

2013–2014



Thirtieth Annual Report

**TRUSTEES OF THE
PARLIAMENTARY CONTRIBUTORY
SUPERANNUATION FUND**

Table of Contents

Trustees of the Parliamentary Contributory Superannuation Fund.....	3
Charter	4
Outline of the PCSF.....	5
Heads of Government Agreement.....	19
AML/CTF Legislation	19
Management of the PCSF	21
Meetings of the trustees of the PCSF	29
Summary of Operations	30
Service Standards	31
Other Financial Information.....	33
Investment Arrangements.....	34
Investment Returns.....	37
Performance	37
Financial Report for the PCSF for the Year ended 30 June 2014.....	39
Financial Report for the Trustees of the PCSF for the Year ended 30 June 2014	65
Index of Compliance Requirements	76

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

Contact details

Pillar Administration Head Office

Level 16, 1 Margaret Street, Sydney 2000 | GPO Box 3887 Sydney NSW 2001

Telephone: 02 9238 5555 | Facsimile: 02 9238 5272

PCSF Administration Officer

Telephone: 02 4298 6980

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



PARLIAMENTARY CONTRIBUTORY SUPERANNUATION FUND

15 October 2014

The Hon. Dominic Perrottet, MP
Minister for Finance and Services
52 Martin 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 of the Parliamentary Contributory Superannuation Fund for the year ending 30 June 2014 and Financial Statements for the year ended 30 June 2014 for both the Trustees of the Parliamentary Contributory Superannuation Fund 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 'Brad Hazzard'.

The Hon. Bradley Hazzard, MP
Chairperson

A handwritten signature in blue ink, appearing to read 'Don Harwin'.

The Hon. Donald Harwin, MLC
Vice-Chairperson

Trustees of the Parliamentary Contributory Superannuation Fund

At 30 June 2014, the trustees of the Parliamentary Contributory Superannuation Fund were:

The Hon. Bradley Hazzard, MP
Chairperson

The Hon. Donald 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 Mark Ronsisvalle, an officer of the NSW Treasury, has been appointed to act as trustee in the absence of the Secretary of the Treasury. Prior to his appointment, Ms Sue Power, an officer of the NSW Treasury, also acted in 2013/14 as trustee in the absence of the Secretary of the Treasury).

The Hon. George Souris was Chairperson of the trustees of the Parliamentary Contributory Superannuation Fund in 2013/14 until 17 April 2014.

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.

After 30 June 2011 and after discussions with the Fund's actuary as part of the triennial actuarial review of the Fund, Treasury recommenced making Crown contributions to the PCSF for the 2011/12 and subsequent years. \$15.7 million was paid as Crown contributions to the Fund in the 2013/14 year 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 x 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*.

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:
 - o 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
 - o 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:
 - o 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
 - o 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 VIIIB 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 Officer 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.

Contributions tax for high earners

The *Superannuation (Sustaining the Superannuation Contribution Concession) Imposition Act 2013 (Cth)* received assent on 28 June 2013 and took effect with respect to the 2012/13 financial year and subsequent years. The law inserted includes Division 293 in the *Income Tax Assessment Act 1997 (Cth)* and imposes, from 1 July 2012, a new tax of 15% to the concessionally taxed contributions of high income earners. This new tax (Division 293 tax) effectively reduces the tax concession for v high income earners from 30% to 15% (excluding the Medicare levy).

An individual is generally liable for Division 293 tax if the sum of their income and their low tax contributions for a financial year from 2012/13 onwards is greater than \$300,000.

Income for the purpose of Division 293 tax is similar to the calculation of income for Medicare levy surcharge purposes and is calculated from an income tax return using:

- taxable income (assessable income less deductions);
- total reportable fringe benefits amounts;
- net financial investment loss;
- net rental property loss;
- amounts on which family trust distribution tax has been paid;
- super lump sum taxed elements with a zero tax rate.

These elements are summed (except the super lump sum amount, which is subtracted) to give the income amount for the purpose of Division 293 tax.

Low tax contributions for the purpose of Division 293 tax include all employer contributions (including both superannuation guarantee and salary sacrifice contributions) apart from excess concessional contributions as well as personal contributions for which a deduction has been claimed. For Members in the PCSF, the low tax contributions are an actuarially calculated defined benefit superannuation contribution.

