



SUPER SA
contributing to your future

Super SA

2016-17 Annual Report

Super SA

151 Pirie Street (GPO Box 48), Adelaide, SA

www.supersa.sa.gov.au

Contact phone number 1300 369 315

Contact email supersa@sa.gov.au

Date presented to Minister: 30 September 2017

To:
Hon. Tom Koutsantonis
Treasurer
Minister for Finance
Minister for State Development
Minister for Mineral Resources and Energy
Member of the Executive Council

This annual report is presented to Parliament to meet the statutory reporting requirements of *section 21 and schedule 3 (section 10) of the Superannuation Act 1988 and section 16 of the Southern State Superannuation Act 2009* and meets the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

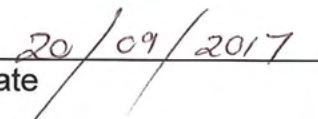
This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

Submitted on behalf of the Super SA Board by:

Annette Hurley

Presiding Member, Super SA Board


Signature


Date

Contents

Contents	3
Section A: Reporting required under the <i>Public Sector Act 2009</i>, the <i>Public Sector Regulations 2010</i> and the <i>Public Finance and Audit Act 1987</i>	4
Agency purpose or role	4
Objectives	4
Legislation administered by the agency	4
Organisation of the agency	5
Other agencies related to this agency (within the Minister’s area/s of responsibility)	6
Fraud detected in the agency	6
Strategies implemented to control and prevent fraud.....	6
Whistle-blowers’ disclosure	6
Financial performance of the agency	7
Other information requested by the Minister(s) or other significant issues affecting the agency or reporting pertaining to independent functions.....	8
Section B: Reporting required under any other act or regulation.....	9
Southern State Superannuation Act 2009	9
Section C: Reporting of public complaints as requested by the Ombudsman .	10
Summary of complaints by subject.....	10
Complaint outcomes.....	10
Appendix: Audited financial statements 2016-17	11

Section A: Reporting required under the *Public Sector Act 2009*, the *Public Sector Regulations 2010* and the *Public Finance and Audit Act 1987*

Agency purpose or role

Vision Statement:

To be the leading provider of quality superannuation and related services in South Australia.

Objectives

- **Adequacy:** increase the number of members contributing for their retirement and encourage members to have an appropriate level of insurance.
- **Services and communications:** meet member and stakeholder expectation of continually improving services, products and communication.
- **Sustainable fund:** ensure that strategies are implemented to maintain Super SA as a sustainable public sector fund.

Legislation administered by the agency

Superannuation Act 1988

Southern State Superannuation Act 2009

Parliamentary Superannuation Act 1974

Governors' Pensions Act 1976

Judges' Pensions Act 1971

Public Corporations (Southern Select Super Corporation) Regulations 2012

Organisation of the agency



Section 10(3) of the *Superannuation Act 1988* enables the Board to make use of the staff or facilities of an administrative unit of the SA Public Sector, with the approval of the Minister of that administrative unit. Super SA, a branch of the Department of Treasury and Finance, provides administrative services to the Board.

The annual budget for the operation of Super SA is presented to the Board for its approval. In determining the budget, a management plan for the provision of services is prepared each financial year.

The Board's service level contract with the Chief Executive of the Department of Treasury and Finance sets out specific performance standards. The Board monitors performance against the service level contract and the management plan through the quarterly management report produced by Super SA. The contract expires on 30 June 2019.

The use of consultants, WHS reporting and executive employment statistics are included in the Department of Treasury and Finance's Annual Report.

Other agencies related to this agency (within the Minister's area/s of responsibility)

On behalf of the South Australian Superannuation Board (the Board), the Super SA Office (Super SA) is responsible for managing SA Public Sector superannuation schemes in line with relevant acts and legislation. Funds are managed by specialist investment manager, Superannuation Funds Management Corporation of South Australia (Funds SA).

Funds SA manages the investments for each scheme in accordance with sections 17 and 19 of the *Superannuation Act 1988*, sections 10 and 11 of the *Southern State Superannuation Act 2009*, and the provisions of the *Superannuation Funds Management Corporation of South Australian Act 1995*.

The current service level agreement between Funds SA and the Office was executed in October 2014, with amendments in March 2016. Funds SA provides this service under legislation. The agreement is reviewed on a three yearly basis or when a significant change occurs.

Fraud detected in the agency

Category/nature of fraud	Number of instances
Nil detected	0

Strategies implemented to control and prevent fraud

The Board is responsible for the internal control framework but also acknowledges that no cost-effective internal control system can preclude all errors and irregularities.

Regular information is provided to the Board from internal and external audit, the Audit, Risk and Finance Committee as well as from the General Manager and Board Secretary.

The Super SA Office maintains a Risk Management Strategy and Plan; a Business Continuity Framework and Plan; an Internal Audit Plan, a Compliance Framework and an Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) Program.

Data for the past five years is available at [https:// data.sa.gov.au/data/dataset/department-of-treasury-and-finance-annual-report-statistics](https://data.sa.gov.au/data/dataset/department-of-treasury-and-finance-annual-report-statistics)

Whistle-blowers' disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the *Whistle-blowers' Protection Act 1993* 0

Data for the past five years is available at [https:// data.sa.gov.au/data/dataset/department-of-treasury-and-finance-annual-report-statistics](https://data.sa.gov.au/data/dataset/department-of-treasury-and-finance-annual-report-statistics)

Financial performance of the agency

The following is a brief summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2016-17 are attached to this report.

The total number of members increased from 210 158 to 211 164 during the year. This figure includes Triple S, Pension and Lump Sum Schemes, Superannuants, the SA Ambulance Service Superannuation Scheme, the Super SA Income Stream and the Flexible Rollover Product. The value of total assets under management at 30 June 2017 was \$24.4 billion.

In 2016-17, new accounting standards were implemented, including the use of Fair Value Standard AASB13 to determine the value of funds under management. A comparison of this year's funds under management to last year's is provided, using the Fair Value AASB13 method. Since 30 June 2016, funds under management across the schemes and products administered by the Board increased by \$2.7 billion. This consists of increases in funds under management across the financial year within the Triple S Scheme from \$13.5 billion to \$15.4 billion, the Flexible Rollover Product from \$787 million to \$995 million, the Income Stream from \$2.4 billion to \$2.7 billion, the SA Ambulance Service Superannuation Scheme from \$229 million to \$252 million and the Lump Sum and Pension Schemes combined from \$4.7 billion to \$4.9 billion.

Preserved memberships decreased overall from 62 731 to 61 501. This reduction in preserved memberships is made up of Triple S preserved members (60 954 to 59 887), Lump Sum (1 295 to 1 189), Pension (392 to 339) and Ambulance (90 to 86). Of these members, 356 preserved members moved to Flexible Rollover Product (average balance transferred \$171,966) and 140 moved to Income Stream (average balance transferred \$339,389). The total transferred by these members was \$108.7 million.

Other financial information

The State Government has a strategy to fund both its accruing and accrued past service superannuation liabilities by 30 June 2034.

During the 2016-17 financial year, the State Government transferred \$388 million into the Employer Account to meet its past service superannuation liabilities in respect of the Lump Sum and Pension Schemes.

An actuarial review of the South Australian Superannuation Fund (Pension and Lump Sum Schemes) as at 30 June 2016 was completed in June 2017. The review compared the cost of the Pension and Lump Sum Schemes against the proportion of benefits that can be met from the South Australian Superannuation Fund. Actuarial reviews are undertaken every three years as required by section 21 of the *Superannuation Act 1988*. The following recommendations made by the actuary to the funding status of the Pension Scheme were adopted by the Board:

- The employer contribution rate for the employer share of the future service cost of the Pension Scheme be maintained at 26.0% of contributors' salaries; and

- The Prescribed Proportion of the future Pension Scheme benefits that can be met from the Fund be maintained at 14.0%.

The recommendation made by the actuary for the employer contribution rate for the employer share of the future service cost of the Lump Sum Scheme to be maintained at 14.75% of contributors' salaries was adopted by the Treasurer.

The next actuarial review of the South Australian Superannuation Fund (Pension and Lump Sum Schemes) will be performed as at 30 June 2019.

The SA Ambulance Service Superannuation Scheme is actuarially reviewed at least every three years. The most recent actuarial review of the fund supporting the scheme was performed as at 30 June 2014. The following recommendations made by the actuary to the funding status of the scheme were adopted by the Board:

- The employer contribution rate be reduced from 12% to 9.5% effective from 1 July 2015; and
- The financing objective in respect of defined benefits be 105% of the liability for vested defined benefits.

The next actuarial review will be undertaken in 2017.

Other information requested by the Minister(s) or other significant issues affecting the agency or reporting pertaining to independent functions

The Super SA Board is responsible to the Minister for Finance for all aspects of the administration of the *Superannuation Act 1988* (Pension and Lump Sum Schemes) and the *Southern State Superannuation Act 2009* (Triple S Scheme), except for the management and investment of the funds. The Board acts as the Trustee of the SA Ambulance Service Superannuation Scheme and is responsible for administering the Trust Deed and Rules.

Board members can attend a variety of relevant national conferences and educational seminars. During the 2016-17 financial year Board Members attended the Association of Superannuation Funds of Australia (ASFA) Conference, November 2016. The Presiding Member attended a forum for fund chairs organised by Conexus Financial Pty Ltd.

There were two applications received directly to Super SA for access to information under the FOI Act during 2016-17. Three further applications were received by Department of Treasury and Finance, to which Super SA contributed.

Section B: Reporting required under any other act or regulation

<p>Name and date of act or regulation</p> <p>Southern State Superannuation Act 2009</p>
<p>Section 29</p>
<p>There were 29 appeals considered by the Super SA Board and four by the Board delegate during 2016-17. One appeal related to administrative matters and the remainder related to insurance. There were 19 appeals which were approved in favour of the member and 14 appeals were denied.</p> <p>Of the total appeals considered by the Board (or Board delegate), there were nil requests to waive a procedural step and 12 requests to extend a time limit, of which 10 were approved, pursuant to this section of the Act. The legislation requires that the use of this section of the legislation must be reported to the Minister in the Annual Report.</p> <p>During 2016-17, there were two formal applications received requesting access to information under the <i>Freedom of Information Act 1991</i>. All other Freedom of Information (FOI) requests received and processed originated from the Department of Treasury and Finance and Super SA was asked to provide information.</p>
<p>Superannuation (Unclaimed Money and Lost Members) Act 1999 (Cth)</p>
<p>Division 4 – Various rules for special cases</p> <p>18. State or Territory public sector superannuation schemes</p>
<p>Payments were made to the Australian Taxation Office on 26 October 2016 and 21 March 2017, covering 81 members, totalling \$621 562.</p>

Section C: Reporting of public complaints as requested by the Ombudsman

Summary of complaints by subject

Public complaints received by Super SA	
Category of complaints by subject	Number of instances
Process	45
Entitlements	28
Investments	28
Policy	15
Member Communication	7
Fees	1

Data for the past five years is available at [https:// data.sa.gov.au/data/dataset/department-of-treasury-and-finance-annual-report-statistics](https://data.sa.gov.au/data/dataset/department-of-treasury-and-finance-annual-report-statistics)

Complaint outcomes

Nature of complaint or suggestion	Services improved or changes as a result of complaints or consumer suggestions
Nomination of beneficiaries <i>Policy</i>	Introduction of the ability to nominate a legal personal representative to receive a member's entitlement in the event of death.
Time limit to apply for Income Protection insurance <i>Policy</i>	The Board Delegations were updated to allow the Office to assess extension to time limits (in specified circumstances) thereby reducing the volumes reviewed by the Board and reducing the waiting time for members.
Increase security for online member access <i>Process</i>	Temporary suspension of online access when a member cancels a third party authority. Online access can only be reinstated by the member after undergoing standard security checks.
Income Protection and Death and TPD insurance page on our website <i>Member communication</i>	Updated the insurance page on the Super SA website to be clearer.
Salary sacrifice process <i>Process</i>	The salary sacrifice forms were updated and the process streamlined.
Application of insurance limitations <i>Member communication</i>	Improved communication to members when limitations are placed on their insurance.

