

2011–2012



# Twenty Eighth Annual Report

TRUSTEES OF THE  
PARLIAMANTARY CONTRIBUTORY  
SUPERANNUATION FUND



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The Parliamentary Contributory Superannuation Fund is administered by the Superannuation Administration Corporation, trading as Pillar Administration.

**Contact details**

Pillar Administration Head Office

Level 18, 83 Clarence Street, Sydney 2000 | GPO Box 3887 Sydney NSW 2001

Telephone: 02 9238 5555 | Facsimile: 02 9238 2630

PCSF Administration Manager

Telephone: 02 4298 6980 | Facsimile: 02 4298 6467

Hours of operation: Monday to Friday 9:00am to 5:00pm



## PARLIAMENTARY CONTRIBUTORY SUPERANNUATION FUND

24 October 2012

The Hon Gregory Pearce, MLC  
Minister for Finance and Services, and  
Minister for the Illawarra  
Level 36, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Minister,

On behalf of the Trustees of the Parliamentary Contributory Superannuation Fund we have pleasure in submitting to you the Annual Report of the Trustees for the year ending 30 June 2012 and Financial Statements for the year ended 30 June 2012 for both the Trustees and for the Fund, prepared in accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983* and associated Regulations.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'George Souris'.

Hon. George Souris, MP  
**Chairperson**

A handwritten signature in blue ink, appearing to read 'Donald T Harwin'.

Hon. Donald T Harwin, MLC  
**Vice-Chairperson**

## **Trustees of the Parliamentary Contributory Superannuation Fund**

At 30 June 2012, the trustees of the Parliamentary Contributory Superannuation Fund were:

The Hon. George Souris, MP

*Chairperson*

The Hon. Donald T Harwin, MLC

*Vice-Chairperson*

The Hon. Richard Amery, MP

Mr Gregory Aplin, MP

The Hon. Gregory Donnelly, MLC

Mr Daryl Maguire, MP

Ms Anna Watson, MP

Secretary, New South Wales Treasury

Mr Philip Gaetjens

(Mr Colin Broad, an officer of the NSW Treasury, was appointed to act as trustee in the absence of the Secretary of the Treasury).

## Charter

The *Parliamentary Contributory Superannuation Act 1971 (NSW)* (“the PCS Act”) established a contributory superannuation fund for Members of the NSW Parliament as a replacement for the fund provided for by the repealed *Legislative Assembly Members Pensions Act 1946 (NSW)* (“the former Act”). Pensions and allowances paid under the former Act are continued and adjusted under the PCS Act.

The Trustees of the Parliamentary Contributory Superannuation Fund is the corporate name of a body corporate constituted by the PCS Act. The body corporate consists of the trustees who hold office under the provisions of the Act. The trustees are responsible for the management of the Parliamentary Contributory Superannuation Fund (“the PCSF”) and the exercise of the various powers and discretions in relation thereto.

While the PCSF was closed to new Members of Parliament with effect from the date of the State general election on 24 March 2007, it continues to provide the superannuation arrangements for those Members of Parliament who remained in Parliament after that election. Further, the Fund continues to pay superannuation pensions to those former Members of Parliament who left Parliament before that election and in some cases to the spouse, de facto partner and/or children of deceased former Members of Parliament.

## **Outline of the PCSF**

The major features of the PCSF are:

### **Member contributions**

Contributions are made at the rate of 12.5% of salary as a Member of Parliament, Minister or Parliamentary office holder.

### **Crown contributions**

The NSW Treasury has established a medium term funding level target of 80 per cent for the PCSF in order to minimise the possibility of the PCSF becoming overfunded due to volatile scheme investment returns.

As the funding level exceeded the target, Treasury suspended Crown contributions for the period between 1 July 2006 and 30 June 2008. Treasury reviewed the funding level in 2008 and the Treasurer approved an extension of the employer funding contribution “holiday” until 30 June 2011.

Prior to the PCSF Triennial Actuarial Review 2008, high investment returns more than counterbalanced the lack of employer contributions with funding maintained at 80% - 90% of liabilities. However this situation reversed in the economic downturn of 2008, and as at 30 June 2008 the level of funding was approximately 74% of liabilities. In December 2008 the Trustees recommended that the Treasurer reconsider the contribution holiday and consider recommencing Crown contributions in the 2009/2010 year. However, the Treasurer resolved to continue the Fund’s Crown employer funding “holiday” until 30 June 2011, given that the fund has sufficient investment reserves to meet both short and medium term member benefit payment requirements.

After 30 June 2011 and after discussions with the Fund’s actuary as part of the Triennial actuarial review of the Fund, Treasury allocated \$13.2 million to be paid as contributions to the Fund in the 2011/12 year. Crown contributions in the amount of \$15 million will be paid in 2012/13 and further Crown contributions have been allowed for over the forward estimates period for the NSW budget.

Although the PCSF is not fully funded, member entitlements are guaranteed by statute and funding will be provided to meet all future benefits from the PCSF.

### **Pension entitlement**

Pension entitlement arises when a Member (who is covered by the PCSF) leaves Parliament after 7 years aggregate service, other than in circumstances where section 13A of the *Constitution Act 1902* (NSW) operates so that the seat of a Member becomes vacant or where a person ceases to be a

Member whilst criminal proceedings for a serious offence are pending against the person and the finalisation of those proceedings results in the person being convicted of the offence.

### **Rate of pension payable to former Member**

The annual rate of pension payable from the PCSF to a former Member of Parliament is calculated pursuant to the formula  $A \times B/C$  where:

**A** = 48.8% of the 'Current Basic Salary' (the ordinary annual salary ) of a Member of Parliament, increasing by 0.2% for each month of service in Parliament in excess of 7 years to a maximum of 80% after 20 years;

**B** = the total salary received during the period of service in Parliament including additional salary as a Minister or Parliamentary office-holder;

**C** = the total Basic Salary received during the period of service in Parliament.

It should be noted that although the rate of pension is calculated as an annual amount, pensions are paid from the PCSF on a monthly basis (in arrears).

### **Deferral of payment of pension**

A person who first became a Member of Parliament after 6 December 1999 and who leaves Parliament after at least 7 years service cannot receive payment of a pension from the PCSF until they attain the age of 55 or unless the Trustees of the Fund are satisfied that payment should be made on the ground of financial hardship or on the grounds of ill health or physical or mental incapacity. Where a pension is not payable until the person attains the age of 55, it is classed as a deferred pension. When a deferred pension becomes payable, the amount payable will be calculated with reference to the Current Basic Salary applicable at the time the pension becomes payable.

### **Right to commute pension to a lump sum**

A former Member of Parliament entitled to payment of a pension (other than a pension payable after retirement from Parliament due to ill-health) has the right to elect to commute (convert) all or part of his or her pension entitlement to a lump sum. An election cannot be made more than 3 months after the date the pension commences to be payable. The rate of commutation (conversion) is \$10 of lump sum for each \$1 per annum of pension commuted.

In the case of where a Member of Parliament dies in service after at least 7 years service or where a former Member of Parliament with a deferred pension dies and there is a spouse or de facto partner pension payable from the PCSF, the spouse or de facto partner will also have the right to commute



part or all of the spouse or de facto partner's pension, but only within 3 months of the date the pension commences to be payable.

A commuted lump sum benefit payable from the PCSF may be required to be preserved within the superannuation system in accordance with the relevant Commonwealth superannuation rules. For further information about the preservation rules refer to the section *Preservation* on page 13.

### **Ceasing contributions at age 65 and after 20 years service**

A Member of Parliament (who is covered by the PCSF) who has attained the age of 65 and has at least 20 years service in Parliament may elect to cease contributing to the PCSF. Where such an election is made and approved by the Trustees of the PCSF, the pension of the Member is calculated as if he or she had left Parliament on the day the election took effect but the payment of the pension will be deferred until he or she leaves Parliament. When the deferred pension becomes payable, the amount to be paid will be calculated with reference to the Current Basic Salary applicable at the time the pension becomes payable.

### **Retirement from Parliament due to ill-health**

Where a Member (who is covered by the PCSF) retires from Parliament prior to attaining 7 years of aggregate service and the Trustees of the PCSF are satisfied that the person had been rendered incapable of performing the duties of a Member due to ill-health or physical or mental incapacity, he or she is entitled to pension payable from the Fund, provided he or she had passed a medical examination upon entry to the Fund.

The pension payable is calculated as if the member had attained 7 years of aggregate service in Parliament. It should be noted that there is no right to commute (convert) such a pension to a lump sum.

### **Benefit payable where there is no entitlement to a pension**

Where a Member (who is covered by the PCSF) leaves Parliament prior to attaining 7 years of aggregate service other than in circumstances where section 13A of the *Constitution Act 1902 (NSW)* operates so that the seat of the Member becomes vacant or where he or she ceases to be a Member whilst criminal proceedings for a serious offence are pending against him or her and the finalisation of those proceedings results in the person being convicted of the offence, there is no entitlement to pension but there is an entitlement to a refund of the contributions made by the Member to the PCSF **plus** a supplementary benefit.

The amount of the supplementary benefit varies depending upon the reason the Member left Parliament:

- where the Member left Parliament ‘involuntarily’; i.e. non-selection by the applicable political party, defeat at an election or resigning or not standing for election for reasons which satisfy the Trustees as being “good and sufficient” or simply has attained the age of 60 at the time of ceasing to be a Member - **two and one third** times the amount of the Member’s contributions made in the last 7 years; or
- in other circumstances i.e. the Member left Parliament ‘voluntarily’ – **one and one sixth** times the amount of the Member’s contributions made in the last 7 years.

### **Person ceasing to be a Member while criminal proceedings are pending**

Under section 19AA of the PCS Act, where a person ceases to be a Member while criminal proceedings for a serious offence are pending against the person, the entitlement of the person to payment of a pension from the PCSF is suspended.

Where the finalisation of the criminal proceedings does not result in the person being convicted of the serious offence, the suspension is lifted and his or her entitlement to payment of the pension is reinstated with effect from immediately before the suspension began. However, where finalisation of the criminal proceedings results in the person being convicted of the serious offence, he or she ceases to have any entitlement to a pension from the PCSF. The benefit payable from the PCSF in such a case is a refund of the contributions made by the person to the Fund, with an additional amount sufficient to ensure that the person’s benefit complies with the minimum requirements of the Commonwealth Superannuation Guarantee legislation.

### **Death benefit for spouse or de facto partner**

A death benefit pension is payable to a surviving spouse or de facto partner upon the death of:

- a Member of Parliament (who was covered by the PCSF); or
- a former Member of Parliament who immediately prior to his or her death was entitled to receive a pension from the PCSF, where the person became the spouse or de facto partner of the former Member before he or she became entitled to a pension from PCSF; or
- a former Member of Parliament with a deferred pension.

For the purpose of death benefit pension entitlement, a person who was entitled to a pension from the PCSF as a former Member of Parliament but where the payment of the pension was suspended because he or she became a member of the Parliament of another State or the Commonwealth or he or she was in receipt of a pension payable because of service as a member of the Parliament of another State or the Commonwealth, is classed as being entitled to receive a pension from the PCSF.

However, in the case of a former Member, no death benefit pension is payable to a surviving spouse or de facto partner of the former Member where the whole of the former Member's pension was commuted to a lump sum. The entitlement to a potential death benefit pension is not affected where only part of a former Member's pension entitlement is commuted to a lump sum.

The rights of a spouse or de facto partner to commute part or all of his or her pension to a lump sum in certain circumstances is set out above in the section *Right to commute pension to a lump sum*.

