list-style-type: none"> – changes to the presentation format of the fund financial statements; – changes to the measurement of assets and liabilities from 'net market value' to 'fair value', excluding member liabilities, tax assets and liabilities, acquired goodwill, insurance assets and liabilities, and employer-sponsored receivables; and – additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13. 	
Fair value measurement of:	
<ul style="list-style-type: none"> – member benefits recognised as liabilities rather than equity; and – contributions, rollovers and other inward transfers and benefits paid to members, as presented in the statement of changes in member benefits. 	
As required by AASB 1056, the fund will apply the new accounting standard retrospectively from the start of the comparative period. This accounting standard is effective on or after 1 July 2016.	
AASB 2010-7	30 June 2018
Amendments to Australian Accounting Standards arising from AASB 9 <i>Financial Instruments</i> .	
Amendments of this standard are not expected to have a material future financial impact on the fund. This accounting standard is effective on or after 1 January 2018.	

4. Investments

	2016	2015
	\$000	\$000
Units in JANA Moderate Trust		
Opening balance	67 804	63 859
Additions/redemptions	- 3 000	- 2 500
Market movement	- 2 709	4 596
Distributions	2 730	1 849
Closing balance	64 825	67 804

In 2015- 16 the investment return on the LAMS fund was 0.04 per cent.

5. Auditors' Remuneration

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

Notes to the Financial Statements

for the year ended 30 June 2016

6. Income Tax Expense

	2016	2015
	\$000	\$000
(a) Current tax expense		
Current year	- 113	- 6
Adjustment to prior periods	-	- 1
Total income tax expense (+)/benefit (-)	- 113	- 7
(b) Numerical reconciliation between tax expense and benefits accrued as a result of operations before tax		
Net change for the year	- 3 368	4 563
Income tax expense		
Tax at the complying superannuation fund tax rate of 15%	- 505	685
Increase in income tax expense due to:		
Pension payments	663	597
Non deductible expenses	2	2
Decrease in tax expense due to:		
Investment income	- 382	- 355
Member contributions and transfers in	- 6	- 16
Exempt pension income	339	- 659
Tax effect of other adjustments:		
Imputation and foreign tax credits	- 224	- 260
Overprovision in prior year	-	- 1
Income tax expense (+)/benefit (-) on benefits accrued as a result of operations	- 113	- 7
(c) Current tax liabilities		
Balance at beginning of year	- 50	20
Income tax paid – current period	- 36	- 45
Income tax received	50	- 20
Current year's income tax provision	- 113	- 5
Total current tax liabilities (+)/asset (-)	- 149	- 50

7. Liability for Accrued Benefits and Funding Arrangements

(a) 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. At 30 June 2016, there were no benefits payable.

(b) Guaranteed benefits

Section 10 of the *Legislative Assembly Members' Superannuation Fund Act* provides that any contributions required to be paid into the fund by the Territory are authorised to be paid from the public moneys of the Territory.

Notes to the Financial Statements

for the year ended 30 June 2016

7. Liability for Accrued Benefits and Funding Arrangements (continued)

(c) Accrued benefits

The amount of accrued benefits has been determined on the basis of the present value of expected future payments, which arise from membership of the scheme up to the reporting date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The liability for accrued benefits is not included in the Statement of Net Assets, but the liability at the latest measurement date is reported by way of note.

	2016	2015
	\$000	\$000
Accrued benefits as at 30 June	77 552	74 970

8. Vested Benefits

Vested benefits are benefits not conditional upon continued membership of the scheme and include benefits that members are entitled to receive had they terminated their membership of the scheme at the reporting date. Vested benefits at a particular date represent the present value of benefits payable in respect of former members and the benefits payable to current members on voluntary withdrawal from scheme membership at that date. Vested benefits were measured as at the 30 June 2016 actuarial review.

	2016	2015
	\$000	\$000
Vested benefits as at 30 June	78 300	76 465

9. Related Parties

(a) Sponsor

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

(b) Trustee

STB is the Trustee of the fund. In 2015-16 there were two changes to STB membership.

Kathleen Robinson	Chairperson
Marianne McAdie	Deputy Chairperson
Jodie Ryan	Member
Alex Pollon	Member
Vicky Coleman	Member
Michael Martin	Member
Mark McAdie	Member
Naomi Porrovecchio	Member (resigned October 2015)
Sarah Burchett	Member (appointed 18 December 2015)
Gowan Carter	Member (resigned March 2016)

Colin Goodsell replaced Gowan Carter in July 2016.