Establishment of a debt account

If a Member receives a Division 293 tax notice of assessment with all or part of the tax raised on contributions made to their PCSF membership, then payment of that portion of the liability will be deferred until the Member becomes eligible to have their “end benefit” paid from PCSF (which will be after the Member leaves the NSW Parliament).

The ATO will establish a debt account for deferred Division 293 tax liabilities and will apply end of financial year interest to that account at the long term bond rate. If a Member has a debt account in respect of their PCSF membership, the ATO will advise the PCSF that they have a debt account, but not the amount of the debt.

Payment of Division 293 tax

Any remaining deferred Division 293 tax debt relating to the PCSF must be paid when a Member’s benefit (their “end benefit”) becomes payable from the Fund. However, there are a number of super benefits that are not considered end benefits – these include:

- a benefit released on the ground of severe financial hardship;
- a benefit released on compassionate grounds; and,

- a Family Law “payment split” from a superannuation interest.

When a Member's benefit becomes payable, the Fund will calculate the “end benefit cap amount” in relation to the Member's PCSF benefit and will notify the ATO of this amount. The ATO will calculate the actual amount payable, which may be less than the debt account in circumstances where the end benefit cap is less than the amount of debt account.

The ATO will raise a debt account discharge liability (the amount payable) and a Release Authority in relation to the Member and will provide these to the Member.

The Member can pay the amount payable directly to the ATO if they wish. If the Member wants the PCSF to make the payment to the ATO of the amount payable from the Member's PCSF benefit, they can provide the signed Release Authority to the Fund along with their application for benefit payment.

A Member can pay part or all of a deferred Division 293 tax debt to the ATO out of their own pocket at any time. However, such a payment would be from after-tax dollars and would not be subject to any reduction due to operation of the end benefit cap.

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 conforms with the principles of the Commonwealth's retirement incomes policy.

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

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

or

- o 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 2013/14 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 2013/14.

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 of the PCSF 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.

A premium of \$1,210 was paid by the PCSF to TMF for the 2013/14 year.

Access to Government information

The Trustees of the PCSF is an agency that is covered by the *Government Information (Public Access) Act 2009 (NSW)* ("the GIPA Act"). 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 GIPA purposes Pillar Administration is also 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, as 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 Officer 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 GIPA Act to the Trustees of the PCSF in relation to PCSF information held by Pillar are handled by and recorded on behalf of the trustees by Pillar. There were two applications for access under the GIPA Act made to Pillar but relating to the PCSF in 2013/14.

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 Officer

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

Nature of Application	Application Fee*	Processing Charge*
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 is 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 Officer

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 2013/14.

Changes to legislation

There were no changes to the Fund's governing act (the *Parliamentary Contributory Superannuation Act 1971 (NSW)*) during the 2013/14 year. The regulation pursuant to this act (the *Parliamentary Contributory Superannuation Regulation*) was re-made in 2013 (as happens every 5 years for regulations made under NSW acts) but with no change to the provisions of the regulation.

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 Officer on (02) 4298 6980.

Workforce diversity disclosure requirements

The Trustees of the PCSF have no employees and therefore no requirement to report on workplace diversity requirements.

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 programs in this area).

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 2013/14 year is as follows:

Note – PIDs means public interest disclosures.

<i>Number of public officials who made PIDs to the Trustees of the PCSF</i>	<i>0</i>
---	----------

<i>Number of PIDs received in total</i>	<i>0</i>
---	----------

Of PIDs received number primarily about:

- | | |
|--|----------|
| • <i>Corrupt conduct</i> | <i>0</i> |
| • <i>Maladministration</i> | <i>0</i> |
| • <i>Serious and substantial waste</i> | <i>0</i> |
| • <i>Government information contravention</i> | <i>0</i> |
| • <i>Local government pecuniary interest contravention</i> | <i>0</i> |

<i>Number of PIDs finalised</i>	<i>0</i>
---------------------------------	----------

The reporting requirements in relation to PIDs require that the PIDs should be reported separately on the following basis:

- PIDs made by public officials in performing their day to day functions as such public officials;
- PIDs that are made under a statutory or other legal obligation; and
- all other PIDs.

However, as can be seen from the table above, no PIDS at all were made to the Trustees of the PCSF in 2013/14.