### **Definitions of spouse and de facto partner**

For the purpose of death benefit entitlement, the definitions of spouse and de facto partner are as follows:

- a 'spouse' is a widow or widower of a deceased Member or former Member;
- a 'de facto partner' is a person who at the time of death of a Member or former Member was either:
  - in a registered relationship or an interstate registered relationship, within the meaning of the *Relationships Register Act 2010*, with the Member or former Member; or
  - in a de facto relationship, within the meaning of the *Interpretation Act 1987 (NSW)*, with the Member or former Member.

A de facto partner may be a person of either the opposite or same sex as the deceased.

### **Calculation of spouse or de facto partner pension**

The calculation of a spouse or de facto partner pension can differ depending upon the date that the deceased left Parliament. If a former Member left Parliament prior to 13 November 1979 then the amount of the death benefit pension payable upon the former Member's death is the greater of 62.5% of the deceased's full pension entitlement (without reduction for any pension commuted to a lump sum) and 40% of the Current Basic Salary. If a former Member left Parliament, or a Member of Parliament dies, on or after 13 November 1979 the amount of the death benefit pension payable upon the former Member or Member's death is the greater of 75% of the deceased's full pension entitlement (without reduction for any pension commuted to a lump sum) and 45% of the Current Basic Salary. If a Member of Parliament who has served less than 7 years dies, the death benefit pension payable is simply 45% of the Current Basic Salary.

### **Extension of eligibility for death benefit pension in prescribed circumstances**

As a result of changes to the PCSF legislation effective from 29 November 2002, eligibility for entitlement to a spouse or de facto partner pension upon the death of a former Member who prior to his or her death was receiving a pension from the PCSF was extended in certain prescribed circumstances as follows:

A surviving spouse or de facto partner of a deceased former Member is eligible for death benefit pension entitlement if:

- he or she became the spouse or de facto partner of the former Member pensioner after the former Member pensioner became entitled to a pension from the PCSF; and
- the spouse or de facto partner has or had in that marriage or relationship a child, where the child was:
  - in the opinion of the Trustees of the PCSF, wholly or substantially dependent on the former Member at any time during the marriage or relationship; or
  - conceived before but born alive after the death of the former Member.

Where such a marriage or de facto relationship existed for a period of more than three years immediately before the death of the former Member, the eligible spouse or de facto partner is entitled to a pension in the amount as outlined above in the section *Calculation of spouse or de facto partner pension*. Where such a marriage or relationship existed for less than three years immediately before the death of the former Member, the eligible spouse or de facto partner is entitled to a pension in the amount as outlined above but reduced on a pro rata basis according to the proportion that the period of the marriage or relationship bears to three years.

### **Death benefit for children**

A death benefit child's pension is payable to a dependent child upon the death of:

- a Member of Parliament (who was covered by the PCSF); or
- a former Member of Parliament who immediately prior to his or her death was entitled to receive a pension from the PCSF; or
- a former Member of Parliament with a deferred pension.

For the purpose of child's death benefit pension entitlement, a person who was entitled to pension from the PCSF as a former Member of Parliament but where the payment of the pension was suspended because he or she became a member of the Parliament of another State or the

Commonwealth or he or she was in receipt of a pension payable because of service as a member of the Parliament of another State or the Commonwealth, is classed as being entitled to receive a pension from the PCSF.

A dependent child for this purpose is defined as follows:

- a child of a deceased Member or former Member; or
- a child of a surviving spouse or de facto partner, or any former spouse or de facto partner, of a deceased Member or former Member;

where the child was:

- in the opinion of the Trustees of the PCSF, wholly or substantially dependent on the deceased Member immediately before his or her death or , as the case may be, wholly or substantially dependent on the deceased former Member immediately before he or she ceased to be a Member; or
- a child of the deceased Member who was conceived before but born alive after the death of the Member, or as the case may be, a child of the deceased former Member who was conceived before but born alive after he or she ceased to be a Member.

A dependent child has to either be less than 18 years of age or, if aged at least 18 but less than 25, receiving full time education.

The amount of the child's pension entitlement is payable at the following rates:

- 10% of Current Basic Salary where the deceased Member or former Member is not survived by a spouse or de facto partner; or
- 10% of Current Basic Salary where the deceased Member or former Member is survived by a spouse or de facto partner but that spouse or de facto partner dies; or
- 5% of Current Basic Salary where the deceased Member or former Member is survived by a spouse or de facto partner.

A child's pension does not cease to be payable if the surviving spouse or de facto partner of a deceased Member or former Member marries or re-marries. A child's pension is generally payable to the surviving parent or guardian of a child less than 18 but can be paid to a child/student aged at least 18 if the student requests payment.

### **Lump sum payable to the estate (if no spouse, de facto partner or child pension)**

Where a Member of Parliament (who is covered by the PCSF) dies without being survived by a spouse or de facto partner and there is no pension payable because of the death to a child, there is a lump sum benefit payable to the legal personal representative (the executor of the will or the administrator of the estate) of the deceased.

The lump sum is the greater of:

- an amount that is the sum of a refund of the contributions made by the Member to the PCSF and a supplementary benefit, **two and one third** times the amount of the Member's contributions made in the last 7 years; or
- the minimum benefit required to ensure the PCSF complies with the requirements of the Commonwealth Superannuation Guarantee legislation (this amount is actuarially determined).

### **Minimum benefit**

Upon the death of:

- a former Member of Parliament who immediately prior to his or her death was entitled to receive a pension from the PCSF **and** who is not survived by a spouse or de facto partner; or
- a former Member of Parliament where the payment of pension from the PCSF to the former Member was suspended because he or she became a member of the Parliament of another State or the Commonwealth or he or she was in receipt of a pension payable because of service as a member of the Parliament of another State or the Commonwealth **and** who is not survived by a spouse or de facto partner; or
- a former Member of Parliament with a deferred pension who is not survived by a spouse or de facto partner; or
- the spouse or de facto partner of a deceased Member or former Member where the spouse or de facto partner had immediately prior to his or her death been receiving a pension from the PCSF because of the death of the Member or former Member;

**and** where either there are no children who are eligible to receive a child's pension from the PCSF or the child's pension or pensions cease to be payable:

there is a minimum benefit amount payable in respect of the deceased Member or former Member.

Where the total amount of pension and any other benefits paid to the:

- deceased Member or former Member;
- his or her spouse or de facto partner; and
- any child in relation to the deceased,

is less than the amount calculated as set out in the *Lump sum payable to the estate* section (above), the difference is payable, as soon as practicable after the death of the Member or former Member and if applicable of his or her spouse or de facto partner and once any child's pension or pensions ceases to be payable, to the legal personal representative of the deceased or, in the absence of a legal personal representative, to such persons as the Trustees of the PCSF direct.

### **Preservation**

Some or all of a **lump sum** benefit of a former Member of Parliament payable from the PCSF may be classified as "preserved" under Commonwealth superannuation legislation.

A preserved benefit must be retained in the superannuation system until the former Member satisfies a "condition of release". Relevant conditions of release are:

- death of the former Member;
- total and permanent incapacity of the former Member;
- the permanent retirement from the workforce of the former Member after he or she has attained his or her "preservation age" (which is 55 for person born before 1 July 1960); or
- termination of an arrangement of employment after the former Member attains the age of 60.

It should be noted that a pension payable from the PCSF to a former Member is classed as non-preserved because such a pension satisfies the applicable Commonwealth superannuation requirements for a non-preserved pension. However, as mentioned above, some former Members will have a deferred pension entitlement which means that payment of the pension from the PCSF is deferred until they attain the age of 55 or unless the Trustees of the Fund are satisfied that payment should be made on the ground of financial hardship or on the grounds of ill health or physical or mental incapacity.

### **Pension adjustments**

Pensions payable from the PCSF under the PCS Act are adjusted in line with movements, as they occur, in the 'Current Basic Salary' (the ordinary annual salary paid to Members of the NSW Parliament). The adjustment is applied to the notional full pension entitlement (without regard to any prior commutation of pension) in the case of any person who became a Member of Parliament

(including former Members who were in receipt of a pension from the PCSF) on or before 31 January 1990. A person who became a Member of Parliament after this date has a pension adjustments based on his or her residual (post-commutation) pension only.

Pensions arising under the former Act are adjusted in line with movements in the Consumer Price Index (All Groups – Sydney) from June quarter to June quarter, provided the movement is greater than 1%. Any such adjustment is made effective from 1 October each year.

### **Service in both Houses of Parliament**

Pensions and other benefits are payable in respect of a former Member who has served in both Houses of the NSW Parliament in the same way as benefits are payable for a former Member who served in only one House but, taking into account the former Member's service in both Houses.

### **Service with another Parliament**

Payment of a pension from the PCSF is suspended while the beneficiary is a member of the Commonwealth Parliament or another State Parliament or where the beneficiary becomes or again becomes a Member of the NSW Parliament. However a PCSF pension continues to be payable to any former Member who accepts or holds any other "office of profit under the Crown".

A pension payable from the PCSF may also be suspended or reduced (at the discretion of the Trustees of the Fund) where the beneficiary is in receipt of payment of a pension because of service as a member of the Parliament of another State or the Commonwealth or because of being the spouse or de facto partner of a deceased member or former member of the Parliament of another State or the Commonwealth. However a PCSF pension is not subject to suspension or reduction where the other pension applicable is a Commonwealth Parliamentary pension and where the applicable membership of the Commonwealth Parliament commenced on or after 1 July 1994.

### **Family Law and superannuation**

On 28 December 2002 amendments to the *Family Law Act 1975 (Cth)* took effect, so that from that date superannuation interests could be divided ("split") following the breakdown of a marriage. Subsequently, further legislative changes took effect that allowed superannuation interests to be split following the breakdown of a de facto relationship. Commonwealth legislation provides the basis for valuing a person's superannuation benefit/interest for this purpose. Upon review of the Commonwealth valuation methods for determining the value of a superannuation interest, the Trustees of the PCSF considered that these methods were inconsistent with the benefit design of the PCSF. As a consequence the Trustees applied to the Commonwealth Attorney General seeking approval for alternative valuation methods to be adopted for the PCSF.



On 21 December 2010 the alternative valuation methods were approved by the Commonwealth Attorney General and they took effect on 11 January 2011. Subsequently, on 3 March 2011 legislative amendments to the PCS Act took effect that enable the implementation of the alternative valuation methods for the processing of Family Law requests for information about PCSF benefits and for immediate “payment splitting” of PCSF benefits in accordance with “splitting orders” or superannuation agreements made pursuant to Part VIIIIB of the *Family Law Act 1975 (Cth.)* Amendments to the *Parliamentary Contributory Superannuation Regulation 2008 (NSW)* to facilitate these matters also took effect on 3 March 2011.

The fee payable by an applicant to the PCSF for calculating and providing information regarding a Member or former Member’s superannuation interest is currently \$275.00. The fee for processing a payment split is currently \$88.00. This fee is generally payable by the Member and the non-member spouse (the other party to the Family Law proceedings or agreement) in equal parts and the applicable amount is deducted from the amount of the entitlement paid to each party after the payment split.

Please contact the PCSF Administration Manager on (02) 4298 6980 if further information is required regarding Family Law superannuation matters.

### **Taxation of superannuation benefits**

The Commonwealth Government introduced new tax rules effective 1 July 2007 that apply to benefits paid from taxed superannuation funds such as the PCSF. The key points are as follows:

A benefit (other than a death benefit) paid from the PCSF whether as a pension or a lump sum is tax free (although there may be a surcharge liability – see below) where it is paid to a former Member aged 60 or over. A benefit paid from the PCSF to a former Member aged less than 60 is subject to benefits tax on a concessional basis but if such a former Member is receiving a pension from the PCSF, when he or she turns 60 the pension will become tax free.