Appendix: Audited financial statements 2016-17



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Presiding Member South Australian Superannuation Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the South Australian Superannuation Board for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Superannuation Board as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the South Australian Superannuation Board. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the General Manager, State Superannuation Office and the members of the South Australian Superannuation Board for the financial report

The General Manager, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the South Australian Superannuation Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

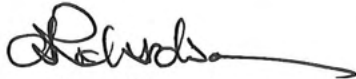
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Manager, State Superannuation Office
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the General Manager, State Superannuation Office and the Presiding Member of the South Australia Superannuation Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

21 September 2017

South Australian Superannuation Board

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	2017	2016
		\$'000	\$'000
Expenses			
Administration expenses	4	27 258	20 266
Other expenses	5	16	137
Total expenses		27 274	20 403
Income			
Fees and charges	6	18 545	17 168
Interest revenues	7	105	260
Total income		18 650	17 428
Total comprehensive result	11	(8 624)	(2 975)

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017	2016
		\$'000	\$'000
Current assets			
Cash and cash equivalents	8	732	14 828
Receivables	9	1 064	591
Non current assets			
Loan Receivable	9, 17	541	533
Total assets		2 337	15 952
Current liabilities			
Payables	10	17	5 008
Total liabilities		17	5 008
Net assets		2 320	10 944
Equity			
Retained earnings	11	541	533
Reserves	11	1 779	10 411
Total Equity		2 320	10 944

The above statement should be read in conjunction with the accompanying notes

South Australian Superannuation Board

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Note	Retained earnings \$'000	Reserves \$'000	Total \$'000
Balance at 30 June 2015		524	13 395	13 919
Total comprehensive result for 2015-16		(2 975)	-	(2 975)
Transferred to reserves		2 984	(2 984)	-
Balance at 30 June 2016		533	10 411	10 944
Total comprehensive result for 2016-17		(8 624)	-	(8 624)
Transferred from reserves		8 632	(8 632)	-
Balance at 30 June 2017	11	541	1 779	2 320

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Administration expenses paid		(35 867)	(18 764)
Other expenses		(17)	(153)
GST paid to the ATO		-	(234)
Cash (used in) operations		(35 884)	(19 151)
Cash inflows			
Interest received		114	253
Fees and charges paid		20 655	18 890
GST recovered from the ATO		1 019	-
Cash generated from operations		21 788	19 143
Net cash (used in)/provided by operating activities	13	(14 096)	(8)
Net (decrease)/increase in cash and cash equivalents		(14 096)	(8)
Cash and cash equivalents at the beginning of the period		14 828	14 836
Cash and cash equivalents at the end of the period	8, 13	732	14 828

The above statement should be read in conjunction with the accompanying notes

South Australian Superannuation Board

Note 1 Objectives and funding

a) Objectives of the South Australian Superannuation Board

The South Australian Superannuation Board (the Board) was established under Section 6 of the *Superannuation Act 1988* (the Act) and is responsible to the Minister for Finance for all aspects of the administration of the Act (Pension and Lump Sum schemes), and the *Southern State Superannuation Act 2009* (Triple S Scheme, Flexible Rollover Product and Income Stream), except for investment matters relating to the schemes and products. Under clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared that the Board act as Trustee of the SA Ambulance Service Superannuation Scheme and be responsible for administering the Trust Deed and Rules.

The Act provides that the Board may make use of the staff or facilities of an administrative unit of the SA Public Sector. The State Superannuation Office, a branch of the Department of Treasury and Finance, provides administrative services to the Board. The State Superannuation Office adopts the "Super SA" name as administrator of the Board schemes and products. The superannuation legislation also provides for the Board to charge administration costs.

The Board is responsible for payment of the Service Level Agreement (SLA) Fee to the Department of Treasury and Finance for costs incurred in the administration of the schemes and products. This amount is then recouped from the various schemes and products as per the SLA.

The Board has carefully considered anticipated future expenditure and sets aside money to cover expected future specific costs.

Note 2 Significant accounting policies

a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987* (PFAA).

The Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Board is a not-for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2017. Refer to Note 3.

b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency, the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies.
 - board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention except as otherwise noted.

The Statement of Cash Flows has been prepared on a cash basis.

South Australian Superannuation Board

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and comparative information is presented.

c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

d) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

e) Taxation

The Board is not subject to income tax. The Board was first registered for Goods and Services Tax (GST) in 2015-16 and GST is recoverable and payable to the Australian Taxation Office (ATO).

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

f) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

g) Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured.

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Income

Fees and charges are derived from the recovery of administration fees from the superannuation schemes and products which the Board administers. Revenue is recognised when earned.

South Australian Superannuation Board

Interest comprises of the interest received on the loan to the Minister for Finance and cash held in the Board's Deposit Account, with the Treasurer, which receives interest at the applicable SA Government rate. Interest is recognised when it is earned.

Expenses

Administration expenses are the payment of the administration fees to the Department of Treasury and Finance for the provision of services to the Board. This expense is recognised upon delivery of the service.

h) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes deposits held in a Deposit Account held with the Treasurer.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consists of cash and cash equivalents as outlined above.

Cash is measured at nominal value.

j) Receivables

Receivables include amounts owing from services provided prior to the end of the reporting period that are unpaid at the end of the reporting period. Receivables include all amounts not received relating to the normal operations of the Board.

Refer to note 17 regarding the Loan Receivable.

k) Payables

Payables include creditors and accrued expenses.

Creditors represent the amounts owing for services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid amounts due relating to the normal operations of the Board.

Accrued expenses represent services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received, as per Treasurer's Instruction 11.

Note 3 New and revised accounting standards and policies

The Board did not voluntarily change any of its accounting policies during 2016 17.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the period ending 30 June 2017. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

South Australian Superannuation Board

Note 4 Administration expenses

	2017	2016
	\$'000	\$'000
Administration fees	17 801	18 230
ICT Projects	9 457	2 036
Total administration expenses	27 258	20 266

Note 5 Other expenses

	2017	2016
	\$'000	\$'000
Other expenses ⁽ⁱ⁾	16	137
Total other expenses	16	137

- (i) Other expenses includes amounts paid (or payable) which relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department. GST exclusive Audit fees for the Board were \$16,000 (2016: \$15,000).

Note 6 Fees and charges

	2017	2016
	\$'000	\$'000
Recovery of administration fees	18 545	17 168
Total fees and charges	18 545	17 168

Note 7 Interest revenues

	2017	2016
	\$'000	\$'000
Deposit Account held with the Treasurer	97	251
Loan to Southern Select Super Corporation ⁽ⁱ⁾	8	9
Total interest revenues	105	260

- (i) Refer note 17

Note 8 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash at bank	732	14 828
Total cash and cash equivalents	732	14 828

Interest Rate Risk

Cash at bank, which represents deposits held with the Treasurer, earns a floating interest rate, based on the daily bank deposit rate. The carrying amount of cash and cash equivalents represents fair value.

South Australian Superannuation Board

Note 9 Receivables

	2017	2016
	\$'000	\$'000
Current Receivables		
GST input tax recoverable	297	554
Sundry debtors	750	20
Audit fee recovery	17	17
Total Current Receivables	1 064	591
Non-Current Receivables		
Loan Receivable ⁽ⁱ⁾	541	533
Total Non-Current Receivables	541	533
Total receivables	1 605	1 124

All current receivables will be settled within 12 months of the reporting date.

(i) Refer note 17

Note 10 Payables

	2017	2016
	\$'000	\$'000
Audit fee payable	17	17
Administration fees payable	-	2 751
ICT Projects fees payable	-	2 240
Total payables	17	5 008

All payables are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Note 11 Retained earnings and reserves

	Opening Balance	Total Comprehensive Result	Transfers From Reserve	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Retained Earnings	533	(8 624)	8 632	541	533
Reserves	Opening Balance	Transfers To Reserve	Transfers From Reserve	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
General Reserve ⁽ⁱ⁾	10 411	-	(8 632)	1 779	10 411
Total Reserves	10 411	-	(8 632)	1 779	10 411

- (i) The *General Reserve* was established in December 2013. The funding was received by transferring the 31 December 2013 balances of the *Board Election Reserve*, *Office Administration Reserve* and the *Capital and Development Reserve* into the *General Reserve*. The Transfers from Reserve amount represents ICT Projects expenditure and is partially offset by SLA fee under expenditure and interest allocated from July 2016 to June 2017.

The purpose of the *General Reserve* is to account for under and over spend in office expenditure, to provide for project expenditure as required from time to time and to provide funding for the triennial Board Election.

South Australian Superannuation Board

Note 12 Related parties

The South Australian Superannuation Board is a statutory authority and is wholly owned and controlled by the crown.

Related parties of the South Australian Superannuation Board include all key management personnel and their close family members, all Cabinet Ministers and their close family members and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Key management personnel

The key management personnel of the South Australian Superannuation Board include the Minister for Finance, the governing board members and the General Manager, State Superannuation Office who have responsibility for the strategic direction and management of the South Australian Superannuation Board.

The compensation detailed below excludes salaries and other benefits the Minister for Finance receives as their remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance). The General Manager, State Superannuation Office is compensated through the Department of Treasury and Finance so their compensation is also not included below.

The South Australian Superannuation Board

Annette Hurley (Presiding Member - Appointed 09/09/16)
Virginia Deegan (Re-appointed 23/07/15)
Richard Dennis (Appointed 08/09/16)
Bill Griggs (Re-elected 2/10/15)
Jan McMahon (Re-elected 2/10/15)
Aaron Chia (Deputy Member - Re-appointed 11/11/15)
Liz Hlipala (Deputy Member - Re-appointed 23/07/15)
Leah York (Deputy Member - Re-appointed 11/11/15)
John Wright (Deputy Member - Re-appointed 8/09/16)
Philip Jackson (Presiding Member - Appointed 09/09/13; Term of appointment expired 08/09/16)

The South Australian Superannuation Board Audit, Risk and Finance Committee

Virginia Deegan (Convenor)
Annette Hurley (Presiding Member)
John Wright
Philip Jackson (Term of appointment expired 08/09/16)

The South Australian Superannuation Board Member Services Committee

Jan McMahon (Convenor of Meetings)
Leah York
Bill Griggs
John Montague

Compensation

	2017 \$'000
Salaries and other short-term employee benefits	<u>162</u>
Total	<u>162</u>

Transactions with Key Management Personnel and other related parties

There were no transactions to disclose for key management personnel or related parties.