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 attendanc	Notes
The Hon. George Souris, MP	3	3	<i>Chairperson from 17 June 2011 to 17 April 2014</i>
The Hon. Bradley Hazzard, MP	1	1	<i>Chairperson from 6 May 2014</i>
The Hon. Don Harwin, MLC	4	4	<i>Trustee from 7 May 2003</i>
The Hon. Richard Amery, MP	4	4	<i>Trustee from 17 June 2011</i>
Mr Gregory Aplin, MP	4	4	<i>Trustee from 17 June 2011</i>
Mr Daryl Maguire, MP	3	4	<i>Trustee from 17 June 2011</i>
Ms Anna Watson, MP	2	4	<i>Trustee from 17 June 2011</i>
The Hon. Greg Donnelly, MLC	4	4	<i>Trustee from 23 June 2011</i>
Ms Sue Power*	2	2	<i>Trustee (in absence of Secretary of Treasury) for part of the 2013/14 year</i>
Mr Mark Ronsisvalle*	2	2	<i>Trustee (in absence of Secretary of Treasury) for part of the 2013/14 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 2014	30 June 2013
Number of contributing Member accounts at year end:	42	43
Number of pensioner (former Member or spouse/de facto partner or child pension) accounts at year end:	266	268
Number of suspended pension (s 25(2) or s 19AA) accounts:	3	7
Number of pensioners with nominated future commencement date	0	0
Number of deferred benefit (deferred pension and deferred lump sum) accounts at year end:	10	10
Number of non-contributing Members at year end:	1	0
New pensioners (former Members, spouses and children) during the year:	5	7
Pensions reinstated during the year (formerly suspended under section 25(2))	5	0
Pensions suspended during the year (suspended under section 25(2))	1	0
Number of pension commutations including lump sum payments during the year:	2	0
Deaths in service during the year:	0	0
Deaths of pensioners during the year:	8	11

Notes

1. There is 1 former Member who, because they are a member of the Commonwealth Parliament, has 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 who, because they are a member of the NSW Parliament, has had the payment of their pension from the PCSF suspended pursuant to the provisions of section 25(2) of the PCSF Act.
3. 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).
4. There are 8 former Members who (as at 30 June 2014) 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.
5. 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.

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.
• Member or beneficiary is entitled to the benefit & has provided all necessary documentation;	
• all contributions are up to date;	
• benefit is calculated including commutation election, tax, SIS components;	
• all necessary forms are completed;	
• all surcharge requirements are met including reducing benefit if necessary;	
• pensioner record is created including processing member elections & rollover if applicable is processed.	

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:	
• circulating the agenda and papers before a meeting of the trustees.	5 business days
• circulating minutes to the Chairperson after the meeting.	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 2013	100%	100%	181,560.00	181,560.00
December 2013	100%	100%	231,050.00	231,050.00
March 2014	100%	100%	183,548.00	183,548.00
June 2014	100%	100%	206,267.00	206,267.00
Total			802,425.00	802,425.00

Payment to consultants

Fees more than \$50,000

Fees of \$181,661 (net of GST) were paid to Russell Investment Group during the 2013/14 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

KPMG were engaged at a total cost of \$25,850 (net of GST) in the area of tax services during 2013/14.

Annual Report production details

The total external cost of producing 50 copies of the 2013/14 Annual Report was approximately \$674. 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.

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 consumer price 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; and
- provide returns that are comparable to a peer group of similar state run parliamentary schemes.

The trustees, in consultation with Russell Investment Group, the Fund's actuary and NSW Treasury will review the appropriateness of these investment objectives in conjunction with each triennial actuarial review or at other times when significant changes occur or are predicted to occur.

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 2014 compared to those for the year ended 30 June 2013 are shown in Table 1:

Table 1 - Asset Allocation

Asset Class	30 June 2014		30 June 2013	
	\$000	%	\$000	%
Cash & Short Term	2,813	1.12	2,627	1.14
Australian Equities	111,472	44.23	95,387	41.50
Australian Fixed Interest	43,979	17.45	41,868	18.21
International Equities	66,309	26.31	64,464	28.05
Property	27,452	10.89	25,517	11.10
	<u>252,025</u>	<u>100.00</u>	<u>229,863</u>	<u>100.00</u>

Table 2 – Asset Distribution

The Fund's investment assets as at 30 June 2014 were distributed as follows:

Cash and Short Term Securities	Net Market Value	% of Class
	\$000	%
Westpac 11 am Call Account	2,059	73.20
Westpac Cash Management Account	754	26.80
	<u>2,813</u>	<u>100.00</u>
Australian Fixed Interest	Net Market Value	% of Class
	\$000	%
Aberdeen Income–Focused Bond Fund	28,198	64.12
Ardea Wholesale Australian Inflation Bond Fund	15,781	35.88
	<u>43,979</u>	<u>100.00</u>
Australian Equities	Net Market Value	% of Class
	\$000	%
Platypus Australian Equity Fund	21,826	19.58
Maple Brown Abbott Australian Equity Trust	39,069	35.05
BT Core Australian Share	50,577	45.37
	<u>111,472</u>	<u>100.00</u>
International Equities	Net Market Value	% of Class
	\$000	%
SSgA International Index Equity Trust (Hedged)	31,974	48.22
Wellington Global Research Equity Portfolio	34,335	51.78
	<u>66,309</u>	<u>100.00</u>
Property	Net Market Value	% of Class
	\$000	%
Colonial First State Diversified Property Pool (Direct)	882	3.21
Dexus Property Group	26,570	96.79
	<u>27,452</u>	<u>100.00</u>

Investment Returns

The investment return (gross of tax and expenses) for the PCSF for the year ended 30 June 2014 was 16.99%. The annualised return over the last 5 years to 30 June 2014 was 12.68% p.a. The gross investment returns for the PCSF for the year ending 30 June for each of the 4 years prior to the 2013/14 year were as follows:

2013:	19.14%
2012:	0.87%
2011:	12.84%
2010:	14.50%

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 2014 was calculated to be 15.16% (for the year ended 30 June 2013 it was 16.81%).

Performance

The investment return for the year ended 30 June 2014 outperformed the PCSF benchmark by 2.0%. Over the three years to 30 June 2014, the PCSF outperformed its benchmark by 1.1%. 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.
Australian Inflation Linked Bonds	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	10 Year Government Bond Yield +3%

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 2014 was 13.49% and the annualised rate for the 5 years ended 30 June 2014 was 10.40% p.a. The gross return of the PCSF was 3.5 percentage points above the Treasury Corporation facility return for the 2013/14 year and 2.28 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 2014 was 2.8% (last year 2.6%).

**Financial Report for the
Parliamentary Contributory Superannuation Fund (PCSF)
for the Year ended
30 June 2014**

Contents

Independent Auditor's Report – PCSF	40
Statement by the trustees of the PCSF	42
Statement of Changes in Net Assets	43
Statement of Net Assets	44
Notes to the Financial Statements	45
Independent Auditor's Report – Trustees of PCSF	65
Statement by the trustees of the PCSF	67
Statement of Comprehensive Income	68
Statement of Financial Position	69
Statement of Cash Flows	70
Statement of Changes in Equity	71
Notes to the Financial Statements – Trustees of PCSF	72



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 2014, 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 net assets of the Fund as at 30 June 2014, and of its changes in net assets for the year then ended in accordance with Australian Accounting
- 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, the PF&A Act, and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that give a true and fair view and 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 that are 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 that 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 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 T Whitfield
Deputy Auditor-General

22 September 2014
SYDNEY

**Statement by the trustees of the PCSF
for the year ended 30 June 2014**

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 fairly the net assets of the Fund as at 30 June 2014 and the changes in net assets for the year ended 30 June 2014;
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 18 September 2014