The taxation of a death benefit pension paid to a spouse or de facto partner depends on the age of the deceased Member or former Member and the spouse or de facto partner. If either the deceased or the spouse/de facto partner was aged at least 60 at the time of death, then the pension is tax free. If both the deceased and the spouse/de facto partner were aged less than 60, the pension will be subject to benefits tax on a concessional basis until the spouse or de facto partner attains the age of 60 at which time the pension will become tax free.

A death benefit child's pension paid to a student aged at least 18 but less than 25 will be taxed under the same rules as outlined immediately above, as will a child's pension payable to the surviving parent or guardian, with the applicable ages being those of the deceased and of the recipient of the pension.

If a lump sum death benefit is paid from the PCSF to a dependant (which includes a spouse or de facto partner) of a deceased Member or former Member, the benefit is tax free. A lump sum death benefit paid to the estate of a deceased Member or former Member will not be subject to benefits tax at payment, although whether the benefit is actually tax free will depend upon whether it is distributed to a dependant of the deceased from the estate. A lump sum benefit paid to a non-dependant of a deceased Member or former Member will be subject to benefits tax on a concessional basis.

### **Abolition of Reasonable Benefit Limits (RBLs)**

RBLs were abolished from 1 July 2007 with the effect that there is now no limit to the amount of a superannuation benefit payment that is taxed (at payment) on a concessional basis. However there are limits on the amount of contributions that can be made to a superannuation fund and still taxed on a concessional basis.

### **Superannuation Contributions Surcharge Tax**

Until it was abolished on 1 July 2005, a surcharge tax was imposed on the employer financed contributions made to the superannuation benefit of a fund member. The surcharge tax applied if a fund member's adjusted taxable income i.e. taxable income plus (notional) employer contributions to superannuation and the value of any fringe benefits received exceeded a pre-determined threshold decided by the Commonwealth. Although the surcharge tax is not payable on employer contributions made from 1 July 2005, any surcharge liability that had been accrued by a Member in respect of notional employer contributions made for a period prior to that date is still required to be paid.

As a defined benefit fund, the PCSF it is not required to pay an outstanding surcharge liability to the Australian Taxation Office (ATO) until the applicable Member commences to receive a benefit. However, a Member may make a payment to the PCSF to reduce his or her surcharge liability at any time.

A Member's outstanding surcharge liability attracts interest each year at the Commonwealth 10 year Treasury bond rate. The balance of a member's surcharge liability at 30 June each year is charged a full year's interest. The amount of a Member's outstanding surcharge liability is shown in the Surcharge Debt Account in the Annual Statement that is sent to the Member each year.

When a Member's benefit becomes payable from the PCSF, the PCS Act provides for a maximum amount (referred to as a 'cap') by which a member's benefit is reduced or is to be paid for directly by the Member to offset a surcharge liability. The 'cap' is based on the maximum surcharge rates applying i.e. 15% to 30 June 2003, reducing to 14.5% from 1 July 2003, 12.5% from 1 July 2004 and 0% from 1 July 2005. The amount of a Member's surcharge liability above that Member's 'cap' is payable by the Fund (rather than the Member) to the ATO.

When a Member's surcharge liability becomes payable, the amount of the liability (up to the 'cap') can be paid either by the Member making a direct payment to the PCSF, by means of the application of a permanent reduction to the Member's pension (and any subsequent spouse or de facto partner pension) or by deduction from any lump sum benefit payable (if applicable) from the Fund. The amount of a permanent reduction in a Member's pension is calculated using actuarial factors.

## **Heads of Government Agreement**

The PCSF is not a regulated fund under the *Superannuation Industry (Supervision) Act 1993* (SIS) of the Commonwealth (it is an "exempt public sector superannuation scheme"). However the State of NSW is a party to a Heads of Government Agreement with the Commonwealth that requires NSW to operate its public sector superannuation schemes in a way that is consistent with the Commonwealth legislation.

## **AML/CTF Legislation**

The *Anti-Money Laundering and Counter-Terrorism Funding Act 2006* (Cth) (the AML/CTF legislation) requires superannuation funds to obtain specific 'proof of identity' (POI) documentation from members applying for payment of superannuation benefits. The POI rules are included in the 'Know your customer' requirements of that legislation, and requires applicants to provide:

*either*

- *One* photographic identification document e.g. a driver's licence or permit issued under State or Territory Law; a passport,

*or*

- *Two* non-photographic identification documents. At least one of these documents must be from a 'primary' source (e.g. birth certificate or citizenship certificate) and one may be from a 'secondary' source (e.g. Centrelink benefits letter, council rates notice, tax assessment notice).

## **Certified copies of original documents**

It is important to note that where the document provided is not the original, it must be a certified copy thereof. Persons authorised to certify that a document is a true copy of the original include, amongst others, a Justice of the Peace, judge, magistrate, solicitor and Police Officer.

A document that has not been certified as a true copy of the original by an authorised person cannot be accepted.

A full list of acceptable POI documents and the persons authorised to certify original documents is available from the PCSF Administration Manager.

From 12 December 2008, amendments to the AML/CTF legislation require superannuation funds to monitor their customers in relation to the provision of superannuation benefits with a view to identifying, mitigating and managing the risk that superannuation benefits may involve or facilitate money laundering or financing of terrorism. The ongoing customer due diligence requirement is comprised of three mandatory components, being:

- (1) 'Know your customer' (KYC) requirements;
- (2) Monitoring customer transactions; and
- (3) Undertaking enhanced customer due diligence.

Any suspicious matters found as a result of the ongoing customer due diligence is required to be reported to AUSTRAC (the AML/CTF regulator).

The AML/CTF legislation also requires the trustee of a superannuation fund to identify, monitor and mitigate the risk that the fund may be used for the laundering of money or the financing of terrorism. The Trustees of the PCSF have an AML/CTF Compliance Program developed in accordance with the legislation.

## **Management of the PCSF**

### **Trustees of the PCSF**

The Trustees of the Parliamentary Contributory Superannuation Fund is the corporate name of a body corporate constituted by the PCS Act. The body corporate consists of the trustees who hold office under the provisions of the PCS Act. The PCS Act provides that the trustees of the PCSF shall be:

- two Members of the Legislative Council;
- five Members of the Legislative Assembly (at least one of whom must be a Minister of the Crown; and
- the Secretary of the NSW Treasury.

The Chairperson of the trustees must be a Minister of the Crown from the Legislative Assembly. The trustees are elected on a motion within the relevant House of Parliament.

The PCSF is managed by the Trustees of the Fund who, through the administrator of the Fund and other service providers, arrange for the receipt and allocation of contributions, payment of benefits, investment of Fund assets and recording of proceedings of meetings.

No trustee was remunerated for services rendered during the year.

Publications issued by the Trustees of the PCSF are the Annual Report and the Annual Statement for each contributory Member.

### **Service providers**

#### **Administration**

The Superannuation Administration Corporation, trading as Pillar Administration, is the administrator of the PCSF. An administration services agreement governs the relationship between the Trustees and Pillar Administration.

Matters are referred for determination by the Trustees of the PCSF where discretion is available under the governing legislation.

#### **Asset consulting service**

Russell Investment Group Pty Ltd (Russell) provides asset consulting services for the PCSF. A consulting agreement governs the relationship between the Trustees of the PCSF and Russell. The services provided for in the agreement include:

- strategic investment advice;
- the monitoring of the investment managers who invest the assets of the PCSF; and

- quarterly reports on the investment performance of the PCSF.

### **Master custodian**

The National Australia Bank Limited (National Custodian Services) is the custodian of the assets of the PCSF. A custody agreement is in place governing the relationship between the Trustees and the National Australia Bank Limited.

### **Actuarial services**

Actuarial services were provided to the PCSF in 2011/12 by Cumpston Sarjeant Pty Ltd on a fee for service basis. The services provided included:

- the Triennial actuarial review of the Fund;
- reviewing membership data;
- actuarial advice on relevant matters; and
- compiling requisite actuarial certificates.

### **Legal services**

The Trustees of the PCSF from time to time obtain legal services in relation to statutory interpretation from the NSW Crown Solicitor's Office and from the Solicitor General.

### **Taxation advice**

The Trustees of the PCSF obtained tax advice and related services, including the review and lodgement of the PCSF's tax return, from KPMG in 2011/12.

### **Auditor**

The Audit Office of New South Wales is the auditor of the PCSF. The annual audit of the Fund comprises a review of:

- investment income;
- contribution income;
- benefit payments;
- taxation;
- Fund investments;
- The Fund's Financial Statements; and
- compliance with legislative requirements.

## **Risk management and insurance arrangements**

### **Risk management**

The Trustees of the PCSF are responsible for managing risk in relation to the Fund. In particular, the Trustees are responsible for monitoring and reviewing the:

- performance of the administrator, asset consultant and investment managers by means of regular quarterly reporting;
- fees paid by the Fund to service providers;
- the effectiveness of the audit process;
- internal processes and competency of service providers;
- the Fund's statutory and contract compliance; and

ensuring all the providers of services to the essential to the proper running of the PCSF have business continuity plans in place which are regularly tested.

The financial information audited by the PCSF's auditor is objectively reviewed by the Trustees of the Fund before presentation to Members, regulators and the NSW Parliament. The auditor has the opportunity to address the Trustees without any other attendees present.

### **Exemption from requirements of TPP 09-05**

As a statutory body, the Trustees of the PCSF would be required to comply with the requirements of the Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 09-05), which include having an internal audit function and an Audit & Risk Management Committee and annual attestation by the trustees of compliance with the core requirements of the policy. However, because of the nature of the Trustees of the PCSF, including that they do not have any staff and have outsourced the administration of the Fund to Pillar (as well as using other service providers) which is a NSW State owned corporation which complies with TPP 09-05 and has a comprehensive risk management framework, NSW Treasury wrote to the Trustees of the PCSF in 2011 indicating that an exemption from the policy for the Trustees had merit.

Subsequently, the Trustees of the PCSF resolved to apply to Treasury for an exemption from the requirements of TPP 09-05. The portfolio Minister for the Trustees of the PCSF approved of the application for exemption and in early October 2011 Treasury approved the application.

### **Insurance**

The Trustees are covered for trustee liability insurance by the NSW Treasury Managed Fund – this fully covers the Trustees' potential legal liability to any third party arising out of the operations of the Fund. This includes but is not limited to the following classes of risk:

- public liability;
- professional indemnity, directors' and officers' liability; and
- product liability.

## Access to Government information

The Trustees of the PCSF is an agency that was covered by the *Freedom of Information Act 1989 (NSW)* (“the FOI Act”). From 1 July 2010 the *Government Information (Public Access) Act 2009 (NSW)* (“the GIPA Act”) took effect, with the FOI Act being repealed effective on the same date. The GIPA Act established a new ‘right to information’ system designed to make “government information” more readily available. Government information is information contained in a record held by an agency (for FOI and GIPA purposes Pillar is an agency). Generally, an agency must disclose requested information unless there is an overriding public interest against disclosure. The Trustees of the PCSF is an agency covered by the GIPA Act, albeit classed as a subsidiary agency of NSW Treasury for reporting purposes (pursuant to cl. 12 of the *Government Information (Public Access) Regulation 2009 (NSW)*).

Pillar Administration (the administrator of the PCSF) maintains records in relation to Member and former Members of Parliament who are covered by the PCSF for the purpose of the administration of the Fund. The records include information about the personal details, salary, contributions, surcharge liability, superannuation entitlements, Annual Statements issued to and benefits paid to (or with respect to) Members and former Members.