Notes to the Financial Statements

for the year ended 30 June 2016

9. Related Parties (continued)

The total board cost is attributed to each of the three funds (which includes the Northern Territory Police Supplementary Benefit Scheme and Northern Territory Government and Public Authorities Superannuation Scheme) proportional to the value of funds under management. Board expenses totalled \$65 092, of which \$6880 was attributed to LAMS. Costs include sitting fees, board member training and conference attendance, Australian Institute of Superannuation Trustees membership and governance expenses. Four members were paid sitting fees for services during the 2015-16 financial year totalling \$4561.

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

10. Reconciliation to the Statement of Cash Flows

	2016	2015
	\$000	\$000
(a) Benefits accrued before tax as a result of operations	- 3 368	4 564
Increase (-)/decrease (+) in net revenue		
JANA investment	2 709	- 4 596
Investment distributions	- 2 730	- 1 849
Increase (+)/decrease (-) in liabilities		
Sundry liabilities	3	1
Surcharge liabilities	2	- 125
Tax liabilities	14	- 64
Net cash flow from operating activities	- 3 370	- 2 069
(b) Reconciliation of cash		
Cash at bank as stated	263	633

Notes to the Financial Statements

for the year ended 30 June 2016

11. Financial Instruments

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

STB has overall responsibility for the establishment and oversight of the fund's risk management framework. STB establishes risk management policies to identify and analyse the risks faced by the fund, sets appropriate risk limits and controls, and monitors risks and adherence to risk limits. Monitoring of risks includes those managed by the investment manager, JANA. The former trustees appointed MLC Implemented Consulting (MLC) in 2005. MLC merged with JANA in 2012.

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

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

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

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

Market risk

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

Currency risk

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

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

Interest rate risk

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

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

Notes to the Financial Statements

for the year ended 30 June 2016

11. Financial Instruments (continued)

An increase (or decrease) of 1 per cent in interest rates at the reporting date would increase (or decrease) the benefits accrued as a result of operations and net assets 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	\$000	\$000	\$000
30 June 2016	263	± 4.5	± 4.5
30 June 2015	633	± 4.2	± 4.2

Other market price risk

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

The fund's financial instruments are carried at net market value with changes recognised in the Statement of Changes in Net Assets. All changes in market conditions affecting net market value are therefore recognised in the Statement of Changes in Net Assets. The fund's exposure to other market price risk is limited to the market price movement of the underlying investments. STB determined that 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	\$000	\$000	\$000
30 June 2016	64 825	± 3 316	± 3 316
30 June 2015	67 804	± 3 292	± 3 292

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 financial assets are considered past due as all payments are considered recoverable when contractually due.

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 material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the fund.

Notes to the Financial Statements

for the year ended 30 June 2016

11. Financial Instruments (continued)

	2016	2015
	\$000	\$000
Cash and cash equivalents	263	633
Units in JANA Moderate Trust	64 825	67 804
	65 088	68 437

Liquidity risk

Liquidity risk is the risk that 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, that 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:

	Balance	Contractual Cash Flows Potentially Payable in 2016-17
	\$000	\$000
30 June 2016		
Vested benefits	78 300	78 300
	78 300	78 300
30 June 2015		
Vested benefits	76 465	76 465
	76 465	76 465

Vested benefits (refer Note 8) have been included as this is the amount that 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.

Estimation of fair values

The fund's financial assets and liabilities included in the Statement of Net Assets are carried at net market value, which STB believes approximates net fair value. The major methods and assumptions used in determining net market value of financial instruments are disclosed in Note 3(a) of the summary of significant accounting policies section.

Notes to the Financial Statements

for the year ended 30 June 2016

11. Financial Instruments (continued)

Fair value measurements

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

- Level 1 net market value measurements are those instruments with value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 net market value measurements are those instruments with value based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 net market value measurements are those instruments with value based on inputs for the asset or liability that are not based on observable market data.

STB has determined that the fair value of the fund's investments are Level 2.

Level 2 Investments	2016	2015
	\$000	\$000
Units in JANA Moderate Trust	64 825	67 804

12. Contingent Liabilities

The fund has no contingent liabilities at 30 June 2016 (2015: nil).

13. Segment Reporting

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

14. Events Subsequent to Reporting Date

There are no subsequent events.