Significant transactions with government related entities

There were no significant transactions with government entities other than those disclosed elsewhere in the financial statements.

South Australian Superannuation Board

Note 13 Cash flow reconciliation

	2017	2016
	\$'000	\$'000

Reconciliation of cash and cash equivalents - at the end of the reporting period

Cash and cash equivalents disclosed in the Statement of Financial Position	732	14 828
Balance as per the Statement of Cash Flows	732	14 828

Reconciliation of total comprehensive result to net cash provided by operating activities:

Total comprehensive result	(8 624)	(2 975)
----------------------------	---------	---------

Movement in operational assets and liabilities

(Increase) in receivables	(481)	(557)
---------------------------	-------	-------

(Decrease)/Increase in payables	(4 991)	3 524
---------------------------------	---------	-------

Net cash (used in) operating activities	(14 096)	(8)
--	-----------------	-------------

Note 14 Financial instruments

The Board holds all cash in a Deposit Account with the Treasurer which receives interest at the applicable SA Government rate. The Board's current receivables and payables are non-interest bearing, while its Loan Receivable is interest bearing. There are no fair value differences as carrying values approximate fair value and there is minimal exposure to interest rate or market risk due to the nature of the financial assets and liabilities held.

The Board does not have any assets that are past, due or impaired and credit risk is limited to the Southern Select Corporation Loan Arrangement (Refer Note 17).

The Board's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Note 15 Transactions with SA Government

	SA Government		Non-SA Government		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Expenses	27 274	20 275	-	128	27 274	20 403
Total Income	18 650	17 428	-	-	18 650	17 428
Receivables	1 308	570	297	554	1 605	1 124
Payables	17	5 008	-	-	17	5 008

Note 16 Events after the reporting period

There were no significant events after the reporting period.

South Australian Superannuation Board

Note 17 Southern Select Corporation Loan Arrangement

At the 8 June 2012 Board meeting, the Board agreed to provide funding of \$500,000 from its then Capital and Development Reserve account for the purpose of establishing a new fund; Super SA Select (the Fund).

The terms of the loan are set out in Schedule 2 of the *Public Corporations (Southern Select Super Corporation) Regulations 2012* (the Regulations) and the tri-partite Funding Deed between the Board, the Minister for Finance and the Southern Select Super Corporation (the Trustee). The Funding Deed was executed on 28 June 2013 with a drawdown date of 5 July 2013.

The repayment of the loan by the Trustee from the Fund, together with interest, will be in accordance with Schedule 2 of the Regulations. If at the end of the financial year the Fund has a net surplus, defined as Net Assets exceeding Liability for Accrued Benefits Allocated to Members' Accounts, the interest receivable in that year must be received on or before 31 July of the following financial year. If the Fund does not have a net surplus at the end of the financial year, the interest receivable for that year will be capitalised into the principal amount receivable. At the end of 2016-17 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount receivable was \$8,000 (2016 \$9,000).

Principal repayments are required when administration fees charged to members of the Fund for the financial year exceed the cost of the administration of the Fund (other than investment management charges). For 2016-17 there was no principal repayment required (refer to the Fund's Financial Report) (2016 Nil).

Note 18 ICT Solution Project

The Office utilises a range of different Information and Communications Technology (ICT) systems to administer its superannuation schemes. The ICT systems currently in use are nearing end-of-life. They also present escalating integration complexities and resource efforts associated with each application's ongoing administration.

The Office established the ICT Solution Project to identify, procure and implement a Commercial-off-the-shelf superannuation administration ICT system that addresses the above limitations by replacing existing legacy ICT systems and expanding the current functionality.

DST Bluedoor Pty Limited was engaged as the preferred respondent for the implementation of the new ICT System which is being overseen and governed by the Super SA Board.

The ICT Solution Project officially commenced in February 2016 and will be implemented in two phases. All schemes and functionality is scheduled to be implemented during 2018.

The funding for the implementation of the project is apportioned across all schemes based on membership. The Board administered schemes will provide funding via the General Reserve, Triple S Insurance Reserve, Triple S Administration Reserve and the Retirement Investment Fund Administration Reserve.

The Board's ICT Project Costs (refer to note 4) reflect the reimbursement of ICT Solution Project costs incurred by the Department of Treasury and Finance. In accordance with the Department of Treasury and Finance policies, the intangible assets – work in progress is recognised in their financial report as at 30 June 2017.

South Australian Superannuation Board

Certification of the financial statements

We certify that the attached general purpose financial statements for the South Australian Superannuation Board (the Board):

- comply with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and any relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Board; and
- present a true and fair view of the financial position of the Board as at 30 June 2017 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Board for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 15/09/2017



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

**To the Presiding Member
South Australian Superannuation Board
South Australian Superannuation Scheme**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 20AB of the *Superannuation Act 1998*, I have audited the financial report of the South Australian Superannuation Scheme for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Superannuation Scheme as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2017
- an Income Statement for the year ended 30 June 2017
- a Statement of Changes in Member Benefits for the year ended 30 June 2017
- Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the South Australian Superannuation Scheme. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the General Manager, State Superannuation Office and members of the South Australian Superannuation Board for the financial report

The General Manager, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the South Australia Superannuation Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.


As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Manager, State Superannuation Office

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the General Manager, State Superannuation Office and the Presiding Member of the South Australian Superannuation Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

21 September 2017

South Australian Superannuation Scheme

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$000	2016 \$000
Assets			
Cash and cash equivalents		5 725	4 014
Contributions receivable	5	1 058	917
Receivables	6	3 096	5 890
Investments			
Cash Investments		80 456	129 615
Inflation Linked Securities A		225 260	277 908
Property A		744 096	679 876
Australian Equities A		1 279 971	1 138 324
International Equities A		1 295 035	1 145 729
Long Term Fixed Interest		24 998	133 694
Short Term Fixed Interest		9 544	10 833
Diversified Strategies Growth A		570 616	518 480
Diversified Strategies Income		759 242	745 392
Socially Responsible		2 069	3 143
Total assets		5 001 166	4 793 815
Liabilities			
Benefits payable		16 796	18 685
Payables	9	103	894
Total liabilities excluding member benefits		16 899	19 579
Net assets available for member benefits	18	4 984 267	4 774 236
Member benefits			
Defined benefit member liabilities	4	9 204 894	9 422 495
Defined contribution member liabilities	3	656 776	641 491
Total member benefits		9 861 670	10 063 986
Total net assets/(liabilities)		(4 877 403)	(5 289 750)
Equity			
Defined benefits that are (under) funded		(4 877 403)	(5 289 750)
Total equity		(4 877 403)	(5 289 750)

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Income Statement

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Changes in investments measured at fair value		603 603	213 969
Interest		96	121
Total revenue		603 699	214 090
Investment expenses	10	38 859	33 645
Higher education expense	13	9 019	9 094
Administration expenses	11	2 699	2 339
Total expenses		50 577	45 078
Result from superannuation activities		553 122	169 012
Net change in defined benefit member liabilities		61 522	23 106
Allocation to defined contribution members accounts		(202 297)	(150 599)
Net operating result		412 347	41 519

The Income Statement should be read in conjunction with the accompanying notes.

South Australian Superannuation Scheme

Statement of Changes in Member Benefits

For the year ended 30 June 2017

	Note	Defined Benefit Members \$000	Defined Contribution Members \$000	Total \$000
Opening balance as at 1 July 2016		9 422 495	641 491	10 063 986
Contributions for Past Service Liability	14	392 373	-	392 373
Employer contributions	15	49 198	-	49 198
Public Authority employer contributions		36 875	-	36 875
Member contributions		1 692	15 691	17 383
Transfers from other super entities		46	804	850
Government co-contributions		1	32	33
Net contributions		480 185	16 527	496 712
Benefits to members (benefits paid and payable)		(636 264)	(203 539)	(839 803)
Net benefits allocated, comprising:				
Net investment income		493 409	71 431	564 840
Net administration expenses		(11 356)	(362)	(11 718)
Net change in member liabilities		(543 575)	131 228	(412 347)
Closing balance as at 30 June 2017		9 204 894	656 776	9 861 670

	Note	Defined Benefit Members \$000	Defined Contribution Members \$000	Total \$000
Opening balance as at 1 July 2015		9 627 177	671 176	10 298 353
Contributions for Past Service Liability	14	353 254	-	353 254
Employer contributions	15	56 739	-	56 739
Public Authority employer contributions		37 449	-	37 449
Member contributions		2 352	17 067	19 419
Transfers from other super entities		190	1 176	1 366
Government co-contributions		1	35	36
Net contributions		449 985	18 278	468 263
Benefits to members (benefits paid and payable)		(631 561)	(198 562)	(830 123)
Net benefits allocated, comprising:				
Net investment income		156 663	23 782	180 445
Net administration expenses		(11 121)	(312)	(11 433)
Net change in defined benefit member liabilities		(168 648)	127 129	(41 519)
Closing balance as at 30 June 2016		9 422 495	641 491	10 063 986

The Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2017

	2017 \$000	2016 \$000
(Under) funded benefits opening balance 1 July	(5 289 750)	(5 331 269)
Net operating result	412 347	41 519
(Under) funded benefits closing balance 30 June	(4 877 403)	(5 289 750)

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

South Australian Superannuation Scheme

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Bank interest received		100	123
Higher education expenses		(9 019)	(9 094)
GST Recovered from the ATO		202	142
Administration expenses paid		(2 892)	(2 533)
Net cash flows from operating activities	16	(11 609)	(11 362)
Receipts from the sale of investments from Funds SA		789 858	776 791
Payments to Funds SA for the purchase of investments		(433 406)	(398 686)
Net cash flows from investing activities		356 452	378 105
Employer contributions		49 100	57 522
Past service liability contributions		392 373	354 014
Commonwealth and Public Authorities contributions		39 601	37 001
Member contributions		17 340	19 641
Transfers from other superannuation entities		58	2 158
Pension benefits to members		(617 941)	(611 903)
Benefit payments to members		(223 663)	(226 790)
Net cash flows from financing activities		(343 132)	(368 357)
Net change in cash		1 711	(1 614)
Cash at beginning of the financial period		4 014	5 628
Cash at end of the financial period		5 725	4 014

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

South Australian Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) *South Australian Superannuation Scheme*

The South Australian Superannuation Scheme (the Scheme) is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the South Australian Government and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5 and 6 percent. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme (Triple S), to meet the minimum requirements of the Commonwealth legislation. At this point the member will be recognised as a Triple S member and their Scheme account will be maintained to reflect the contribution points previously accrued.