A Member or former Member may contact the PCSF Administration Manager on (02) 4298 6980 if they wish to view or correct any personal information Pillar holds about him or her. Requests to amend personal information may require some proof of identity and of the amendment before the change can be made.

All enquiries and applications for access to information under the FOI Act (up to 30 June 2010) and the GIPA Act (on or after 1 July 2010) to the Trustees of the PCSF have been and are handled on behalf of the Trustees by Pillar. There were **no** applications for access under the GIPA Act relating to the PCSF in 2011/2012.

The GIPA Act provides that applications for access to information must be decided within 20 working days. This time period may be extended by 10 – 15 working days if there is a need to consult a third party or records are required to be retrieved from a records archive. If this is the case, the applicant will be informed in writing.

Applications for access to information under the GIPA Act can be made to:

- PCSF Administration Manager



Pillar Administration

PO Box 1229, Wollongong NSW, 2500

Telephone (02) 4298 6980.

An application fee of \$30 will apply for applications for access to information. Amendment of records is done free of charge.

When processing an application, every effort will be made to minimise the cost to the applicant. Where appropriate, the applicant will be contacted to discuss options for limiting the cost of processing.

**Charges for formal applications for information**

<b>Nature of Application</b>	<b>Application Fee*</b>	<b>Processing Charge*</b>
Request for access to personal information	\$30	First 20 hours free, then \$30 per hour
Request for access to non-personal information	\$30	\$30 per hour
Application for review of decision	\$40	Nil

*\*50% reduction for students, pensioners, non-profit organisations, on the grounds of financial hardship and if the information will be of special interest to the general public.*

The \$30 application fee paid by an applicant, counts towards any processing charge payable by the applicant.

**Complaints procedures**

Pillar staff are available to deal with inquiries, complaints or disputes concerning the PCSF. An inquiry or complaint concerning the PCSF can be made by contacting the:

PCSF Administration Manager

Pillar Administration

PO Box 1229, Wollongong NSW 2500

Telephone (02) 4298 6980.

If a complainant is not satisfied with Pillar's response to a complaint or dispute, the matter will be referred to the Trustees of the PCSF for determination.

If a complainant is not satisfied with a determination of the Trustees, it will be a matter for the complainant to seek legal advice about whether they have any right to judicial review of the determination or other legal remedy in their particular circumstances.

There were no complaints made to Pillar concerning the PCSF in 2011/2012.

### **Changes to legislation**

There were no changes to the Fund's governing legislation (including Regulations) during the 2011/12 year.

### **Privacy and the use of member information**

As a NSW public sector body, the Trustees of the PCSF complies with relevant legislation, including the *Privacy and Personal Information Protection Act 1998* (the NSW Privacy Act).

A Privacy Policy for the PCSF has been developed with the assistance of Pillar Administration to ensure compliance with the NSW Privacy Act, particularly in respect to how member's personal information is collected, stored, maintained and disclosed to authorised third parties. The policy is available upon request by contacting the PCSF Administration Manager on (02) 4298 6980.

### **Equal Employment Disclosure Requirements**

The Trustees of the PCSF have no employees and therefore no requirement to report on employment characteristics in respect of Equal Employment Opportunity achievements and key strategies.

### **Workplace Health and Safety Disclosure Requirements**

The Trustees of the PCSF have no employees and therefore, no requirement to report on performance in respect of work place health and safety.

### **Multicultural Policies and Services Program**

The Trustees of the PCSF have no employees so there is limited scope for a Multicultural Policies and Services Program (although Pillar, the Fund's administrator has such a program).

The Trustees of the PCSF have an ongoing commitment to the principles of multiculturalism, ensuring that the delivery of services is responsive to the needs of the Members and former Members who are covered by the PCSF.

### **Waste Reduction and Purchasing Policy**

The Trustees of the PCSF expect that external agencies providing services to the Fund will have demonstrated their commitment to the Government's Waste Reduction and Purchasing Policy (WRAPP) by adopting a plan that reduces waste generation, employs resource recovery and uses recycled materials.

## Public Interest Disclosures

Section 31 of the *Public Interest Disclosures Act 1994 (NSW)* provides that each public authority, which would appear to include the Trustees of the PCSF as a statutory body corporate, must prepare an annual report on the authority's obligations under the Act for submission to the Minister responsible for the authority, with a copy to the Ombudsman. The report can be included in the Annual Report for the authority. The information to be reported is set out in the *Public Interest Disclosures Regulation 2011 (NSW)*.

The information for the 2011/12 year (which for this purpose only included the period from 1 January 2012 to 30 June 2012) is as follows:

Note – PIDs means public interest disclosures.

*Number of public officials who made PIDs to the Trustees of the PCSF* 0

*Number of PIDs received in total* 0

*Of PIDs received, number primarily about:*

- *Corrupt conduct* 0
- *Maladministration* 0
- *Serious and substantial waste* 0
- *Government information contravention* 0
- *Local government pecuniary interest contravention* 0

*Number of PIDs finalised* 0

The Trustees of the PCSF do not have a separate Public Interest Disclosures Policy to that of Pillar Administration. Pillar's Public Interest Disclosures Policy, which covers the administration and secretarial roles in relation to the PCSF, demonstrates Pillar's commitment to support and protect members of staff who report wrongdoing, including wrongdoing by Pillar management or staff.

## Meetings of the Trustees of the PCSF

Trustee	Meetings Attended	Possible attendance	Notes
Hon George Souris, MP	6	6	<i>Chairperson from 17 June 2011</i>
Hon Don Harwin, MLC	6	6	<i>Trustee from 7 May 2003</i>
Hon Richard Amery, MP	6	6	<i>Trustee from 17 June 2011</i>
Mr Gregory Aplin, MP	6	6	<i>Trustee from 17 June 2011</i>
Mr Daryl Maguire, MP	6	6	<i>Trustee from 17 June 2011</i>
Ms Anna Watson, MP	4	6	<i>Trustee from 17 June 2011</i>
Hon Greg Donnelly, MLC	5	6	<i>Trustee from 23 June 2011</i>
Mr Colin Broad*	6	6	<i>Trustee (in absence of Secretary of Treasury) for whole 2011/12 year</i>

\*A Treasury officer appointed to act as trustee in the absence of the Secretary of Treasury.

## Summary of Operations

Member Categories	30 June 2012	30 June 2011
Number of contributing Member accounts at year end:	45	47
Number of pensioner (former Member or spouse/de facto partner or child pension) accounts at year end:	272	278
Number of suspended pension (s 25(2) or s 19AA) accounts:	7	5
Number of pensioners with nominated future commencement date	0	1
Number of deferred benefit (deferred pension and deferred lump sum) accounts at year end:	10	11
Number of non-contributing Members at year end:	1	1
New pensioners (former Members, spouses and children) during the year:	4	37
Pensions reinstated during the year (formerly suspended under section 25(2))	0	1
Pensions suspended during the year (suspended under section 25(2))	2	0
Number of pension commutations including lump sum payments during the year:	0	5
Deaths in service during the year:	0	0
Deaths of pensioners during the year:	13	14

### Notes

1. There are 6 former Members who, because they are members of the Commonwealth Parliament, have had the payment of their pension from the PCSF suspended pursuant to the provisions of section 25(2) of the PCS Act.
2. There is 1 former Member whose entitlement to a pension from the PCSF is suspended under the provisions of section 19AA of the PCS Act (because he has been convicted of a serious offence although the conviction may be subject to further appeal).
3. There are 8 former Members who (as at 30 June 2012) could not receive payment of a pension from the PCSF until they attain the age of 55 under the provisions of section 19B of the PCS Act and hence have a deferred pension.
4. There are 2 former Members whose preserved lump sum benefits (payable because they both left Parliament with less than 7 years service) are deferred in the PCSF.
5. There is 1 non-contributing Member who elected to cease salary deductions for contributions to the PCSF under the provisions of section 18B of the PCS Act.

## Service Standards

The Trustees of the PCSF expect:

- Pillar to administer the PCSF effectively, and provide a high quality service to Members and pensioners;
- the investment managers to invest the assets of the Fund in accordance with their mandates and to ensure that regular reports on investment returns are submitted;
- to have timely policy advice provided on the monitoring of investment managers' performance and associated asset allocation strategies;
- the Fund Secretary to represent any proposed legislative initiatives on behalf of the Trustees to the Minister responsible for the PCS Act; and
- all service providers to comply with the Auditor-General's requirements (if applicable) and the various Commonwealth taxation and prudential standards.

The following performance standards have been included in the administration services agreement between the Trustees and Pillar:

### Schedule 1 – Basic Administration Services

Standard	Within ...
Process changes to Member details (e.g. address, salary, TFN, medical qualification).	5 business days of notification.
Receive contributions from the Clerk of the Parliament monthly and allocate to notional accounts.	5 business days of notification.
Reconcile contributions received.	5 business days of notification.
Process benefit applications by ensuring:	5 business days of notification & availability of all documentation.
<ul style="list-style-type: none"> <li>• Member or beneficiary is entitled to the benefit &amp; has provided all necessary documentation;</li> <li>• all contributions are up to date;</li> <li>• benefit is calculated including commutation election, tax, SIS components;</li> <li>• all necessary forms are completed;</li> <li>• all surcharge requirements are met including reducing benefit if necessary;</li> <li>• pensioner record is created including processing Member elections &amp; rollover if applicable is processed.</li> </ul>	

Provide telephone enquiry service to Members and pensioners including information about their Fund benefits and rules. 2 business days

Provide written enquiry service to Members and pensioners including their Fund benefits and rules. 5 business days

**Schedule 2 – Additional Services**

Standard	Within ...
Pillar shall provide the services of a secretary to the PCSF including the functions of:	
<ul style="list-style-type: none"> <li>circulating the agenda and papers before a meeting of the Trustees.</li> </ul>	5 business days
<ul style="list-style-type: none"> <li>circulating minutes to the Chairperson after the meeting.</li> </ul>	5 business days

Pillar will meet all statutory requirements and deadlines in respect of audits, Australian Prudential Regulatory Authority (APRA) and Australian Taxation Office returns.

Pillar has electronic systems in place to deliver services to Members and the Trustees of the PCSF effectively and efficiently for processing and reporting purposes and to meet the statutory requirements about supplying data and complying with legislation. The systems are stable, robust and secure and are regularly enhanced to meet the increasing demands for information and service.

## Other Financial Information

### Payment of accounts

*Accounts paid on time by the Fund within each quarter*

Quarter	Total Accounts Paid on time			Total amount paid \$
	Target %	Actual %	\$	
September 2011	100%	100%	359,659.00	359,659.00
December 2011	100%	100%	234,106.00	234,106.00
March 2012	100%	100%	178,111.00	178,111.00
June 2012	100%	100%	178,749.00	178,749.00
Total			950,625.00	950,625.00

### Payment to consultants

*Fees more than \$50,000*

Fees of \$128,124 (net of GST) were paid to Russell Investment Group during the 2011/12 year as part of their asset consultancy agreement with the Trustees to provide:

- strategic investment advice;
- the monitoring of the investment managers who invest the assets of the PCSF; and
- quarterly reports on the investment performance of the PCSF.

*Fees less than \$50,000*

One consultant was engaged at a total cost of \$21,800.00 (net of GST) in the area of tax services during 2011/12.

### Annual Report production details

The total external cost of producing 80 copies of the 2011/2012 Annual Report was approximately \$860. A copy of this publication can be obtained by contacting Pillar Administration on (02) 4298 6980.