Hon. Brad Hazzard, MP
Chairperson
Trustees of the PCSF

18.9.14



GREG APLIN, MP
Trustees of the PCSF

Statement of Changes in Net Assets for the Year Ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Net Assets Available to Pay Benefits at Beginning of Financial Year		228,300	200,349
Investment Revenue			
Interest		83	73
Trust Distributions		14,072	11,908
Change in Net Market Values of Investments	3	<u>22,350</u>	<u>24,296</u>
Investment Revenue		<u>36,505</u>	<u>36,277</u>
Investment Expenses		<u>(340)</u>	<u>(182)</u>
Net Investment Revenue		<u>36,165</u>	<u>36,095</u>
Contribution Revenue	12		
Employer Contributions		15,700	15,000
Member Contributions		<u>1,111</u>	<u>1,163</u>
Contribution Revenue		<u>16,811</u>	<u>16,163</u>
Other Revenue			
Other Revenue		<u>408</u>	<u>323</u>
Other Revenue		<u>408</u>	<u>323</u>
Total Revenue		<u>53,384</u>	<u>52,581</u>
Benefits Paid	5	(25,175)	(22,760)
Administration Expenses	6	(606)	(538)
Superannuation Contributions Surcharge Expense	7	<u>(79)</u>	<u>(81)</u>
		<u>(25,860)</u>	<u>(23,379)</u>
Change in Net Assets before Income Tax		27,524	29,202
Income Tax Expense	8	<u>(257)</u>	<u>(1,251)</u>
Change in Net Assets Available to Pay Benefits After Income Tax		<u>27,267</u>	<u>27,951</u>
Net Assets Available to Pay Benefits at End of Financial Year		<u>255,567</u>	<u>228,300</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 2014

	Note	2014 \$'000	2013 \$'000
Investments			
Australian Fixed Interest		43,979	41,868
Australian Equities		111,472	95,387
International Equities		66,309	64,464
Property Trusts		27,452	25,517
Total Investments		<u>249,212</u>	<u>227,236</u>
Other Assets			
Cash and cash equivalents		2,813	2,627
Receivables	9	7,159	2,878
Prepayments		1	-
Total Other Assets		<u>9,973</u>	<u>5,505</u>
Total Assets		<u>259,185</u>	<u>232,741</u>
Less:			
Liabilities			
Payables	10	219	147
Provision for Tax	8	1,087	2,061
Provision for Surcharge		<u>2,312</u>	<u>2,233</u>
Total Liabilities		<u>3,618</u>	<u>4,441</u>
Net Assets Available to Pay Benefits		<u>255,567</u>	<u>228,300</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 2014

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

Platypus Australian Equities Fund
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 September 2013 the trustees of the PCSF replaced Orion Asset Management Limited as investment managers of the PCSF with Platypus Australian Equities 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 18 September 2014.

(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 2014 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:

	Date of Actuarial Review	
	30 June 2014	30 June 2013
	%	%
Valuation Interest Rate	8.3	8.3
Salary Growth Rate	3.5	3.5
Pension Increase Rate	3.5	3.5

For the 2013/2014 year the basic salary rate varied by 2.25% (2012/2013: 2.25%).

(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) Accounting Standards issued but not yet effective

AASB 9 Financial Instruments – as issued in December 2009 will be implemented for the year ended 30 June 2016. No material change to these financial statements is anticipated.

AASB 1056 Superannuation Entities – the standard will be implemented for the year ended 30 June 2017. It will substantially alter the presentation of the Fund's financial statements. Areas affected include –

- different primary financial statements –
 - Statement of financial position
 - Income statement
 - Statement of changes in equity/reserves
 - Statement of cash flows
 - Statement of changes in member benefits.
- disclosure in the Statement of financial position of the Fund's accrued benefits
- measurement of assets and liabilities at fair value
- the ability to treat controlled investment special purpose vehicles as investments at fair value.

3. Changes in Net Market Values of Investments

	2014		
	Changes in Net Market Values		
	Held at Reporting	Realised	Total
	Date	During the Year	
	\$'000	\$'000	\$'000
Australian Fixed Interest	619	-	619
Australian Equities	8,470	2,109	10,579
International Equities	9,442	1,058	10,500
Property Trust	652	-	652
Total Changes in Net Market Values of Investments	19,183	3,167	22,350

	2013		
	Changes in Net Market Values		
	Held at Reporting	Realised	Total
	Date	During the Year	
	\$'000	\$'000	\$'000
Australian Fixed Interest	(863)	(17)	(880)
Australian Equities	12,972	489	13,461
International Equities	13,703	26	13,729
Property Trust	(2,014)	-	(2,014)
Total Change in Net Market Value of Investments	23,798	498	24,296

4. Auditors' remuneration	2014	2013
	\$'000	\$'000
Audit Services		
The Audit Office of NSW (audit of the financial statement)	43	29
Review of the Triennial Actuarial Review	-	-
	43	29

Auditor Fees are included under the Administration Expense line item on the Statement of Changes in Net Assets.