Since October 1989, the Act has required that contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australian Superannuation Fund (the Fund), which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

The Scheme is an exempt public sector superannuation scheme and operates on a not for profit basis.

(b) *South Australian Superannuation Board*

The Act charges the South Australian Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board has contracted the Department of Treasury and Finance (DTF) to provide administrative services in accordance with the Act. A portion of the administrative costs are recovered from the Scheme. The Board's financial report provides the total administration cost paid to DTF.

Under the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

(c) *Superannuation Funds Management Corporation of South Australia*

Funds SA is a South Australian Government Entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the South Australian Superannuation Scheme Contribution Account (the Account), reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA.

(d) *Funding arrangements*

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a Special Deposit Account with DTF established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with section 47C and 47D of the Act. During the year ended 30 June 2017 all payments were made from the Special Deposit Account. Employer contributions for the year have been made at the rate determined by the scheme actuary.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government Departments, Statutory Authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 26 percent (2016 26 percent) for old scheme contributors and 14.75 percent (2016 14.75 percent) for new scheme contributors.

South Australian Superannuation Scheme

Funding arrangements (cont.)

Funding for the employer portion of payments met from the Account is from monies deposited under arrangements with respective employers. Monies deposited in the Account are invested and managed by Funds SA but do not form part of the Fund. The Treasurer seeks reimbursement from the Account balances as benefits are paid. The arrangements with employers are:

(i) State government departments

State government departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account. During the reporting period \$34.086 million (2016: \$41.444 million) was received or receivable from State Government Departments.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2017 the Government transferred a total of \$387.8 million (2016: \$350.0 million) into the Account. Current Government policy is that it will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

(ii) Statutory authorities

Where the employer proportion of a payment relates to Statutory Authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- *State government liability for statutory authorities*
These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in Note 1(d)(i).
- *Employer contribution accounts*
Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment performed every three years. The Treasurer deposits these monies in the Account into what are referred to as the Employer Contribution Accounts. The Treasurer seeks reimbursement from the Employer Contribution Account balances as benefits are paid.

Contributions of \$3.911 million (2016: \$2.592 million) have also been received from SA Water, \$441 000 (2016: \$571 000) from ReturnToWorkSA and \$221 000 (2016: \$91 000) from Forestry SA to fund their accrued superannuation liabilities.
- *Public authorities accounts (universities)*
Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

Of the total contributions received from Statutory Authorities, \$14.926 million (2016: \$14.683 million) relates to amounts received or receivable from SA Government entities and \$186 000 (2016: \$612 000) relates to amounts received from non-SA Government entities.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the Public Authorities Accounts referred to in Note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government Departments and the State Government liability for Statutory Authorities. The net assets figure shown in this report represents the amount available to meet these future benefits.

2. Significant accounting policies

(a) Basis of accounting

This financial report is a general purpose financial report. The financial statements have been prepared in accordance with relevant Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

This financial report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$000).

The scheme is a not-for-profit entity for the purpose of preparing financial statements.

South Australian Superannuation Scheme

(b) Adoption of AASB 1056

The Board adopted AASB 1056 *Superannuation Entities* (AASB 1056), applicable for annual reporting periods beginning on or after 1 July 2016.

The adoption of AASB 1056 has resulted in:

- Changes to the presentation format of the financial statements;
- Changes to the measurement of assets and liabilities from 'net market value' to 'fair value', excluding member liabilities, tax assets and liabilities;
- Additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13 Fair Value Measurement;
- Member benefits recognised as liabilities rather than equity; and
- Contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses, and are presented in the statement of changes in member benefits.

In accordance with the transitional provisions of AASB 1056, the Scheme has applied the new accounting Standard retrospectively from the start of the comparative period.

The adoption of AASB 1056 had the following impact on the financial statements at the transition date of 1 July 2016 for the year ended 30 June 2016:

Description	As previously reported as at 30 June 2016 \$000	Transition adjustment \$000	Restated balance as at 30 June 2016 \$000
Impact of AASB1056 on statement of financial position			
Investments			
Change in measurement from net market value to fair value			
Australian equities	1 134 445	3 879	1 138 324
International equities	1 140 877	4 852	1 145 729
	<u>2 275 322</u>	<u>8 731</u>	<u>2 284 053</u>
Member benefits			
Member benefits recognised as liabilities rather than equity:			
Defined contribution member liabilities	-	641 491	641 491
Defined benefit member liabilities	-	9 422 495	9 422 495
	<u>-</u>	<u>10 063 986</u>	<u>10 063 986</u>
Equity			
Member benefits recognised as liabilities rather than equity:			
Defined contribution member liabilities	641 491	(641 491)	-
Defined benefit member liabilities	9 422 495	(9 422 495)	-
Member benefits	<u>10 063 986</u>	<u>(10 063 986)</u>	<u>-</u>
Impact of AASB1056 on income statement			
Profit before income tax previously reported	32 788	-	32 788
Change in measurement from net market value to fair value:			
Changes in investments measured at fair value	-	8 730	8 730
Contributions, rollovers and other inward transfers and benefits paid to members are transferred to the statement of changes in member benefits:			
Contributions for past service liability	-	(353 254)	(353 254)
Employer contributions	-	(56 739)	(56 739)
Member contributions	-	(19 419)	(19 419)
Transfers from other superannuation funds	-	(1 366)	(1 366)
Commonwealth and public debtors	-	(37 449)	(37 449)
Benefits paid to members/beneficiaries	-	595 721	595 721
Operating activities	<u>32 788</u>	<u>136 224</u>	<u>169 012</u>
Benefits allocated to members accounts	-	(127 493)	(127 493)
Net operating result	<u>32 788</u>	<u>8 731</u>	<u>41 519</u>

(c) New accounting standards and interpretations

The Board applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 July 2016. The nature of each new standard or amendment (or both) is described below. Apart from AASB 1056, the adoption of these standards and amendments has not had any significant financial impact on the financial statements.

South Australian Superannuation Scheme

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the annual reporting period ended 30 June 2017. The impact of these standards and interpretations has been assessed and to the extent applicable to the Scheme are outlined in the table below. Standards and Interpretations that are not expected to have a material impact on the Scheme have not been included.

Ref	Title	Application Date	Impact on Fund financial report
AASB 2016-1	Amendments to Australia Accounting Standards – recognition of deferred tax assets for unrealised losses	1 July 2017	No significant impact
AASB 2016-2	Amendments to Australia Accounting Standards – disclosure initiative – amendments to AASB107	1 July 2017	No significant impact
AASB 2017-2	Amendments to Australia Accounting Standards – further annual improvements 2014-2016 cycle	1 July 2017	No significant impact
AASB 9 and relevant amending standards	Financial Instruments	1 July 2018	No significant impact

(d) *Financial assets and liabilities*

(a) **Classification**

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

Financial assets and liabilities held for trading

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Scheme.

Financial instruments designated at fair value through profit or loss upon initial recognition

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

(b) **Recognition**

The Scheme recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Scheme commits to purchase or sell the asset.

(c) **Initial recognition**

Financial assets and financial liabilities at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the income statement.

Receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Scheme recognises the difference in the income statement, unless specified otherwise.

(d) **Subsequent measurement**

After initial measurement, the Scheme measures investments at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement. Interest earned is recorded in 'Interest revenue'.

(e) **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Scheme.

South Australian Superannuation Scheme

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Scheme uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(g) Receivables and payables

Receivables are carried at nominal amounts due that approximate fair value. Receivables are normally settled within 30 days. Payables are carried at nominal amounts that approximate fair value. They represent liabilities for goods and services provided to the Scheme prior to the end of the financial year that are unpaid when the Scheme becomes obliged to make future payments in respect of the purchase of these goods or services.

(h) Benefits payable

Benefits payable are valued at fair value and relate to members who have ceased employment and provided the Scheme with appropriate notification on or prior to 30 June 2017 but paid after 30 June 2017. These also include pension payments payable on or prior to 30 June 2017 but paid after 30 June 2017.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in fair values

Changes in the fair value of investments invested with Funds SA are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

Interest

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and recognised in the income statement.

(j) Taxation

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax. Therefore no income tax has been brought to account in this financial report.

(k) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When 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 part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the ATO are classified as operating cash flows.

(l) Foreign currency

The functional and presentation currency of the Scheme is Australian dollars, which is the currency of the primary economic environment the Scheme operates. The Scheme's performance is evaluated and its liquidity managed in Australian dollars. Therefore, the Australian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(m) Investments

Funds SA provides investments measured at fair value. Below is the basis for valuation of these investments.

South Australian Superannuation Scheme

(i) Inflation Linked Securities A

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed property trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities A

The Australian Equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities A

The International Equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

South Australian Superannuation Scheme

(n) Operation of Investment Portfolio

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2017, Funds SA managed eight distinct investment options each differing by strategic asset allocation:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash
- Socially Responsible Investment.

During the financial year all of the above investment options were available to members for assets invested in the South Australian Superannuation Fund Account (New Scheme Division). The assets of the South Australian Superannuation Fund Account (Old Scheme Division) and the South Australian Superannuation Scheme Contribution Account are invested in the Defined Benefit option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(o) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

(p) Significant accounting judgements, estimates and assumptions

The preparation of the Scheme's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been presented to be consistent with current period disclosures.

Fair value of investments

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model. The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of these investments.

Valuation of defined benefits member liabilities

The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions include member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the actuary considers an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of defined benefit member liabilities.

The mortality assumption is based on publicly available mortality tables. Future salary increases are based on the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

3. Defined contribution member liabilities

The employee funded, defined contribution component for new scheme contributors has an accrued liability that is the balance of the employees' contribution accounts as at the end of the financial year. These accounts are valued using unit prices that are determined by the underlying investment movements.

South Australian Superannuation Scheme

Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Unit prices are updated twice weekly.

Refer to Note 17 for the Scheme's management of the investment risks.

4. Defined benefit member liabilities

The Scheme engages Ms Catherine Nance, Fellow of the Institute of Actuaries of Australia from PricewaterhouseCoopers to measure the defined benefits members' liabilities and the employer funded defined benefit component in respect of new scheme contributors. The Scheme has no information that would lead to adjustments to the assumptions, and which are all unchanged from the previous reporting period.

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2017.

The expected future benefit payments have been determined using the 2016 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. Henceforth, the actuarial valuation of member liabilities of the South Australian Superannuation Scheme will be undertaken annually, as the end of each financial year.

The key assumptions used to determine the values of accrued benefits were:

- The future rate of investment earnings (net of investment taxes and fees): 7.0 percent per annum (2016: 7.0 %);
- The future rate of salary growth: 4.0 percent per annum (2016: 4.0%); and
- Long term inflation (CPI): 2.5 percent per annum (2016: 2.5%).

The defined benefit members' liabilities have changed in the current financial year as a result of salary increases and additional service accrual. Note, the defined contribution values are included in the tables below for comparison.