This report will also be available on the internet at the NSW Parliament website at [www.parliament.nsw.gov.au](http://www.parliament.nsw.gov.au).



## Investment Arrangements

### Powers

The PCS Act requires the Trustees of the PCSF to give effect to an investment strategy for the PCSF and a strategy for the prudential management of any reserves of the PCSF. The investment strategy must have regard to the circumstances of the PCSF, including but not limited to the following:

- (a) the risk involved in making, holding and realising and the likely return from, the investments having regard to the PCSF's objectives and cash flow;
- (b) the composition of the investments as a whole, including the extent to which the investments are diverse or involve exposure to risks from inadequate diversification;
- (c) the liquidity of the investments having regard to the PCSF's cash flow requirements;
- (d) the ability of the PCSF to discharge its existing and prospective liabilities;
- (e) any other matter which a Trustee is required to consider in determining an investment strategy under the *Superannuation Industry (Supervision) Act 1993 (Cth)* (the SIS Act).

The reserves strategy must be consistent with the investment strategy and the ability to discharge the existing and prospective liabilities of the PCSF (whether actual or contingent) as and when they fall due. In determining a reserves strategy the Trustees must also have regard to any other matter considered relevant under the SIS Act.

### Investment strategy and objectives

The Trustees of the PCSF have determined that the Fund's investment strategy for all money standing to the credit of the PCSF and available for investment through one or more investment managers that have been approved, should earn a return that will minimise the long-term cost of the PCSF to the taxpayer. This is to be achieved by earning an investment return that will:

- be reasonably expected to exceed inflation by 4.0% over ten year periods;
- provide sufficient liquidity to enable the PCSF to meet the moderate to high volumes of benefit payments to be absorbed after each election without either incurring significant transactions costs that cancel out the benefit of having invested or forcing the funds into unbalanced investment configuration;
- be reasonably expected to limit the volatility of the PCSF's solvency in the short to medium term.

**Asset allocation**

The Trustees of the PCSF accept the need to invest in long-term assets such as shares and property to secure real returns in the medium to long term. They also accept that investing in shares and property produce some fluctuations in the price of assets over the short term and therefore, accept the possibility of negative annual returns from time to time. Historically, however, the benchmark allocation selected has had a low incidence of negative returns.

Under current investment guidelines, the use of derivative instruments by investment managers (futures, options and forward purchase of currency) may be used in the management of the portfolio but must not be used to gear the PCSF or create net short positions.

The asset allocations for the year ended 30 June 2012 compared to those for the year ended 30 June 2011 are shown in Table 1:

**Table 1 - Asset Allocation**

Asset Class	30 June 2012		30 June 2011	
	\$000	%	\$000	%
Cash & Short Term	2,214	1.10	618	0.30
Australian Equities	78,716	39.22	62,910	30.11
Australian Fixed Interest	38,901	19.38	27,996	13.40
International Fixed Interest	4	0.01	25,750	12.33
International Equities	49,583	24.70	65,318	31.26
Property	31,298	15.59	26,329	12.60
	<u>200,716</u>	<u>100.00</u>	<u>208,921</u>	<u>100.00</u>

During the 2011/12 year, the Trustees of the PCSF decided, after advice from their asset consultants Russell Investment Group, to change two of the Fund’s investment managers. The Trustees redeemed their investments in the LaSalle Global Property Trust and the PIMCO Global Bond Fund as part of a review of the strategic asset allocation of the Fund and added two new managers, investing in the Dexu Wholesale Property Fund and the Ardea Wholesale Australian Inflation Linked Bond Fund.

**Table 2 – Asset Distribution**

The Fund's investment assets as at 30 June 2012 were distributed as follows:

<b>Cash and Short Term Securities</b>	<b>Net Market Value</b>	<b>% of Class</b>
	\$	%
Westpac 11am Call Account	1,594,923	72.03
Westpac Cash Management Account	617,988	27.91
Lazard Australian Equity Fund	1,273	0.06
	2,214,184	100.00
<b>Australian Fixed Interest</b>	<b>Net Market Value</b>	<b>% of Class</b>
		%
Aberdeen Income-Focused Bond Fund	24,842,647	63.86
Ardea Wholesale Australian Inflation Linked Bond Fund	14,058,555	36.14
	38,901,202	100.00
<b>Australian Equities</b>	<b>Net Market Value</b>	<b>% of Class</b>
		%
Orion Australian Share Fund	23,217,866	29.50
Maple Brown Abbott Australian Equity Trust	19,767,895	25.11
BT Core Australian Share PST	35,730,190	45.39
	78,715,951	100.00
<b>International Fixed Interest</b>	<b>Net Market Value</b>	<b>% of Class</b>
		%
PIMCO Global Bond Fund	3,690	100.00
	3,690	100.00
<b>International Equities</b>	<b>Net Market Value</b>	<b>% of Class</b>
		%
SSGA International Equities Index Trust ( Hedged)	24,895,706	50.21
Wellington Global Research Equity Portfolio	24,686,711	49.79
	49,582,417	100.00
<b>Property</b>	<b>Net Market Value</b>	<b>% of Class</b>
		%
Colonial First State Diversified Property Pool (Direct)	11,270,100	36.01
LaSalle Global Property Trust	1	0.00
Dexus Wholesale Property Fund	20,027,967	63.99
	31,298,068	100.00

## Investment Returns

The investment return (gross of tax and expenses) for the PCSF for the year ended 30 June 2012 was 0.87%. The annualised return over the last 5 years to 30 June 2012 was 0.40% p.a. The gross investment returns for the PCSF for the year ending 30 June for each of the 4 years prior to the 2011/12 year were as follows:

2011:	12.84%
2010:	14.5%
2009:	- 14.0%
2008:	- 8.9%

An after tax and expenses crediting interest rate is required to be applied to deferred lump sum accounts. The Trustees of the PCSF have determined that a Credited Interest Rate (CIR) should be applied to these accounts based on a one year earning rate calculated at the end of each financial year. The CIR for the year ended 30 June 2012 was calculated to be 0.21% (for the year ended 30 June 2011 it was 10.52%).

## Performance

The investment return for the year ended 30 June 2012 underperformed the PCSF benchmark by 0.7%. Over the three years to 30 June 2012, the PCSF outperformed its benchmark by 0.4%. The PCSF benchmark uses the following indices for the various asset classes:

Cash & Short Term Securities	UBS Australian Bank Bill Index.
Australian Equities	S&P/ASX 300 Accumulation Index.
Australian Fixed Interest	UBS Warburg Composite Bond Index.
International Fixed Interest	USBA Government Inflation Index.
International Equities	50% MSCI World Index (ex Aust) in \$A with net dividends reinvested and 50% MSCI World Index (ex Aust) Hedged in \$A with net dividends reinvested.
Direct Property	Mercer Direct Property Index.

Under the *Annual Reports (Statutory Bodies) Regulation 2010 (NSW)*, the Trustees of the PCSF are required to include in their Annual Report a comparison of the PCSF's investment performance against the performance of the appropriate Treasury Corporation investment facility. Although not a statutory requirement, it is also useful to compare the PCSF's rate of

return against Average Weekly Ordinary Time Earnings (AWOTE) and the Consumer Price Index (CPI).

### **Comparison with Treasury Corporation**

The choice of a comparative Treasury investment facility is made on the basis of the nature and term of the underlying liability to which the surplus funds relate.

The Trustees regard their liability as long term and have notified the Treasurer that the appropriate Treasury Corporation facility to compare investment performance would be the Hour-Glass Long Term Growth Facility.

The rate of return of the Treasury Corporation's Hour-Glass Long Term Growth Facility for the year ended 30 June 2012 was -0.73% and the annualised rate for the 5 years ended 30 June 2012 was - 0.72% p.a. The gross return of the PCSF was 1.6 percentage points above the Treasury Corporation facility return for the 2011/12 year and 1.12 percentage points above the annualised return for the 5 year period.

### **Comparison with the Consumer Price Index**

The increase in the CPI (All Groups – Sydney) for the year ended 30 June 2012 was 1.3% (last year 3.8%).

**Financial Report for the  
Parliamentary Contributory Superannuation Fund  
(PCSF)  
for the Year ended  
30 June 2012**

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## INDEPENDENT AUDITOR'S REPORT

### Parliamentary Contributory Superannuation Fund

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Parliamentary Contributory Superannuation Fund (the Fund), which comprise the statement of net assets as at 30 June 2012, the statement of changes in net assets for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 June 2012, and of its financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

### The Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Fund
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Peter Achterstraat  
Auditor-General

12 September 2012  
SYDNEY



**Statement by the trustees of the PCSF  
for the year ended 30 June 2012**

Pursuant to Section 41C(1B) and (1C) of the *Public Finance and Audit Act, 1983* and in accordance with the resolution of the Trustees of the Parliamentary Contributory Superannuation Fund, we declare on behalf of the Trustees that in our opinion:


1. The accompanying financial statements of the Parliamentary Contributory Superannuation Fund are properly drawn up so as to present and fairly the net assets of the Fund as at 30 June 2012 and the changes in net assets for the year ended 30 June 2012; and
2. The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010*, the Treasurer's Directions and applicable Australian Accounting Standards.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 11th day of September 2012



Hon. George Souris, MP  
**Chairperson**  
**Trustees of PCSF**



Hon. Donald T Harwin, MLC  
**Vice-Chairperson**  
**Trustees of PCSF**

## Statement of Changes in Net Assets for the Year Ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Net Assets Available to Pay Benefits at Beginning of Financial Year</b>		<b>212,372</b>	207,593
<b>Investment Revenue</b>			
Interest		109	101
Trust Distributions		9,492	16,188
Change in Net Market Values of Investments	3	<u>(10,531)</u>	<u>9,178</u>
Investment Revenue		(930)	25,467
Investment Expenses		<u>(160)</u>	<u>(453)</u>
Net Investment Revenue		(1,090)	25,014
<b>Contribution Revenue</b>			
	12		
Employer Contributions		13,200	-
Member Contributions		<u>1,165</u>	<u>1,745</u>
Contribution Revenue		14,365	1,745
<b>Other Revenue</b>			
Other Revenue		<u>260</u>	<u>268</u>
Other Revenue		260	268
<b>Total Revenue</b>		<u>13,535</u>	<u>27,027</u>
Benefits Paid	5	(23,619)	(24,046)
Fund Administration Expenses	6	(586)	(600)
Superannuation Contributions Surcharge Expense	7	<u>202</u>	<u>1,815</u>
		(24,003)	(22,831)
<b>Change in Net Assets before Income Tax</b>		<b>(10,468)</b>	4,196
Income Tax Benefit	8	<u>(1,555)</u>	<u>583</u>
<b>Change in Net Assets Available to Pay Benefits After Income Tax</b>		<u>(12,023)</u>	<u>4,779</u>
<b>Net Assets Available to Pay Benefits at End of Financial Year</b>		<u>200,349</u>	<u>212,372</u>

The above *Statement of Changes in Net Assets* should be read in conjunction with the accompanying Notes.

**Statement of Net Assets as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Investments</b>			
Australian Fixed Interest		38,901	27,996
International Fixed Interest		4	25,750
Australian Equities		78,717	62,910
International Equities		49,583	65,319
Property Trusts		31,298	26,329
Total Investments		<u>198,503</u>	<u>208,304</u>
<b>Other Assets</b>			
Cash and cash equivalents		2,213	618
Receivables	9	4,200	5,733
Current Tax Asset	8	-	552
Total Other Assets		<u>6,413</u>	<u>6,903</u>
<b>Total Assets</b>		<u><b>204,916</b></u>	<u>215,207</u>
Less:			
<b>Liabilities</b>			
Payables	10	183	345
Provision for Tax	8	2,096	-
Provision for Surcharge		2,288	2,490
<b>Total Liabilities</b>		<u><b>4,567</b></u>	<u>2,835</u>
<b>Net Assets Available to Pay Benefits</b>		<u><b>200,349</b></u>	<u>212,372</u>

The above *Statement of Net Assets* should be read in conjunction with the accompanying Notes.