5. Benefits Paid	2014	2013
	\$'000	\$'000
Pensions paid (excluding members of the former Act)	22,739	22,261
Pension commutations including lump sum payments	2,356	536
Less: Surcharge Reduction	-	(136)
	<u>25,095</u>	<u>22,661</u>
Pensions paid - members of the former Act	80	99
	<u>25,175</u>	<u>22,760</u>

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

	2014	2013
	\$'000	\$'000
Included in Administration Expenses are the following items:		
Fund Administration Expenses	330	323
Legal Fees	8	19
Actuarial Fees	16	(28)
Consultants Fees	182	166
Fees to Service Providers	27	29
Audit Fees	43	28
	<u>606</u>	<u>538</u>

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*.

	2014 \$'000	2013 \$'000
a) Income Tax Expense		
recognised in the <i>Statement of Changes in Net Assets</i>		
Current Tax Expense		
Provision Attributable to Current Year	1,871	2,345
(Over)/Under Provision in the Previous Year	(1,614)	(1,094)
	<u>257</u>	<u>1,251</u>
b) Reconciliation between income tax expenses and Pre-Tax changes in net assets		
Pre-Tax changes in net assets	27,524	29,198
Income tax expenses at 15% (2013: 15%)	4,129	4,380
Increase in Tax Expenses / Decrease in Tax Benefit Due to:		
Non-deductible benefit payments	3,776	3,434
Non-deductible surcharge expense	12	(8)
Non-deductible expense	12	10
Capital gains and Losses adjustment	-	-
Decrease in Tax Expense due to:		
Non-assessable pension related investment income	(2,042)	(3,998)
Realised Income	(3,352)	(1,391)
Non-assessable contribution	(58)	(57)
Notional death and disability premiums	(25)	(25)
Imputation and foreign tax credits	(581)	-
	1,871	2,345
Prior Year Adjustment -		
(Over)/Under Provision in the Previous Year	(1,614)	(1,094)
Income tax expense on pre-tax changes in net assets	<u>257</u>	<u>1,251</u>

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

	2014 \$'000	2013 \$'000
Contribution Receivable	88	94
Investment Income Receivable	7,063	2,771
Sundry Debtors	1	-
GST Receivable	7	13
	<u>7,159</u>	<u>2,878</u>

10. Payables

Investment Expenses Payable	64	44
Sundry Creditors	155	103
	<u>219</u>	<u>147</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:

	30 June 2014		30 June 2013	
	Accrued \$'000	Vested \$'000	Accrued \$'000	Vested \$'000
Benefit amount	362,870	366,000	362,950	363,600
Net assets available to pay benefits	255,567	255,567	228,300	228,300
Surcharge provision	2,312	2,312	2,233	2,233
Unfunded liability	104,991	108,121	132,417	133,067

12. Funding Arrangements

(a) Employer Contributions

The Fund has a deficiency of net assets to vested benefits of \$108.1 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 2011 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 \$15.7 million to be paid as contributions to the Fund in the 2013/14 year. The Crown contributions for the 14/15 year will be \$15.3 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 2013/2014 year are as follows:

The Hon. Brad Hazzard, MP	Appointed as Chairperson of the Trustees of the PCSF from 06 May 2014
The Hon. George Souris, MP	Chairperson of the Trustees of the PCSF until 17 April 2014
The Hon. Don Harwin, MLC	Vice-Chairperson of the Trustees of the PCSF
Mr Gregory Aplin, MP	
The Hon. Richard Amery, MP	
Ms Anna Watson, MP	
The Hon. Greg Donnelly, MLC	
Mr Daryl Maguire, MP	
The Secretary of the Treasury	Mr Mark Ronsisvalle, a NSW Treasury official, was appointed in February 2014 to act as trustee in the absence of the Secretary of the Treasury. Prior to that, Ms Sue Power acted as the 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 2013/14 except Ms Anna Watson and the Secretary of the Treasury (and Mr Mark Ronsisvalle 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 2014 was \$137,026 (\$132,940 in 2013). 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 \$361,247 (\$351,373 in 2013), 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 \$196,548 (\$187,004 in 2013) 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 2014 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:

Recognised Financial Instruments	Statement of Net Assets Notes	Accounting Policies	Terms and Conditions
<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)

Recognised Financial Instruments	Statement of Net Assets Notes	Accounting Policies	Terms and Conditions
<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 2013 and 30 June 2014.