	2017			2016		
	Defined Benefit \$000	Defined Contribution \$000	Total \$000	Defined Benefit \$000	Defined Contribution \$000	Total \$000
Member liabilities	9 204 894	656 776	9 861 670	9 422 495	641 491	10 063 986
	9 204 894	656 776	9 861 670	9 422 495	641 491	10 063 986

	2017			2016		
	Old Scheme \$000	New Scheme \$000	Total \$000	Old Scheme \$000	New Scheme \$000	Total \$000
SA Superannuation Fund	1 147 745	656 776	1 804 521	1 175 178	641 491	1 816 669
SA Superannuation Scheme contribution a/c:						
Employer contribution accounts	1 207 195	352 463	1 559 658	1 228 526	370 847	1 599 373
SA Government employer account	5 503 587	685 280	6 188 867	5 644 006	685 548	6 329 554
Public authorities	301 160	7 464	308 624	309 168	9 222	318 390
	8 159 687	1 701 983	9 861 670	8 356 878	1 707 108	10 063 986

The Board has a number of steps in place to manage the risks associated with the defined benefits. The Board has appointed external consulting actuaries to advise on the risks, including establishing suitable funding objectives.

The Board also uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The Scheme has identified two assumptions (being the discount rate and the rate of salary adjustment) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities.

The assumed discount has been determined by reference to the investment returns expected on an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of defined benefit member liabilities.

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include: pension indexation rates, mortality rates and resignations. The following table outlines the defined benefit liability sensitivity estimates provided by the scheme actuary on the discount rate, salary increase rate and pension increase rate ^(a).

South Australian Superannuation Scheme

Scenario	Member Liability result \$000	Change in member benefit liability \$000	Change in member benefit liability %
Base Case	9 205		
Discount rate plus 0.5%	8 823	(382)	(4.1)
Discount rate less 0.5%	9 618	413	4.5
Salary increase rate plus 0.5%	9 239	34	0.4
Salary increase rate less 0.5%	9 172	(33)	(0.4)
Pension increase rate plus 0.5%	9 602	397	4.3
Pension increase rate less 0.5%	8 836	(369)	(4.0)

^(a) Excludes Lump Sum Scheme accumulation liabilities

The SA Government is responsible for funding the SA Government Employer Account and part of the Employer Contribution Accounts. The remaining liability includes the members fund, commercial entities and the Commonwealth share of the universities.

Vested benefits

	2017			2016		
	Old Scheme \$000	New Scheme \$000	Total \$000	Old Scheme \$000	New Scheme \$000	Total \$000
SA Superannuation Fund	1 149 580	656 776	1 806 356	1 177 104	641 491	1 818 595
SA Superannuation Scheme contribution a/c:						
Employer contribution accounts	1 213 697	388 618	1 602 315	1 235 548	407 815	1 643 363
SA Government employer account	5 507 573	771 587	6 279 160	5 647 716	767 887	6 415 603
Public authorities	301 247	8 109	309 356	309 654	9 911	319 565
	8 172 097	1 825 090	9 997 187	8 370 022	1 827 104	10 197 126

Vested benefits are only available by the Old Scheme/New Scheme disaggregation. Vested benefits are benefits that are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

5. Contributions receivable

	2017 \$000	2016 \$000
Member contributions receivable	254	211
Employer contributions receivable	804	706
	<u>1 058</u>	<u>917</u>

6. Receivables

	2017 \$000	2016 \$000
Interest receivable	7	10
Benefit repayments	431	444
GST recoup from ATO	52	59
Overpaid pensions	8	15
Prepaid benefits	21	58
Public authorities	2 529	5 232
Temporary disability	48	72
	<u>3 096</u>	<u>5 890</u>

7. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the

South Australian Superannuation Scheme

asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Valuations are the responsibility of the Board. The valuation of investments is performed on a twice weekly basis and are subject to quality assurance procedures.

After the checks above have been performed the Board considers the valuation results, including assumptions used in the valuations.

The Board also considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

Valuation technique

The Scheme's investments are not quoted in an active market. The Scheme's investment manager, Funds SA considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the underlying funds and fund managers. In measuring fair value, consideration is also paid to any transactions of a fund. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

Financial assets at fair value through profit or loss - Level 2	2017	2016
Level 1 and level 3 are not relevant to the Scheme	\$000	\$000
Unlisted managed investment schemes		
Funds SA	4 991 287	4 782 993
	4 991 287	4 782 993

8. Movement in the value of investments

	2017	2016
	\$000	\$000
Investments at 1 July	4 782 993	4 980 774
Cash	(49 159)	(47 327)
Inflation Linked Securities A	(52 648)	(82 561)
Property A	64 220	(32 178)
Australian Equities A	141 647	(45 711)
International Equities A	149 307	(120 861)
Long Term Fixed Interest A	(108 696)	33 870
Short Term Fixed Interest	(1 289)	(1 889)
Diversified Strategies Growth A	52 136	37 679
Diversified Strategies Income	13 850	61 409
Socially Responsible	(1 074)	(212)
Change in investments	208 294	(197 781)
Investments at 30 June	4 991 287	4 782 993

9. Payables

	2017	2016
	\$000	\$000
Audit fees	81	79
Rollovers payable	-	792
Health commissions	-	14
Returned benefit payments	21	9
Refund of co-contributions	1	-
	103	894

10. Investment expenses

	2017	2016
	\$000	\$000
Investment expenses	38 859	33 645

South Australian Superannuation Scheme

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. The 2017 investment expenses increased due mainly to higher performance fees that aligned with investment performance for the year.

11. Administration expenses

	2017	2016
	\$000	\$000
Administration expenses ⁽ⁱ⁾	2 594	2 229
Other expenses ⁽ⁱⁱ⁾	105	110
	2 699	2 339

(i) Administration expenses comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a share of the administration cost from the Scheme.

(ii) Other expenses include Auditor's remuneration. Refer note 12.

12. Auditors' remuneration

	2017	2016
	\$000	\$000
Audit fees paid or payable	75	74
	75	74

Audit fees paid (or payable), GST exclusive, relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department.

13. Higher education superannuation costs

An amount of \$9.019 million (2016: \$9.094 million) was paid to the Commonwealth Government that related to the South Australian share of the 2017 higher education superannuation costs under the Commonwealth – State agreement. This agreement provides that the employer component of the superannuation benefits payable to former employees of South Australian Universities who were members of one of the main State Schemes, be shared.

14. Contributions for past service liability

	2017	2016
	\$000	\$000
SA Government	387 800	350 000
SA Water	3 911	2 592
Workcover	441	571
Forestry SA	221	91
	392 373	353 254

15. Employer contributions

	2017	2016
	\$000	\$000
State government departments	34 086	41 444
Statutory authorities – state government entities	14 926	14 683
Statutory authorities – non-state government entities	186	612
	49 198	56 739

South Australian Superannuation Scheme

16. Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2017 \$000	2016 \$000
Cash and cash equivalents	5 725	4 014
Reconciliation of operating result to net cash flows from operating activities		
Net operating result	412 347	41 519
Adjustments for:		
Changes in investments measured at fair value	(603 603)	(213 969)
Investment expenses	38 859	33 645
(Increase) / decrease in receivables	11	(42)
Increase / (decrease) in payables	2	(8)
Allocation to members' accounts	140 775	127 493
Net flows from operating activities	(11 609)	(11 362)

17. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

I. Currency risk

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

The Scheme's currency risk is managed by Funds SA as investments include assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 50 percent hedged to Australian dollars.

South Australian Superannuation Scheme

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

II. Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

The Fund's interest rate risk is managed by Funds SA, as investments include fixed interest securities.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate fair value.

III. Other market price risk

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

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

The Fund's other market price risk is managed by Funds SA, as investments include financial instruments exposed to market prices.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment options are consistent with the time horizon of each.

IV. Investments sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment asset class. The following tables show the market risk around expected average returns for each asset class.

2017

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	3.2	1.3	1 365
Inflation Linked Securities A	3.3	4.0	10 063
Property A	7.9	11.1	79 030
Australian Equities A	8.7	19.7	238 202
International Equities A	9.5	16.7	203 804
Long Term Fixed Interest	3.3	3.8	3 015
Short Term Fixed Interest	3.0	2.7	275
Diversified Strategies Growth A	9.2	16.3	88 761
Diversified Strategies Income	6.6	6.5	48 901

2016

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	2.9	1.6	2 452
Inflation Linked Securities A	3.0	4.3	13 725
Property A	7.7	11.0	76 556
Australian Equities A	8.4	19.7	228 752
International Equities A	9.1	16.6	200 222
Long Term Fixed Interest	3.3	3.4	3 970
Short Term Fixed Interest	3.1	3.6	424
Diversified Strategies Growth A	9.5	16.3	81 441
Diversified Strategies Income	6.6	6.3	45 025

South Australian Superannuation Scheme

The statistics shown above are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have zero percent tax rate applied and exclude franking credits.

Market risk is a useful historical measure of the variability of returns earned by an investment portfolio. The market risk shown above represents the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

The dollar value of the potential impact on the Income Statement arising from the market risk is indicative only. The impacts are not additive across investment asset classes, as each asset class operates in different markets and is subject to different conditions.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired and there is no concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

For the Scheme's investments, Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

For the Scheme itself, the liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2017	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	16 796	16 796	16 796
Payables ⁽ⁱ⁾	22	22	22
Vested benefits ⁽ⁱⁱ⁾	9 997 187	9 997 187	9 997 187
Total	10 014 005	10 014 005	10 014 005
30 June 2016	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	18 685	18 685	18 685
Payables ⁽ⁱ⁾	815	815	815
Vested benefits ⁽ⁱⁱ⁾	10 197 126	10 197 126	10 197 126
Total	10 216 626	10 216 626	10 216 626

South Australian Superannuation Scheme

- (i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).
- (ii) Vested benefits have been included in the "Less than 3 months" column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depends on, or is derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

South Australian Superannuation Scheme

18. Net assets available for member benefits

AASB1056 recommends segregation to distinguish between different member accounts based on risk profile. The defined benefit/defined contribution split is a natural disaggregation arising from the different market risk exposures of these member categories. An alternative disaggregation is the segregation into Old Scheme (Pension Scheme) and New Scheme (Lump Sum). The following net assets table shows the splits across these latter accounts and demonstrates net assets available to pay benefits consisting of the combined balances of the South Australian Superannuation Fund and the South Australian Superannuation Scheme Contribution Account. Movements in the balances of these accounts are detailed below:

	Old Scheme Division \$000	New Scheme Division \$000	Total 2017 \$000	Total 2016 \$000
SA Superannuation Fund Account (employee component)				
Funds held at 1 July	1 426 887	629 153	2 056 039	2 118 225
Contributions	1 692	15 691	17 383	19 419
Rollovers from other schemes	46	804	850	1 366
Changes in investments measured at fair value	183 284	76 263	259 547	92 265
Government co-contributions	1	32	33	36
Bank interest and other revenue	16	13	29	36
	<u>185 040</u>	<u>92 803</u>	<u>277 843</u>	<u>113 122</u>
Benefits paid and payable	89 759	73 384	163 143	160 515
Investment expenses	11 765	4 845	16 610	14 056
Co-contributions transferred to other scheme	1	32	33	36
Administration expenses	450	362	812	701
	<u>101 975</u>	<u>78 623</u>	<u>180 599</u>	<u>175 308</u>
Funds held at 30 June	<u>1 509 951</u>	<u>643 332</u>	<u>2 153 284</u>	<u>2 056 039</u>
SA Superannuation Scheme Contribution Account (employer component)				
			Total 2017 \$000	Total 2016 \$000
Funds held at 1 July			2 718 197	2 848 859
Employer contributions:				
State government departments			34 086	41 444
Statutory authorities			15 112	15 295
Contribution for past service liability			392 373	353 254
			<u>441 571</u>	<u>409 993</u>
Changes in investments measured at fair value			344 056	121 705
Bank interest and other revenue:				
Public authorities			36 822	37 403
Interest received			67	86
Temporary disability			53	46
			<u>822 569</u>	<u>569 233</u>
Benefits paid and payable:				
Old scheme contributors			546 505	542 039
New scheme contributors			130 122	127 535
			<u>676 627</u>	<u>669 574</u>
Investment expenses			22 249	19 589
Higher education superannuation costs			9 019	9 094
Administration expenses			1 888	1 638
			<u>709 783</u>	<u>699 895</u>
Funds held at 30 June			<u>2 830 983</u>	<u>2 718 197</u>
Net assets available for member benefits			<u>4 984 267</u>	<u>4 774 236</u>

19. Segment information

The Scheme operates in one reportable segment, being the provision of benefits to members. The Scheme also operates from one reportable geographic segment, being Australia, from where its activities are managed. While the Scheme operates from Australia only, the Scheme, through its investment managers Funds SA, has investment exposures in different countries and across different industries.

South Australian Superannuation Scheme

20. Related parties

Key management personnel

The key management personnel of the Scheme includes the Minister for Finance, Board members and the General Manager, State Superannuation Office who have responsibility for the strategic direction and management of the Scheme.

Compensation

All key management personnel are compensated by the Department of Treasury and Finance or the Board, therefore their compensation is disclosed in the respective financial reports.

Transactions with key management personnel and other related parties

There were no transactions requiring disclosure for key management personnel or related parties.

Transactions with other government entities

There were no significant transactions with government entities other than those disclosed elsewhere in the financial statements.

21. Events after the reporting period

There were no significant events after the reporting period.

South Australian Superannuation Scheme

Certification of the financial report

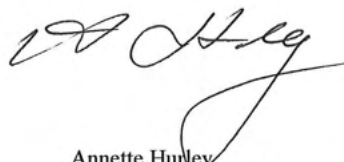
We certify that the attached general purpose financial report for the South Australian Superannuation Scheme:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*;
- is in accordance with the accounts and records of the Scheme; and
- presents fairly the financial position of the Scheme as at 30 June 2017 and the results of its operation and cash flows for the year then ended on that date, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

We certify that the internal controls employed by the Scheme for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 15/09/2017



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

**To the Presiding Member
South Australian Superannuation Board
Southern State Superannuation Scheme**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 15(3) of the *Southern State Superannuation Act 2009*, I have audited the financial report of the Southern State Superannuation Scheme for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Southern State Superannuation Scheme as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2017
- an Income Statement for the year ended 30 June 2017
- a Statement of Changes in Member Benefits for the year ended 30 June 2017
- Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Southern State Superannuation Scheme. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the General Manager, State Superannuation Office and the members of the South Australian Superannuation Board for the financial report

The General Manager, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the South Australian Superannuation Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

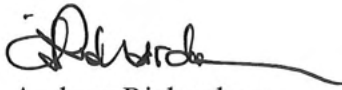
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Manager, State Superannuation Office

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the General Manager, State Superannuation Office and the Presiding Member of the South Australian Superannuation Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

21 September 2017

Southern State Superannuation Scheme

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$000	2016 \$000
Assets			
Cash		15 996	25 309
Receivables	6	613	315
Contributions receivable	7	24 039	17 801
Investments			
	4		
Cash investments		605 327	585 443
Inflation Linked Securities A		1 215 647	1 097 227
Property A		1 819 833	1 654 139
Australian Equities A		3 307 080	2 849 890
International Equities A		3 347 791	2 865 363
Long Term Fixed Interest		1 026 539	846 615
Short Term Fixed Interest		449 277	374 568
Diversified Strategies Growth A		1 251 884	1 156 677
Diversified Strategies Income		2 335 913	2 038 617
Socially Responsible		46 897	55 027
Total assets		15 446 836	13 566 991
Liabilities			
Benefits payable		55 390	25 596
Payables	8	476	134
Unearned revenue		568	49
Insurance liabilities		22 216	19 191
Total liabilities excluding member benefits		78 650	44 970
Net assets available for member benefits	18	15 368 186	13 522 021
Member benefit liabilities	3	15 187 504	13 349 428
Total net assets		180 682	172 593
Equity			
Death, invalidity and income protection insurance reserve	9	149 835	141 260
Administration fee reserve	10	7 518	5 962
Operational risk reserve	11	30 050	27 424
Investment allocation over/(under)		(6 721)	(2 053)
Total equity		180 682	172 593

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Income Statement

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Changes in investments measured at fair value		1 595 166	589 087
Interest revenue		293	262
Other revenue		13	14
Total revenue		1 595 472	589 363
Investment expenses	14	101 105	79 856
Administration expenses	15	11 634	10 322
Total expenses		112 739	90 178
Result from superannuation activities		1 482 733	499 185
Insurance expenses		5 628	21 565
Result from operating activities		1 477 105	477 620
Allocation to members accounts		(1 469 013)	(481 062)
Net operating result		8 092	(3 442)

The Income Statement should be read in conjunction with the accompanying notes.

Southern State Superannuation Scheme

Statement of Changes in Member Benefits

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Opening balance as at 1 July		13 349 428	12 681 908
Employer contributions		1 098 629	1 028 912
Member contributions		140 589	119 170
Transfers from other super entities		322 152	268 777
Government co-contributions		1 389	1 574
		1 562 759	1 418 433
Benefits to members		(1 193 696)	(1 231 975)
Net benefits allocated, comprising:			
Net investment revenue		1 480 634	491 370
Net administration expenses		(11 621)	(10 308)
Closing balance as at 30 June		15 187 504	13 349 428

The Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2017

	Administration Fee Reserve \$000	Death, Invalidation and Income Protection Insurance Reserve \$000	Operational Risk Reserve \$000	Investment allocation over/(under) \$000	Total Equity \$000
2017	Note 10	Note 9	Note 11		
Opening balance	5 962	141 260	27 424	(2 053)	172 593
Net operating result	1 556	8 575	3 019	(5 058)	8 092
Net transfers from reserves	-	-	(393)	390	(3)
Closing balance	7 518	149 835	30 050	(6 721)	180 682
2016	Note 10	Note 9	Note 11		
Opening balance	3 985	142 620	26 428	3 003	176 036
Net operating result	1 977	(1 302)	1 018	(5 135)	(3 442)
Net transfers from reserves	-	(58)	(22)	79	(1)
Closing balance	5 962	141 260	27 424	(2 053)	172 593

The Statement of Changes in Reserves should be read in conjunction with the accompanying notes.

Southern State Superannuation Scheme

Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Bank interest		303	276
Other income		945	683
Insurance administration expenses paid		(2 740)	(2 499)
Administration expenses paid		(12 478)	(11 059)
Net cash flows from operating activities	17	<u>(13 970)</u>	<u>(12 599)</u>
Receipts from the sale of investments from Funds SA		233 352	453 628
Payments to Funds SA for the purchase of investments		(621 913)	(600 219)
Net cash flows from investing activities		<u>(388 561)</u>	<u>(146 591)</u>
Employer contributions		1 093 191	1 033 218
Member contributions		140 380	119 628
Government co-contributions		1 510	1 556
Transfers from other superannuation entities		322 119	268 550
Benefit payments to members		(1 163 963)	(1 254 239)
Payments from Operational Risk Reserve		(18)	(14)
Net cash flows from financing activities		<u>393 219</u>	<u>168 699</u>
Net change in cash		(9 313)	9 509
Cash at beginning of the financial period		25 309	15 800
Cash at end of the financial period		<u>15 996</u>	<u>25 309</u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Southern State Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) *Southern State Superannuation Scheme*

The Southern State Superannuation Scheme (the Scheme/the Triple S Scheme) is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 2009* (the Act). The Scheme commenced on 1 July 1995 pursuant to the *Southern State Superannuation Act 1994* and is continued under the *Southern State Superannuation Act 2009*. The *Southern State Superannuation Regulations 2009* provide the majority of the Scheme rules that, until 31 July 2009, were set out under the *Southern State Superannuation Act 1994*.

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1 percent, under Regulation 17. A member of the police force, an operations employee of the SA Ambulance Service who commenced employment after 1 July 2008 or a former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme must contribute at a rate of at least 4.5 percent of salary. A separate contribution account is maintained for each member. Member and employer contributions and any rollover amounts and co-contribution amounts are deposited by the Treasurer into the Southern State Superannuation Fund that is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 9.50 (2016 9.50) percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where the member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent.

Benefits, represented by the balances of all member accounts, are available for employees who retire, resign, are retrenched, elect Transition to Retirement or Early Access to Super while still an employee of the SA Public Sector or die and for those who become terminally ill or terminate their employment because of invalidity. The balance of individual member entitlements is provided in annual statements provided to each member.

The Scheme is an exempt public sector superannuation scheme and operates on a not for profit basis.

(b) *South Australian Superannuation Board*

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act to maintain accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the Southern State Superannuation Fund (the Fund). The Act also provides the Board with the necessary powers to administer the Scheme.

The Board is required under section 13 of the Act to adjust a member's contribution account, rollover account and co-contribution account to reflect movements in the value of units allocated to each account.

Pursuant to section 14 of the Act, where a member or members have nominated a class of investments, or a combination of classes of investments, the Board shall adjust a member's contribution account, rollover account and co-contribution account to reflect the movement in the value of units held in the class of investments nominated by the member.

(c) *Superannuation Funds Management Corporation of South Australia*

Funds SA is a South Australian Government Entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

Section 10(3) of the Act provides that the Fund is to be invested and managed by Funds SA.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA.

(d) *Funding arrangements*

The Act requires that member contributions, employer contributions, rollovers from other schemes and co-contributions paid by the Commonwealth be paid to the Treasurer, who, in turn, deposits these amounts into the Fund, the Consolidated Account (which is appropriated to the necessary extent) or to a Special Deposit Account with the Department of Treasury and Finance established for that purpose. During the current reporting period contributions were made to a Special Deposit Account. All employer contributions are received from SA Government Entities.

Under section 10 of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the current reporting period payments were made from the Special Deposit Account.

Southern State Superannuation Scheme

2. Significant accounting policies

(a) Basis of accounting

This financial report is a general purpose financial report. The financial statements have been prepared in accordance with relevant Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987* (PFAA), except as provided below.

This financial report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$000).

The scheme is a not-for-profit entity for the purpose of preparing financial statements.