## Notes to the Financial Statements for the Year Ended 30 June 2012

### 1. Operation of the Fund

The Parliamentary Contributory Superannuation Fund (“the Fund”) is a defined benefit plan which was established under and is governed by the *Parliamentary Contributory Superannuation Act 1971 No. 53 (the Act)*.

Administration services for the Fund are carried out by the Superannuation Administration Corporation trading as Pillar Administration (“Pillar”). Pillar charges a fee for this service.

The Fund’s custodial activities are performed by National Australia Bank Limited (National Custodian Services).

The Parliamentary Contributory Superannuation Fund operates in the superannuation and investment industry in New South Wales. The Fund is domiciled in NSW Australia. Its registered address is Level 18, 83 Clarence Street Sydney, NSW, 2000.

The Fund operates in Australia and the primary assets it invests in on behalf of its members are managed and administered in Australia. The members of the Fund are current or former members of the New South Wales Parliament.

The Fund’s investment activities are performed by the following fund managers in accordance with written investment mandates and the Fund’s investment strategy:

#### **Australian Equity**

Orion Asset Management Limited  
BT Investment Management  
Maple-Brown Abbott Limited

#### **International Equity**

Wellington Management Portfolios (Australia) (via Macquarie Investment Management Limited)  
State Street Global Advisors Australia Limited

#### **Property**

Colonial First State Property Limited  
Dexus Wholesale Property Fund

#### **Australian Fixed Interest**

Ardea Wholesale Australian Inflation Linked Bond Fund  
Aberdeen Asset Management Limited

Note: In May 2012 the trustees of the PCSF replaced La Salle Investment Management and PIMCO Australia Pty Limited as investment managers of the PCSF with Dexus Wholesale Property Fund and Ardea Wholesale Australian Inflation Linked Bond Fund.

Unless otherwise stated, the accounting policies are consistent with those of the previous year.

The financial statements are prepared using the accrual method of accounting.

## 2. Statement of Accounting Policies

### (a) Statement of Compliance

The financial statements form a general purpose financial report and are prepared in accordance with the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's directions. They also comply with applicable Australian Accounting Standards (including Australian Accounting Interpretations).

The financial statements are prepared in accordance with Australian Accounting Standard AAS25 *Financial Reporting by Superannuation Plans* and relevant legislative requirements.

The financial statements comply with Australian Accounting Standards to the extent that such standards are not overridden by AAS 25. The trustees have determined that the Fund is a not-for-profit entity.

The financial statements were authorised for issue by the trustees on 11 September 2012.

### (b) Use of judgments and estimates

In the application of Accounting Standards, the trustees are required to make judgments, estimates and assumptions about net market values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

It was concluded that judgements made by the trustees in the application of Australian Accounting Standards did not have a significant effect on the financial report. No estimates with a significant risk of material adjustment in the next year were noted.

### (c) Assets and Liabilities

All assets and liabilities of the Fund are valued on balance date at net market values, where net market values are not applicable, the assets and liabilities are shown at net fair values.

Investments are valued at balance date at net market values, which comprise market values less estimated costs of disposal. Changes in market values, representing gains or losses, are recognised in the Statement of Changes in Net Assets in the year in which they occur.

The valuation of each class of investment as at 30 June 2012 is determined as follows:

Short Term Securities:	Market rates.
Unit Trusts:	Redemption values supplied by Trust's Investment Managers less presently entitled income.

Under their respective agreements, the fund managers are empowered to use derivative instruments to reduce risks such as foreign exchange, interest rate, and equity market movement instruments during the course of their investment activities. The net balance of these activities is not material at balance date.

Other assets and liabilities are recognised when the Fund becomes party to the instrument's contractual provisions. Receivables are carried at nominal amounts due which approximate net market values. Payables are recognised for amounts to be paid in future for goods and services received, whether or not billed to the Fund and are carried at nominal amounts which approximate net market values.

## 2. Statement of Accounting Policies (continued)

### (d) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

### (e) Income Tax

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1936*. Accordingly, the concessional tax rate of 15% has been applied. There has been no change in the tax rate when compared to the previous financial years.

Income tax on the Change in Net Assets for the year comprises current and deferred tax. Income tax is reflected in the *Statement of Changes in Net Assets*.

Current Tax is the expected tax payable on the taxable income for the year using the concessional tax rate of 15% and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax provided uses the tax rate applicable at balance date.

A deferred tax asset is only recognised to the extent it is probable that taxable surpluses will be available against which the deductible temporary difference can be utilised.

The capital gains tax applicable on the unrealised gains or losses has been included in the income tax expense.

### (f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expenses. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Net Assets.

**2. Statement of Accounting Policies (continued)**

**(g) Liability for Accrued Benefits**

A triennial actuarial valuation of accrued benefits of the membership of the Fund as at 30 June 2011 was undertaken by the Fund’s Actuary, Cumpston Sarjeant Pty Limited.

The accrued benefits have been calculated as the present value of expected future benefit payments which arise from membership of the Fund up to the date of the actuarial review. The amount reported has been determined by reference to expected future parliamentary salaries and by application of a market-based, risk adjusted discount rate and other relevant actuarial assumptions.

Present values have been calculated for both accrued and vested benefit calculations using the following economic assumptions.

In addition to the triennial actuarial review referred to above, the actuary also provides yearly estimates at the reporting date:

	<b>Date of Actuarial Review</b>	
	<b>30 June 2012</b>	30 June 2011
	<b>%</b>	%
Valuation Interest Rate	<b>8.3</b>	7.5
Salary Growth Rate	<b>4.0</b>	4.0
Pension Increase Rate	<b>4.0</b>	4.0

For the 2011/2012 year the basic salary rate varied by 2.5% (2010/2011: 2.5%).

**(h) Vested Benefits**

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation) and include benefits which members were entitled to receive had they terminated their membership as at the measurement date.

The Fund’s Actuary has advised that the estimated amount of vested benefits has been determined as at the measurement date, based on:

- (i) The total value of the benefits to which members would be entitled upon immediate withdrawal; and
- (ii) The value of all pensions in payment and the value of the reversionary pensions expected to be payable to the surviving spouses after the deaths of the former pensioners.

**(i) Guaranteed Benefits**

No guarantees have been made in respect of any part of accrued benefits during the growth phase of a member’s superannuation interest.

## **2. Statement of Accounting Policies (continued)**

### **(j) Comparative Figures**

Where there have been changes in the presentation in the current financial year, the comparative figures for the prior year have been adjusted to conform with these changes, unless specifically stated otherwise.

### **(k) Roundings**

All values reported in the financial statements have been rounded to the nearest thousand dollars.

### **(l) Exemption to Present Budget**

The trustees have received a permanent exemption from the Treasurer to dispense with the presentation of detailed and outline budgets in terms of section 7(2) of the *Annual Reports (Statutory Bodies) Act 1984*.

### **(m) Revenue Recognition**

Contributions and transfers in are recognised when control of the asset has been obtained and are recorded in the period to which they relate.

Dividends on shares are deemed to accrue on the date the dividend is declared.

Interest is accounted for on an accrual basis.

Unlisted unit trust distributions to which the Fund has a present entitlement are accounted for on an accruals basis and are included as accrued income.

Fund Manager fee rebates are recognised when control of the asset has been obtained and are recorded in the period to which they relate.

### **(n) Standards Issued applicable but not yet effective**

*AASB 9 Financial Instruments* as issued in December 2009 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.



**3. Changes in Net Market Values of Investments**

	<b>2012</b>		
	<b>Changes in Net Market Values</b>		
<b>Held at Reporting Date</b>	<b>Realised</b>		<b>Total</b>
<b>\$'000</b>	<b>During the Year</b>		<b>\$'000</b>
	<b>\$'000</b>		
Australian Fixed Interest	(441)	224	(217)
International Fixed Interest	1,129	1	1,130
Australian Equities	(8,711)	-	(8,711)
International Equities	(1,145)	(907)	(2,052)
Property Trust	113	(794)	(681)
<b>Total Changes in Net Market Values of Investments</b>	<b>(9,055)</b>	<b>(1,476)</b>	<b>(10,531)</b>

	<b>2011</b>		
	<b>Changes in Net Market Values</b>		
<b>Held at Reporting Date</b>	<b>Realised</b>		<b>Total</b>
<b>\$'000</b>	<b>During the Year</b>		<b>\$'000</b>
	<b>\$'000</b>		
Australian Fixed Interest	80	(93)	(13)
International Fixed Interest	351	75	426
Australian Equities	2,371	2,013	4,384
International Equities	849	35	884
Property Trust	3,497	-	3,497
<b>Total Change in Net Market Value of Investments</b>	<b>7,148</b>	<b>2,030</b>	<b>9,178</b>

**4. Auditors' remuneration**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit Services		
The Audit Office of NSW (audit of the financial statement)	<b>28</b>	30
Review of the Triennial Actuarial Review	-	10
	<b>28</b>	40

<b>5. Benefits Paid</b>	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Pensions paid (excluding members of the former Act)	<b>22,424</b>	20,166
Pension commutations including lump sum payments	<b>1,098</b>	3,764
	<b>23,522</b>	23,930
Pensions paid - members of the former Act	<b>97</b>	116
	<b>23,619</b>	24,046

The *Legislative Assembly Members' Superannuation Act 1946* ("the former Act") was the predecessor of the current Act (*Parliamentary Contributory Superannuation Act 1971*).

## 6. Administration Expenses

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Included in Administration Expenses are the following items:		
Fund Administration Expenses	<b>319</b>	308
Legal Fees	<b>39</b>	24
Actuarial Fees	<b>47</b>	77
Consultants Fees	<b>128</b>	130
Fees to Service Providers	<b>25</b>	21
Audit Fees	<b>28</b>	40
	<b>586</b>	600

## 7. Superannuation Contributions Surcharge

The trustees recognise 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 the trustees 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 trustees are unable to determine this amount until receipt of applicable assessments in the following period.

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

## 8. Income Tax

Income Tax expenses and assets and liabilities arising from the levying of income tax (including capital gains tax) on the Fund have been determined in accordance with the provisions of Australian Accounting Standard AASB 112 — *Income Taxes*.

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>a) Income Tax Benefit</b>		
<b>recognised in the <i>Statement of Changes in Net Assets</i></b>		
<b>Current Tax Benefit</b>		
Provision Attributable to Current Year	<b>2,096</b>	(552)
Over/(Under) Provision in the Previous Year	<b>(541)</b>	(31)
	<b>1,555</b>	(583)
<b>b) Reconciliation between income tax expenses and Pre-Tax changes in net assets</b>		
Pre-Tax changes in net assets	<b>10,468</b>	4,196
Income tax expenses at 15% (2011: 15%)	<b>(1,570)</b>	629
Increase in Tax Expenses / Decrease in Tax Benefit Due to:		
Non-deductible benefit payments	<b>3,543</b>	3,607
Non-deductible surcharge expense	<b>(30)</b>	(272)
Non-deductible expense	<b>76</b>	90
Capital gains and Losses adjustment	<b>1,579</b>	(1,376)
Decrease in Tax Expense due to:		
Non-assessable pension related investment income	<b>(1,406)</b>	(2,466)
Non-assessable contribution	<b>(59)</b>	(102)
Notional death and disability premiums	<b>(37)</b>	(57)
Imputation and foreign tax credits	<b>-</b>	(605)
	<b>2,096</b>	(552)
Prior Year Adjustment -		
Over/(Under) Provision in the Previous Year	<b>(541)</b>	(31)
Income tax benefit on pre-tax changes in net assets	<b>1,555</b>	(583)

The tax rate used is the superannuation tax rate of 15% payable by Australian superannuation funds on taxable profits under Australian tax law. There has been no change in this rate compared with the previous year.