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 2014 is shown as follows. All other financial assets and liabilities are non-interest bearing.

2014						
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	TOTAL \$'000
Assets						
Cash at bank	2,813	-	-	-	-	2,813
Receivables	-	-	-	-	7,159	7,159
Prepayments	-	-	-	-	1	1
Investment Trusts	-	-	-	-	249,212	249,212
Total Financial Assets	2,813	-	-	-	256,372	259,185
Liabilities						
Creditors	-	-	-	-	1,306	1,306
Total Financial Liabilities	-	-	-	-	1,306	1,306
Weighted Average Effective Interest Rate %						
Short Term Investments	2.68%					
Cash at bank	3.38%					
Provisions (Surcharge)	3.54%					

17. Financial Instruments (Continued)**(d) Interest Rate Risk (Continued)**

	2013					
	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	TOTAL \$'000
Assets						
Cash at bank	2,627	-	-	-	-	2,627
Receivables	-	-	-	-	2,878	2,878
Prepayments	-	-	-	-	-	-
Investment Trusts	262	-	-	-	226,974	227,236
Total Financial Assets	2,889	-	-	-	229,852	232,741
Liabilities						
Creditors	-	-	-	-	2,208	2,208
Total Financial Liabilities	-	-	-	-	2,208	2,208
Weighted Average Effective Interest Rate %						
Short Term Investments	3.20%					
Cash at bank	2.61%					
Provisions (Surcharge)	3.76%					

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 2014.

	Effect on					
	Change in variable		Changes in Net Assets		Net assets available to pay benefits	
	2014 + / -	2013 + / -	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Floating Rate	0.85%	0.85%	18	20	18	20
Floating Rate	(0.85%)	(0.85%)	(18)	(20)	(18)	(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 2014.

	Change in variable		Changes in Net Assets		Effect on Net Assets Available to Pay Benefits	
	2014	2013	2014	2013	2014	2013
	+ / -	+ / -	\$'000	\$'000	\$'000	\$'000
Unit Trusts	+15%	+15%	31,775	28,973	31,775	28,973
Present Entitlement - reinvested	+15%	+15%	846	289	846	289
			<u>32,621</u>	<u>29,262</u>	<u>32,621</u>	<u>29,262</u>
Unit Trusts	-15%	-15%	(31,775)	(28,973)	(31,775)	(28,973)
Present Entitlement - reinvested	-15%	-15%	(846)	(289)	(846)	(289)
			<u>(32,621)</u>	<u>(29,262)</u>	<u>(32,621)</u>	<u>(29,262)</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 11% 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 2014:

Tape negotiation authority of \$1.5 million (2012-13: \$1.5 million). This facility authorises the bank to debit the fund's operating account up to this limit.

18. 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 2014. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustee, approximates their net market value.

Fair Value Measurement Hierarchy

The fair values of the financial assets and financial liabilities at 30 June 2014 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 for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds

Year ended 30 June 2014

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets:				
Australian Equity	-	111,473	-	111,473
Australian Fixed Interest	-	43,979	-	43,979
International Fixed Interest	-	-	-	-
International Equity	-	66,309	-	66,309
Property Trusts	-	26,570	881	27,451
Total	-	248,331	881	249,212

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

Year ended 30 June 2013

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets:				
Australian Equity	-	95,387	-	95,387
Australian Fixed Interest	-	41,868	-	41,868
International Fixed Interest	-	-	-	-
International Equity	-	64,464	-	64,464
Property Trusts	262	21,561	3,694	25,517
Total	262	223,280	3,694	227,236

18. Fair Value Disclosures (Continued)

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

	2014
	\$'000
Opening balance at 1 July	3,694
Transfer in	-
Gains/(Losses)	
<u>Assets still held at the end of the year</u>	
- changes in net market values	(2,813)
<u>Assets realised during the year</u>	
- interest/trust distribution	-
- changes in net market values	-
Closing balance at 30 June	881

19. Events Subsequent to Reporting Date

There were no significant events subsequent to 30 June 2014 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 Contributory Superannuation Fund (the Trustees), which comprise the statement of financial position as at 30 June 2014, 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 2014 and of its financial performance for the year then ended in complying with Australian Accounting
- 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 Trustee's 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, the PF&A Act, and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that give a true and fair view and 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 Trustee's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trustee'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 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 that 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 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 T Whitfield
Deputy Auditor-General