(b) Adoption of AASB 1056

The Board adopted AASB 1056 *Superannuation Entities* (AASB 1056), applicable for annual reporting periods beginning on or after 1 July 2016.

The adoption of AASB 1056 has resulted in:

- Changes to the presentation format of the financial statements;
- Changes to the measurement of assets and liabilities from 'net market value' to 'fair value', excluding member liabilities, and, insurance assets and liabilities;
- Additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13 Fair Value Measurement;
- Member benefits recognised as liabilities rather than equity;
- Contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses, and are presented in the statement of changes in member benefits; and
- Recognition of insurance related liabilities and measurement of these balances using the same approach to measuring defined benefit member liabilities.

In accordance with the transitional provisions of AASB 1056, the Fund has applied the new accounting Standard retrospectively from the start of the comparative period.

The adoption of AASB 1056 had the following impact on the financial statements at the transition date of 1 July 2016 for the year ended 30 June 2016:

Description	As previously reported as at 30 June 2016 \$000	Transition adjustment \$000	Restated balance as at 30 June 2016 \$000
Impact of AASB 1056 on statement of financial position			
Investments			
Change in measurement from net market value to fair value			
Australian equities	2 840 178	9 712	2 849 890
International equities	2 853 231	12 132	2 865 363
	5 693 409	21 844	5 715 253
Liabilities			
Recognition of insurance liabilities	-	(19 191)	(19 191)
Member benefits			
Member benefits recognised as liabilities rather than equity:			
Member benefit liabilities	-	13 349 428	13 349 428
Equity			
Member benefits recognised as liabilities rather than equity:			
Member benefits	13 349 428	(13 349 428)	-

Southern State Superannuation Scheme

Impact of AASB1056 on operating statement

Benefits accrued as a result of operations previously reported	1 893 399	-	1 893 399
Change in measurement from net market value to fair value:			
Changes in investments measured at fair value	-	21 845	21 845
Recognition of insurance liabilities	-	(19 191)	(19 191)
Contributions, rollovers and other inward transfers are transferred to the statement of changes in member benefits:			
Employer contributions	-	(1 028 912)	(1 028 912)
Member contributions	-	(119 170)	(119 170)
Transfers from other superannuation funds	-	(268 777)	(268 777)
Net government co-contributions	-	(1 574)	(1 574)
Operating activities	1 893 399	(1 415 779)	477 620
Benefits allocated to members accounts	-	(481 062)	(481 062)
Net operating result	1 893 399	(1 896 841)	(3 442)

(c) *New accounting standards and interpretations*

The Board applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 July 2016. The nature of each new standard or amendment (or both) is described below. Apart from AASB 1056, the adoption of these standards and amendments has not had any significant financial impact on the financial statements.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the annual reporting period ended 30 June 2017. The impact of these standards and interpretations has been assessed and to the extent applicable to the Scheme are outlined in the table below. Standards and Interpretations that are not expected to have a material impact on the Scheme have not been included.

Ref	Title	Application Date	Impact on Fund financial report
AASB 2016-1	Amendments to Australia Accounting Standards – recognition of deferred tax assets for unrealised losses	1 July 2017	No significant impact
AASB 2016-2	Amendments to Australia Accounting Standards – disclosure initiative – amendments to AASB107	1 July 2017	No significant impact
AASB 2017-2	Amendments to Australia Accounting Standards – further annual improvements 2014-2016 cycle	1 July 2017	No significant impact
AASB 9 and relevant amending standards	Financial Instruments	1 July 2018	No significant impact

(d) *Financial assets and liabilities*

i) Classification

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

Financial assets and liabilities held for trading

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Scheme.

Financial instruments designated at fair value through profit or loss upon initial recognition

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

ii) Recognition

The Scheme recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Scheme commits to purchase or sell the asset.

Southern State Superannuation Scheme

iii) Initial recognition

Financial assets and financial liabilities at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the income statement.

Receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Scheme recognises the difference in the income statement, unless specified otherwise.

iv) Subsequent measurement

After initial measurement, the Scheme measures investments at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement. Interest earned is recorded in 'Interest revenue'.

v) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Scheme.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Scheme uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

vi) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

vii) Receivables and payables

Receivables are carried at nominal amounts due that approximate fair value. Receivables are normally settled within 30 days. Payables are carried at nominal amounts that approximate fair value. They represent liabilities for goods and services provided to the Scheme prior to the end of the financial year that are unpaid when the Scheme becomes obliged to make future payments in respect of the purchase of these goods or services.

viii) Benefits payable

Benefits payable are valued at fair value and relate to members who have ceased employment and provided the Scheme with appropriate notification on or prior to 30 June 2017 but paid after 30 June 2017. These also include pension payments payable on or prior to 30 June 2017 but paid after 30 June 2017.

ix) Insurance liabilities

Insurance liabilities have been recognised and measured using the approach to measuring defined benefit member liabilities as required by AASB 1056. The Scheme has adopted the equivalent AASB 1056 approved shortcut method that provides a valuation to meet the accrued insurance liabilities as at that date when they are expected to fall due.

x) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in fair values

Changes in the fair value of investments invested with Funds SA are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

Southern State Superannuation Scheme

Interest

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and recognised in the income statement.

xi) Taxation

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

xii) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When 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 part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the ATO are classified as operating cash flows.

xiii) Foreign currency

The functional and presentation currency of the Scheme is Australian dollars, which is the currency of the primary economic environment the Scheme operates. The Scheme's performance is evaluated and its liquidity managed in Australian dollars. Therefore, the Australian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

xiv) Investments

Funds SA provides investments measured at fair value. Below is the basis for valuation of these investments.

(1) Inflation Linked Securities A

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(2) Property A

The Property A portfolio comprises two sub-sectors:

Listed Property Trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(3) Australian Equities A

The Australian Equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(4) International Equities A

The International Equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(5) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

Southern State Superannuation Scheme

(6) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(7) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(8) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(9) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

xv) Operation of investment portfolio

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2017, Funds SA managed eight distinct investment options each differing by strategic asset allocation:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash
- Socially Responsible Investment.

During the financial year all these investment options were available to Southern State Superannuation Scheme members.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

xvi) Significant accounting judgements, estimates and assumptions

The preparation of the Scheme's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been represented to be consistent with current period disclosures.

Fair value of investments

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model. The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of these investments.

3. Member benefit liabilities

Triple S members are defined contribution members and bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Member account balances are determined by unit prices that are determined based on the underlying investment movements. Unit prices are updated twice weekly. Refer to Note 19 for the Fund's management of the investment risks.

Southern State Superannuation Scheme

	2017	2016
	\$000	\$000
Member benefit liabilities at the end of financial year	15 187 504	13 349 428
As compared to net assets available to pay benefits	15 368 186	13 522 021

All defined contribution schemes carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to members on a cash basis.

4. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Valuations are the responsibility of the Board. The valuation of investments is performed on a twice weekly basis and are subject to quality assurance procedures. After the checks above have been performed the Board considers the valuation results, including assumptions used in the valuations.

The Board also considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

Valuation technique

The Scheme's investments are not quoted in an active market. The Scheme's investment manager, Funds SA considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the underlying funds and fund managers. In measuring fair value, consideration is also paid to any transactions of a fund. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

Financial assets at fair value through profit or loss - Level 2	2017	2016
Level 1 and level 3 are not relevant to the Scheme	\$000	\$000
Unlisted managed investment schemes		
Funds SA	15 406 188	13 523 566
	15 406 188	13 523 566

5. Movement in the value of investments

	2017	2016
	\$000	\$000
Investments at 1 July	13 523 566	12 867 744
Cash	19 884	(49 967)
Inflation Linked Securities A	118 420	(133 737)
Property A	165 694	70 420
Australian Equities A	457 190	130 824
International Equities A	482 428	(61 363)
Long Term Fixed Interest	179 924	176 571
Short Term Fixed Interest	74 709	(8 312)
Diversified Strategies - Growth A	95 207	200 456
Diversified Strategies - Income	297 296	320 241
Socially Responsible	(8 130)	10 689
Change in investments	1 882 622	655 822
Investments at 30 June	15 406 188	13 523 566

Southern State Superannuation Scheme

6. Receivables

	2017 \$000	2016 \$000
ATO GST recoup	268	231
Interest	24	21
Other receivables	224	-
Roll overs receivable	97	63
	613	315

7. Contributions receivables

	2017 \$000	2016 \$000
Member contributions	1 255	937
Employer contributions	22 784	16 864
	24 039	17 801

8. Payables

	2017 \$000	2016 \$000
Audit fees	79	77
Other payables	366	56
Contributions refundable	31	1
	476	134

9. Death, Invalidation and Income Protection Insurance Reserve

The Scheme self-insures and provides an insurance benefit based on units of cover, subject to certain limitations, in the event of death or invalidity before age 65. An Income Protection Insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 60.

The *Standard Insurance* benefit of two units of cover costs \$1.50 per week and is compulsory for most members of the scheme except casual employees who can elect to opt out of insurance and those who opted out of an additional unit of cover under Item 1 Schedule 3 of the repealed *Southern State Superannuation Regulations 1995*, and those who are special category members in terms of Regulation 28. Police Officers and operations employees of the SA Ambulance Service, who commenced employment after 1 July 2008 or former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme, are required to have at least 6 units of Standard Insurance cover. The value of a unit of Standard Insurance for members up to age 34 years is \$75 000. The value of a unit declines from age 35. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to \$1.5 million and casual employees up to \$750 000. Fixed Insurance closed to new applications in November 2014.

As required by Section 17 of the repealed Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2013. The actuary concluded that the cost of standard cover exceeds the standard cover premium by \$0.25 per unit per week; an expected premium subsidy of \$3.3 million per annum results. There are sufficient reserves to maintain the current premium subsidy for at least the next three years. In accordance with section 17 of the Act, a report is expected later in 2017 regarding the costs and liabilities of the insurance arrangements in existence as at 30 June 2017.

To be eligible for the Income Protection Insurance benefit, a member must be an active member, working full-time or part-time and receiving an employer contribution. Casual employees not automatically provided with the benefit can apply and be accepted for cover subject to medical evidence. Income Protection payments can continue for 24 months for members employed full or part time. Casual employees can be paid for up to 12 months.

	2017 \$000	2016 \$000
Opening balance of the Death, Invalidation and Income Protection Insurance Reserve	141 260	142 620
Investment earnings on Reserve @ 11.01% ⁽ⁱ⁾	15 295	5 298
Premiums and charges	26 313	25 710
Invalidity payments	(30 403)	(29 994)
Administration fees ⁽ⁱⁱ⁾	(2 630)	(2 316)
Transfer (from) Triple S Operational Risk Reserve	-	(58)
Closing balance of Reserve	149 835	141 260

(i) The Insurance Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2016 was 3.31%.

(ii) The amount relates to the annual administration fee paid for administering the insurance arrangements.

Southern State Superannuation Scheme

10. Administration Fee Reserve

This Reserve has been set aside for future scheme requirements. The movement in the reserve reflects the difference between administration fees collected from members and the cost of administering the scheme during the year.