**9. Receivables**

	<b>2012</b> <b>\$'000</b>	2011 \$'000
	<u>          </u>	<u>          </u>
Contribution Receivable	96	105
Investment Income Receivable	4,098	5,622
GST Receivable	<u>6</u>	<u>6</u>
	<u><b>4,200</b></u>	<u><b>5,733</b></u>

**10. Payables**

Investment Expenses Payable	35	23
Sundry Creditors	<u>148</u>	<u>322</u>
	<u><b>183</b></u>	<u><b>345</b></u>

**11. Vested and Accrued Liabilities**

The latest yearly actuarial estimates have indicated that the accrued benefits and vested benefits of the Fund were as follows:

	<b>30 June 2012</b>		30 June 2011	
	<b>Accrued</b> <b>\$'000</b>	<b>Vested</b> <b>\$'000</b>	Accrued \$'000	Vested \$'000
Benefit amount	364,220	367,000	399,030	411,800
Net assets available to pay benefits	200,349	200,349	212,372	212,372
Surcharge provision	2,288	2,288	2,490	2,490
Unfunded liability	161,583	164,363	184,168	196,938

## **12. Funding Arrangements**

### **(a) Employer Contributions**

The Fund has a deficiency of net assets to vested benefits of \$164.36 million.

A 'contribution holiday' was in place from July 2006. In April 2008 the NSW Treasury decided to continue the suspension of Crown Contributions for the period 1 July 2008 to 30 June 2011.

The NSW Treasury has established a medium term funding level target of 80 per cent for the Fund in order to minimise the possibility of the Fund becoming overfunded due to volatile scheme investment returns.

Following the triennial actuarial review as at 30 June 2008 the Fund's actuary recommended an employer contribution of between \$10 million and \$15 million per year and for this to be indexed at 4% per annum thereafter. However, because the Fund had no immediate liquidity crisis and because of the very long term frame for liabilities, the actuary advised that it was not necessary to immediately recommence employer contributions. After discussions with the Fund's actuary, Treasury allocated \$13.2 million to be paid as contributions to the Fund in the 2011/12 year. The Crown contributions for the 12/13 year will be \$15 million. Further Crown contributions have been allowed for over the forward estimates period for the NSW budget.

Although the Fund is not fully funded, all future benefits that become payable from the Fund are guaranteed funding once an entitlement is established under the provisions of *Parliamentary Contributory Superannuation Act 1971*.

### **(b) Member Contributions**

While the Fund is closed to new members following the State general election on 24 March 2007, it continues to provide superannuation arrangements for continued members of the Legislative Council and Legislative Assembly of New South Wales who were in Parliament after the election. Contributions are made at the rate of 12.5% of salary as defined in the Act.

From a solvency perspective, the members of the Fund are protected by appropriations from the Consolidated Fund in accordance with section 11(3) of *Parliamentary Contributory Superannuation Act 1971*.

### **13. Related Party Information**

#### **(a) Trustees in Office**

The trustees of the PCSF who held office during the 2011/2012 year are as follows:

Hon. George Souris, MP	Chairperson of the Trustees of the PCSF
Hon. Don Harwin, MLC	Vice-Chairperson of the Trustees of the PCSF
Mr Gregory Aplin, MP	
Hon. Richard Amery, MP	
Ms Anna Watson, MP	
Hon. Greg Donnelly, MLC	
Mr Daryl Maguire, MP	
The Secretary of the Treasury	Mr Colin Broad, a NSW Treasury officer, was appointed to act as trustee in the absence of the Secretary of the Treasury

#### **(b) Remuneration of Trustees**

There were no trustees who received remuneration for services rendered during the year.

### **13. Related Party Information (continued)**

#### **(c) Other Related Party Transactions**

All of the trustees who held office in 2011/12 except Ms Anna Watson and the Secretary of the Treasury (and Mr Colin Broad acting in the absence of the Secretary) are members of the Fund. Their membership terms and conditions are provided for by the *Parliamentary Contributory Superannuation Act 1971 (NSW)*.

### **14. Administration Activity**

Under an arrangement with NSW Treasury, the Fund administers a pension payment and recoups the expense from NSW Treasury. Pension paid in 2012 was \$127,385 (\$119,369 in 2011). This administration activity is not reflected in the Fund's revenues and expenses in the Statement of Changes in Net Assets.

### **15. Contingent Liabilities**

The trustee was not aware of any claim against the Fund by any member which would extend beyond the member's beneficial interest in the Fund.

### **16. Commitments for expenditure**

#### **(a) Administration Expenses**

Annual Fund commitments in relation to fixed administration fee payable to Pillar under the administration agreement but not provided for in the accounts are \$342,503 (\$338,107 in 2011), including goods and services tax.

The terms of the agreement allow for the fixed costs to be adjusted annually in line with an index stated in the agreement. The administration expenses noted above qualify for a reduced input tax credit of 75% of the goods and services tax included therein.

#### **(b) Assets Consultancy Expenses**

Commitments in relation to assets consultancy services fee payable to Russell Investment Group Pty Ltd under a consulting agreement but not provided for in the accounts are \$137,500 (\$137,491 in 2011) including goods and service tax.

**17. Financial Instruments**

For the purpose of these financial statements, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps).

The Fund’s assets at 30 June 2012 are invested in Unlisted Unit Trusts, which are classified as ‘collective investments’.

The investment managers of the collective investment vehicle will have invested in a variety of financial instruments, including derivatives which expose the Fund’s investments to a variety of investment risks, including market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The trustee seeks information from the Fund’s custodian and manager of each proposed collective investment (and may also seek independent advice from other qualified persons) so as to determine the nature and extent of any risks, and the expected returns, associated with each investment prior to determining its suitability as an investment for the Fund. This includes receipt of a formal Risk Management Statement from the Fund’s custodian.

**(a) Accounting Policies**

The Fund’s accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instruments, both recognised and unrecognised, at balance date:

<b>Recognised Financial Instruments</b>	<b>Statement of Net Assets Notes</b>	<b>Accounting Policies</b>	<b>Terms and Conditions</b>
<i>Financial Assets</i>			
Bank Deposits	-	Stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Bank deposits represent uninvested cash and have no fixed maturity dates.
Unit Trusts	-	Units in each trust are initially recorded at prices prevailing on application date. Investments in unit trusts are re-valued to their net market value as at reporting date. Net market value is determined by reference to the prevailing redemption prices at reporting date less any presently entitled income. Changes in net market value are included in the Statement of Changes in Net Assets.	The terms and conditions are set out in the applicable trust constitution.
Receivables	9	Receivables are carried at nominal amounts.	Income receivable is settled on varying terms depending on the security.



**17. Financial Instruments (Continued)**

**(a) Accounting Policies (Continued)**

<b>Recognised Financial Instruments</b>	<b>Statement of Net Assets Notes</b>	<b>Accounting Policies</b>	<b>Terms and Conditions</b>
<i>Financial Liabilities</i>			
Payables	10	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund.	Liabilities are settled on receipt of invoices in accordance with terms thereof.
Tax	8	The liability for taxation is accounted for in accordance with AASB 112.	The income tax liability is calculated using a tax rate of 15%.

**(b) 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 risk and price risk. Market risk is managed and monitored using sensitivity analysis and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

**(c) Currency Risk**

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

The currency risk disclosures do not take into account the foreign exchange exposures as a result of investments in unit trusts. Currency risk in the unit trusts is managed by the respective managers of the Trust.

There were no directly held foreign investments as at 30 June 2011 and 30 June 2012.

**17. Financial Instruments (Continued)**

**(d) 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 Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The interest rate risk disclosure has been prepared on the Fund's direct investment and not on a look through basis for the investments held through unit trusts.

The Fund's exposure to interest rate risk and the effective interest rates on financial instruments at 30 June 2012 is shown as follows. All other financial assets and liabilities are non-interest bearing.

	<b>2012</b>					
	<b>MARKET VALUE</b>					
	<b>FIXED INTEREST RATE</b>					
	<b>MATURING</b>					
	<b>FLOATING</b>	<b>WITHIN</b>	<b>1 TO 5</b>	<b>OVER</b>	<b>NON-</b>	<b>TOTAL</b>
	<b>INTEREST</b>	<b>12</b>	<b>YEARS</b>	<b>5</b>	<b>INTEREST</b>	
	<b>RATE</b>	<b>MONTHS</b>		<b>YEARS</b>	<b>BEARING</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>						
Cash at bank	2,213	-	-	-	-	2,213
Receivables	-	-	-	-	4,200	4,200
Investment Trusts	1,232	-	-	-	197,271	198,503
Total Financial Assets	3,445	-	-	-	201,471	204,916
<b>Liabilities</b>						
Creditors	-	-	-	-	2,279	2,279
Total Financial Liabilities	-	-	-	-	2,279	2,279
<b>Weighted Average</b>						
<b>Effective Interest Rate %</b>						
<b>Short Term Investments</b>	4.29%					
<b>Cash at bank</b>	3.43%					
<b>Provisions (Surcharge)</b>	3.04%					

**17. Financial Instruments (Continued)**

**(d) Interest Rate Risk (Continued)**

	2011					TOTAL \$'000
	MARKET VALUE FIXED INTEREST RATE MATURING					
	FLOATING INTEREST RATE \$'000	WITHIN 12 MONTHS \$'000	1 TO 5 YEARS \$'000	OVER 5 YEARS \$'000	NON- INTEREST BEARING \$'000	
<b>Assets</b>						
Short Term Investments	-	-	-	-	-	-
Cash at bank	618	-	-	-	-	618
Receivables	-	-	-	-	5,733	5,733
Investment Trusts	4	-	-	-	208,300	208,304
<b>Total Financial Assets</b>	<b>622</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>214,033</b>	<b>214,655</b>
<b>Liabilities</b>						
Creditors	-	-	-	-	345	345
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>345</b>	<b>345</b>
<b>Weighted Average Effective Interest Rate %</b>						
Short Term Investments	4.56%					
Cash at bank	3.71%					
Provisions (Surcharge)	5.21%					

The majority of the Fund's financial instruments are non-interest bearing. As a result, the Fund is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The following table illustrates the effect on changes in net assets and net assets available to pay benefits from possible changes in interest rate risk that were reasonably possible based on the risk the fund was exposed to at 30 June 2012.

	Effect on					
	Change in variable		Changes in Net Assets		Net assets available to pay benefits	
	2012 + / -	2011 + / -	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Floating Rate	<b>0.85%</b>	0.85%	<b>23</b>	20	<b>23</b>	20
Floating Rate	<b>(0.85%)</b>	(0.85%)	<b>(23)</b>	(20)	<b>(23)</b>	(20)

**17. Financial Instruments (Continued)**

**(e) Price risk**

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

All the majority of the Fund's financial instruments are carried at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect net investment income.

Price risk is mitigated by the Fund having a formal investment policy which diversified the Fund's investments across various asset classes.

The following table illustrates the effect on changes in net assets and net assets available to pay benefits from possible changes in market risk that were reasonably possible based on the risk the fund was exposed to at 30 June 2012.