22 September 2014
SYDNEY

TRUSTEES OF THE PARLIAMENTARY CONTRIBUTORY SUPERANNUATION FUND

Financial Report for the Trustees of the PCSF for the Year ended 30 June 2014

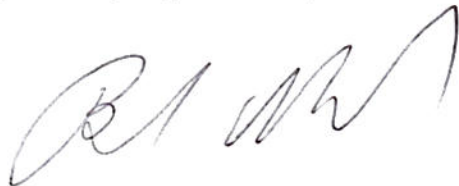
Statement by the trustees of the PCSF
for the year ended 30 June 2014

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 2014 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 18 September 2014.



Hon. Brad Hazzard, MP
Chairperson
Trustees of the PCSF

18.9.14



GREG APLIN, MP
Trustees of the PCSF

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Continuing Operations			
Operating Revenue		-	-
Operating Expenses		-	-
Operating Result		-	-
Other Comprehensive Income		-	-
Superannuation actuarial gains/(losses)		-	-
Total Comprehensive Income		-	-

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

Statement of Financial Position
as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
Current Assets			
Cash and cash equivalents		-	-
Receivables		-	-
Total Current Assets		-	-
Total Assets			
Current Liabilities			
Payables		-	-
Total Current Liabilities		-	-
Total Liabilities		-	-
Net Assets		-	-
Total Equity		-	-

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

Statement of Cash Flows

for the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Cash Flows from Operating Activities		-	-
Cash Flows from Financing Activities		-	-
Cash Flows from Investing Activities		-	-
Net Increase/(Decrease) in Cash & Cash Equivalents		-	-
Cash & Cash Equivalents at the Beginning of the Financial Year		-	-
Cash & Cash Equivalents at the End of the Financial Year		-	-

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 2014

	Note	2014 \$'000	2013 \$'000
Balance at 1 July		-	-
Operating Result		-	-
Other Comprehensive Income		-	-
Superannuation actuarial gains/(losses)		-	-
Total Comprehensive income		-	-
Balance at 30 June		-	-

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 18 September 2014.

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 issued but not yet effective

A number of Australian Accounting Standards have been issued but are not yet in effect and as such have not been applied to these financial statements.

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 2014 and 2013.

4. PAYABLES

There are no payables for 2014 and 2013.

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 2013/2014 year are as follows:

The Hon. Brad Hazzard, MP

Appointed as Chairperson of the Trustees of the PCSF from
06 May 2014

The Hon. George Souris, MP

Chairperson of the Trustees of the PCSF until 17 April 2014

The Hon. Don Harwin, MLC

Vice-Chairperson of the Trustees of the PCSF

Mr Gregory Aplin, MP

The Hon. Richard Amery, MP

Ms Anna Watson, MP

The Hon. Greg Donnelly, MLC

Mr Daryl Maguire, MP

The Secretary of the Treasury

Mr Mark Ronsisvalle, a NSW Treasury official, was appointed in February 2014 to act as trustee in the absence of the Secretary of the Treasury. Prior to that, Ms Sue Power acted as the trustee in the absence of the Secretary of the Treasury.

7. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2014 (2013: 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.

A	Annual Report costs	33
	Audited Financial Statements	39-75
	Auditor-General's Independent Audit Report – PCSF	40-41
	Auditor-General's Independent Audit Report – Trustees of PCSF	65-66
C	Charter	4
H	Heads of Government Agreement	19
I	Investment arrangements	34
	Investment returns	37
L	Letter of submission to the Minister	2
M	Management of the Fund	21
	Multicultural Policies and Services Program	26
O	Outline of the PCSF	5
P	Payment of accounts	33
	Payment to consultants	33
	Privacy Policy	26
	Public Interest Disclosures	27
R	Risk management & insurance arrangements	23
S	Service providers	21
	Service standards	31
	Summary of operations	30
T	Trustee meetings	29
	Trustees of the PCSF	3
W	Waste Reduction and Purchasing Policy	27
	Workplace diversity	26
	Workplace health & safety	26

Contact details
Pillar Administration

Level 16, 1 Margaret Street, Sydney 2000 | GPO Box 3887 Sydney NSW 2001

Telephone: 02 4298 6980

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