	Change in variable		Effect on			
			Changes in Net Assets		Net assets available to pay benefits	
	2012 + / -	2011 + / -	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Unit Trusts Present Entitlement - reinvested	+15%	+15%	25,309	26,559	25,309	26,559
	+15%	+15%	488	691	488	691
			<u>25,797</u>	<u>27,250</u>	<u>25,797</u>	<u>27,250</u>
Unit Trusts Present Entitlement - reinvested	-15%	-15%	(25,309)	(26,559)	(25,309)	(26,559)
	-15%	-15%	(488)	(691)	(488)	(691)
			<u>(25,797)</u>	<u>(27,250)</u>	<u>(25,797)</u>	<u>(27,250)</u>

**(f) Credit Risk**

Credit (or Counterparty) Risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the *Statement of Net Assets*.

In relation to unrecognised financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

The Fund does not have significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics.

## **17. Financial Instruments (Continued)**

### **(g) Liquidity Risk**

Liquidity risk is risk that the Fund will not be able to meet its financial obligations as they fall due.

The relevant statutes require that all benefits be paid in full when they fall due.

In managing liquidity risk, PCSF continuously monitors forecast and actual cash flows, including amounts required to fund its scheme and investment transactions and amounts expected from the Crown. Forecast fund cash flows are based around the triennial actuarial assessment of the Fund, adjusted for actual cash flows. PCSF is able to estimate benefit outflows because most members cannot roll out of the Fund at will, but rather must satisfy a condition of release. The Fund maintains banking facilities adequate to allow the payment of its obligations as they fall due.

With the exception of unlisted property (approximately 15% of the Fund) all other assets are readily convertible to cash.

The Fund's financial liabilities are expected to be settled within 12 months of 30 June. The ability of the Fund to pay benefits that emerge in the future is taken into account by the Crown's funding strategy.

The Fund has the following banking facility as at 30 June 2012:

Tape negotiation authority of \$1.5 million (2010-11: \$1.5 million). This facility authorises the bank to debit the fund's operating account up to this limit.

### **(h) Net Fair Value Disclosures**

The Statement of Net Assets is prepared in accordance with AAS25 *Financial Reporting by Superannuation Plans*. All investment assets are valued at net market value at 30 June 2012. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustee, approximates their net fair value.

**(i) Fair Value Measurement Hierarchy**

The fair values of the financial assets and financial liabilities at 30 June 2012 have been disclosed in the table below.

The measurement of the fair values has been classified into the following levels:

Level one – quoted prices in active markets for identical assets or liabilities

Level two – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly

Level three – inputs that are not based on observable market data

**Year ended 30 June 2012**

	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
<b>Financial Assets:</b>				
Australian Equity	-	78,717	-	78,717
Australian Fixed Interest	1	38,900	-	38,901
International Fixed Interest	-	4	-	4
International Equity	2	49,581	-	49,583
International Fixed Interest	-	-	-	-
Property Trusts	1,143	20,109	10,046	31,298
<b>Total</b>	<b>1,146</b>	<b>187,311</b>	<b>10,046</b>	<b>198,503</b>

There were no transfers of financial assets between Level 1 and Level 2 during the financial year.

**Year ended 30 June 2011**

	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
<b>Financial Assets:</b>				
Australian Equity	-	62,910	-	62,910
Australian Fixed Interest	1	27,995	-	27,996
International Equity	-	65,319	-	65,319
International Fixed Interest	-	25,750	-	25,750
Property Trusts	-	15,622	10,707	26,329
<b>Total</b>	<b>1</b>	<b>197,596</b>	<b>10,707</b>	<b>208,304</b>

There were no transfers of financial assets between Level 1 and Level 2 during the financial year.

**17. Financial Instruments (Continued)**

The following table is the reconciliation of the financial instruments classified as Level 3:

	<b>2012</b>
	<b>\$'000</b>
<b>Opening balance at 1 July</b>	<b>10,707</b>
<b>Transfer in</b>	-
<b>Gains/(Losses)</b>	
<u><b>Assets still held at the end of the year</b></u>	
- changes in net market values	<b>(661)</b>
<u><b>Assets realised during the year</b></u>	
- interest/trust distribution	-
- changes in net market values	-
<b>Closing balance at 30 June</b>	<b>10,046</b>

**18. Events Subsequent to Reporting Date**

There were no significant events subsequent to 30 June 2012 and prior to the date of this report.

– End of Audited Financial Statements of the PCSF –



## INDEPENDENT AUDITOR'S REPORT

### Trustees of the Parliamentary Contributory Superannuation Fund

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Trustees of the Parliamentary Contribution Superannuation Fund (the Trustees), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Trustees as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

### The Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trustees' preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trustees' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees', as well as evaluating the overall presentation of the financial statements.



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

My opinion does *not* provide assurance:

- about the future viability of the Trustees'
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A Oyetunji  
Director, Financial Audit Services

11 September 2012  
SYDNEY

**TRUSTEES OF THE PARLIAMENTARY CONTRIBUTORY SUPERANNUATION FUND**

**Financial Report for the Trustees of the PCSF for the year ended 30 June 2012**

**Statement by the trustees who comprise the Trustees of the PCSF  
for the year ended 30 June 2012**

Pursuant to the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Trustees of the Parliamentary Contributory Superannuation Fund, we declare on behalf of the Trustees of the PCSF that in our opinion:

1. the financial statements present a true and fair view of the financial position of the Trustees of the PCSF as at 30 June 2012 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010*, the Treasurer's Directions and applicable Accounting Standards in Australia.

Further, we are not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 11th day of September 2012.



Hon. George Souris, MP  
*Chairperson*  
*Trustees of PCSF*



Hon. Donald T Harwin, MLC  
*Vice-Chairperson*  
*Trustees of PCSF*

**Statement of Comprehensive Income**  
for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Continuing Operations</b>			
Operating Revenue		-	-
Operating Expenses		-	-
<b>Operating Result</b>		-	-
<b>Other Comprehensive Income</b>			
Superannuation actuarial gains/(losses)		-	-
<b>Total Comprehensive Income</b>		-	-

*The accompanying notes form an integral part of the above Statement of Comprehensive Income*

**Statement of Financial Position**  
as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		-	-
Receivables		-	-
<b>Total Current Assets</b>		-	-
<b>Total Assets</b>			
<b>Current Liabilities</b>			
Payables		-	-
<b>Total Current Liabilities</b>		-	-
<b>Total Liabilities</b>		-	-
<b>Net Assets</b>		-	-
<b>Total Equity</b>		-	-

*The accompanying notes form an integral part of the above Statement of Financial Position*

**Statement of Cash Flows**  
for the year ended 30 June 2012

Note	<b>2012</b> <b>\$'000</b>	2011 \$'000
<b>Cash Flows from Operating Activities</b>	-	-
<b>Cash Flows from Financing Activities</b>	-	-
<b>Cash Flows from Investing Activities</b>	-	-
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	-	-
Cash & Cash Equivalents at the Beginning of the Financial Year	-	-
<b>Cash &amp; Cash Equivalents at the End of the Financial Year</b>	-	-

*The accompanying notes form an integral part of the above Statement of Cash Flows*

**Statement of Changes in Equity**  
for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Balance at 1 July</b>		-	-
Operating Result		-	-
Other Comprehensive Income		-	-
Superannuation actuarial gains/(losses)		-	-
Total Comprehensive income		-	-
<b>Balance at 30 June</b>		-	-

*The accompanying notes form an integral part of the above Statement of Changes in Equity*

## 1. OPERATIONS

Under the terms of the *Parliamentary Contributory Superannuation Act 1971*, the Trustees of the Parliamentary Contributory Superannuation Fund (the Trustee) acts as a trustee and holds in trust all assets of the Parliamentary Contributory Superannuation Fund.

The Trustees of the Parliamentary Contributory Superannuation Fund is, for the purpose of any Acts, a statutory body. It is domiciled in NSW Australia. Its registered address is Level 18, 83 Clarence Street, Sydney, NSW, 2000.

Fund administration services for the Trustee are carried out by the Superannuation Administration Corporation trading as Pillar Administration (Pillar). Pillar charges fees for the services it provides.

Investment custodial activities for the Trustee are performed by National Australia Bank Limited (National Custodian Services).

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of Compliance

The financial statements form are general purpose financial statements and are prepared in accordance with –

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2010*
- the Treasurer's Directions
- applicable Australian Accounting Standards including Australian Accounting Interpretations.

The financial statements have been prepared on an historical cost basis using the accrual method of accounting and do not reflect the changing money values of assets. Interest and fee income is accounted for on an accrual basis.

The accounting policies adopted in preparing the financial statements have been consistently applied during the year, unless otherwise stated.

All amounts are expressed in Australian dollars.

The financial statements were authorised for issue at a meeting of the Trustees of the PCSF on 11 September 2012.

## **2. STATEMENT OF ACCOUNTING POLICIES (Continued)**

### **b) Financial Instruments**

Financial instruments give rise to positions that are financial assets or liabilities. All classes of instruments are initially recorded at cost and with receivables and payables being subsequently carried at amortised cost. As such, inputs for valuing the receivables and payables are not based on observable market data. Such measurement provides a reliable estimate of the instrument. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

### **c) Accounting standards applicable issued but not yet effective**

A number of Australian Accounting Standards are not yet effective and have not been applied. These new standards will not have any direct impact on the Trustee's financial performance or position.

### **d) Comparative Figures**

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been adjusted to conform to these changes.

### **e) Use of Judgements and Estimates**

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty implicit in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the affected asset or liability in the future.

## **3. RECEIVABLES**

There are no receivables for 2012 and 2011.

## **4. PAYABLES**

There are no payables for 2012 and 2011.



## 5. FINANCIAL RISKS

As the Trustees of the Parliamentary Contributory Superannuation Fund have no financial assets or financial liabilities it is not exposed to any financial risks including market risk, credit risk or liquidity risks.

Financial risks applicable to the Fund are disclosed within the Fund's financial statements.

## 6. TRUSTEE RELATED PARTY INFORMATION

### a) Trustees in Office

The trustees of the PCSF who held office during the 2011/2012 year are as follows:

Hon. George Souris, MP	Chairperson of the Trustees for the whole 2011/2012 year
Hon. Don Harwin, MLC	Vice-Chairperson of the Trustees for the whole 2011/12 year
Mr Gregory Aplin, MP	Trustee for the whole 2011/12 year
Hon. Richard Amery, MP	Trustee for the whole 2011/12 year
Ms Anna Watson, MP	Trustee for the whole 2011/12 year
Hon. Greg Donnelly, MLC	Trustee for the whole 2011/12 year
Mr Daryl Maguire, MP	Trustee for the whole 2011/12 year
The Secretary of the Treasury	Mr Colin Broad, a NSW Treasury officer, was appointed to act as trustee in the absence of the Secretary of the Treasury Acted as trustee for the whole 2011/12 year

**7. CONTINGENT LIABILITIES**

There were no contingent liabilities as at 30 June 2012 (2011: Nil)

**8. EVENTS AFTER BALANCE DATE**

There were no events after balance date.

**End of Audited Financial Statements of the Trustees of the PCSF**

## Index of Compliance Requirements

In accordance with the *Annual Reports (Statutory Bodies) Regulation 2010 (NSW)*, this index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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## Contact details



Pillar Administration

Level 18, 83 Clarence Street, Sydney 2000 | GPO Box 3887 Sydney NSW 2001

Telephone: 02 9238 5555 | Facsimile: 02 9238 2630

Hours of operation: Monday to Friday 9:00am to 5:00pm