	2017 \$000	2016 \$000
Opening balance of the Administration Costs Reserve	5 962	3 985
Investment earnings on Reserve @ 11.01% ⁽ⁱ⁾	775	201
Premiums and Charges	12 293	12 008
Administration fees ⁽ⁱⁱ⁾	(11 512)	(10 232)
Closing balance of Reserve	7 518	5 962

- (i) The Administration Fee Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2016 was 3.31%.
(ii) The amount relates to the annual service level agreement paid for administering the Scheme (refer Note 15).

11. Operational Risk Reserve

The Operational Risk Reserve is to be accumulated to 0.25% of funds under management in line with Prudential Standard SPS114. The reserve is currently 0.19% of funds under management.

	2017 \$000	2016 \$000
Opening balance of the Operational Risk Reserve	27 424	26 428
Investment earnings on Reserve @ 11.01% ⁽ⁱ⁾	3 019	1 018
Payments from reserve	(393)	(22)
Closing balance of Reserve	30 050	27 424

- (i) The Operational Risk Reserve is notionally invested in the Balanced Option. The rate of return on earnings in 2016 was 3.31%.

12. Allocated to members' accounts

The value of funds which have been formally allocated to investor accounts equals the member benefits as per Note 15. The formal allocation of earnings to investors' accounts has been determined for the 2016-17 financial year.

13. Unallocated to members' accounts

All accumulation funds carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to members on a cash basis.

14. Investment expenses

	2017 \$000	2016 \$000
Investment expense	101 105	79 856
	101 105	79 856

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. In 2016-17 investment expenses increased due mainly to higher performance fees that aligned with investment performance for the year.

15. Administration expenses

	2017 \$000	2016 \$000
Administration expenses ⁽ⁱ⁾	11 512	10 232
Other expenses ⁽ⁱⁱ⁾	122	90
	11 634	10 322

- i) Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act requires the amount to be paid from the Southern State Superannuation Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2017, the charge was \$1.35 per week per member for all members, active and non-active. The charge for a member with an aggregate balance of \$1 000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's employer contribution account with a minimum of \$10. This charge is included on member annual statements. For the year ended 30 June 2017 the amount charged to members' employer contribution accounts was \$12.3 million (2016: \$12.0 million).

Southern State Superannuation Scheme

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly. Based on actual costs, the charge for the year ended 30 June 2017, was \$11.5 million (2016: \$10.2 million).

ii) Other expenses include Auditor's remuneration. See note 16.

16. Auditors' remuneration

	2017 \$000	2016 \$000
Audit fees paid or payable	75	74
	75	74

Audit fees paid (or payable), GST exclusive, relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department.

17. Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2017 \$000	2016 \$000
Cash and cash equivalents	15 996	25 309
Reconciliation of operating result to net cash flows from operating activities		
Net operating result	8 092	(3 442)
Adjustments for:		
Changes in investments measured at fair value	(1 595 166)	(589 087)
Investment expenses	101 105	79 856
Insurance recognition and movement	3 025	19 191
(Increase) / decrease in receivables	(41)	(174)
Increase / (decrease) in payables	2	(5)
Allocation to members' accounts	1 469 013	481 062
Net cash flows from operating activities	(13 970)	(12 599)

18. Net assets available for member benefits

Net assets available to pay benefits consist of the combined balances of the Southern State Superannuation Fund. Movements in the balances of these accounts are detailed below:

	Total 2017 \$000	Total 2016 \$000
Funds held at 1 July	13 522 021	12 857 944
Changes in investments measured at fair value	1 595 166	589 087
Employer contributions	1 098 629	1 028 912
Member contributions	140 589	119 170
Rollovers from other schemes	322 152	268 777
Government co-contributions	1 389	1 574
Bank interest and other revenue	306	276
	3 158 231	2 007 796
Benefits paid	1 193 696	1 231 975
Investment expense	101 105	79 856
Administration expenses	11 634	10 322
Payments from Operational Risk Reserve	3	1
Insurance administration expenses	5 628	21 565
	1 312 066	1 343 719
Net assets available for member benefits at 30 June	15 368 186	13 522 021

19. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate.

Southern State Superannuation Scheme

The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

I. Currency risk

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

The Scheme's currency risk is managed by Funds SA as investments include assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 50 percent hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

II. Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

The Fund's interest rate risk is managed by Funds SA, as investments include fixed interest securities.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

III. Other market price risk

Other market price risk is the risk that the value of the instrument 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.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

The Fund's other market price risk is managed by Funds SA, as investments include financial instruments exposed to market prices.

Southern State Superannuation Scheme

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment options are consistent with the time horizon of each.

IV. Investments sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment asset class. The following tables show the market risk around expected average returns for each asset class.

2017

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	3.2	1.3	7 740
Inflation Linked Securities A	3.3	4.0	46 257
Property A	7.9	11.1	192 805
Australian Equities A	8.7	19.7	606 462
International Equities A	9.5	16.7	518 798
Long Term Fixed Interest	3.3	3.8	35 590
Short Term Fixed Interest	3.0	2.7	11 122
Diversified Strategies Growth A	9.2	16.3	196 298
Diversified Strategies Income	6.6	6.5	142 172

2016

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	2.9	1.6	9 767
Inflation Linked Securities A	3.0	4.3	50 056
Property A	7.7	11.0	178 082
Australian Equities A	8.4	19.7	548 542
International Equities A	9.1	16.6	480 743
Long Term Fixed Interest	3.3	3.4	25 783
Short Term Fixed Interest	3.1	3.6	13 634
Diversified Strategies Growth A	9.5	16.3	172 201
Diversified Strategies Income	6.6	6.3	118 345

The statistics shown above are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have zero percent tax rate applied and exclude franking credits.

Market risk is a useful historical measure of the variability of returns earned by an investment portfolio. The market risk shown above represents the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

The dollar value of the potential impact on the Income Statement arising from the market risk is indicative only. The impacts are not additive across investment asset classes, as each asset class operates in different markets and is subject to different conditions.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired and there is no concentration of credit risk.

Southern State Superannuation Scheme

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

For the Scheme's investments, Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

For the Scheme itself, the liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2017	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	55 390	55 390	55 390
Payables ⁽ⁱ⁾	568	568	568
Vested benefits ⁽ⁱⁱ⁾	15 187 504	15 187 504	15 187 504
Total	15 243 462	15 243 462	15 243 462
30 June 2016	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	25 596	25 596	25 596
Payables ⁽ⁱ⁾	43	43	43
Vested benefits ⁽ⁱⁱ⁾	13 349 428	13 349 428	13 349 428
Total	13 375 067	13 375 067	13 375 067

(i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).

(ii) Vested benefits have been included in the "Less than 3 months" column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depends on, or is derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

20. Segment information

The scheme operates in one reportable segment, being the provision of benefits to members. The scheme also operates from one reportable geographic segment, being Australia, from where its activities are managed. While the Scheme operates from Australia only, the Scheme, through its investment managers Funds SA, has investment exposures in different countries and across different industries. Revenue derived from interest and the realised and unrealised changes in the value of investments.

21. Related parties

Key management personnel

The key management personnel of the Scheme includes the Minister for Finance, Board members and the General Manager, State Superannuation Office who have responsibility for the strategic direction and management of the Scheme.

Southern State Superannuation Scheme

Compensation

All key management personnel are compensated by the Department of Treasury and Finance or the Board, therefore their compensation is disclosed in the respective financial reports.

Transactions with key management personnel and other related parties

There were no transactions requiring disclosure for key management personnel or related parties.

Transactions with other government entities

There were no significant transactions with government entities other than those disclosed elsewhere in the financial statements.

22. Events after the reporting period

There were no significant events after the reporting period.

Southern State Superannuation Scheme

Certification of the financial report

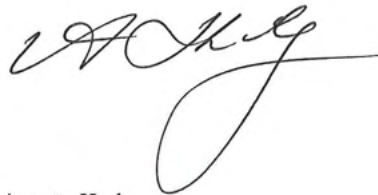
We certify that the attached general purpose financial report for the Southern State Superannuation Scheme:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*;
- is in accordance with the accounts and records of the Scheme; and
- presents fairly the financial position of the Scheme as at 30 June 2017 and the results of its operation and cash flows for the year then ended on that date, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

We certify that the internal controls employed by the Scheme for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 15/09/2017



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

**To the Presiding Member
South Australian Superannuation Board
Super SA Retirement Investment Fund**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 15(3) of the *Southern State Superannuation Act 2009*, I have audited the financial report of the Super SA Retirement Investment Fund for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Super SA Retirement Investment Fund as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2017
- an Income Statement for the year ended 30 June 2017
- a Statement of Changes in Member Benefits for the year ended 30 June 2017
- Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Super SA Retirement Investment Fund. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the General Manager, State Superannuation Office and the members of the South Australian Superannuation Board for the financial report

The General Manager, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the South Australia Superannuation Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

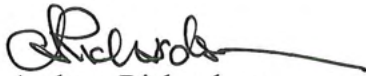
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Manager, State Superannuation Office

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the General Manager, State Superannuation Office and the Presiding Member of the South Australian Superannuation Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

21 September 2017

Super SA Retirement Investment Fund

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$000	2016 \$000
Assets			
Cash and cash equivalents		18 370	24 756
Receivables	4	544	1 270
Investments			
Cash	5	360 325	365 765
Inflation Linked Securities B		343 898	304 134
Property B		393 744	324 820
Australian Equities B		714 322	566 063
International Equities B		631 916	483 135
Long Term Fixed Interest		236 605	217 422
Short Term Fixed Interest		252 849	212 025
Diversified Strategies Growth B		202 831	155 585
Diversified Strategies Income		579 772	511 371
Socially Responsible		41 571	46 773
Total assets		3 776 747	3 213 119
Liabilities			
Benefits payable		11 426	8 070
Payables	7	460	44
Insurance liabilities		305	262
Provision for PAYG withholding tax		96	83
Income tax payable	12(b)	3 210	16 660
Deferred tax liabilities	12(c)	10 305	6 153
Total liabilities excluding member benefits		25 802	31 272
Net assets available for member benefits	8	3 750 945	3 181 847
Member benefits			
Income Stream (IS) member benefit liabilities	3	2 754 637	2 394 058
Flexible Rollover Product (FRP) member benefit liabilities	3	985 084	773 264
Total member benefits		3 739 721	3 167 322
Total net assets		11 224	14 525
Equity			
Administration Fee Reserve	14	11 955	8 305
Insurance Reserve	15	1 936	1 456
Operational Risk Reserve	16	5 824	3 727
Investment allocation over/(under)		(8 491)	1 037
Total equity		11 224	14 525

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Income Statement

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Change in investments measured at fair value		310 830	109 445
Interest		300	542
Other income		4 911	4 115
Total revenue		316 041	114 102
Investment expenses	9	19 534	13 613
Administration expenses	10	2 353	1 945
Total expenses		21 887	15 558
Result from superannuation activities		294 154	98 544
Net result from insurance activities		437	8
Result from operating activities		294 591	98 552
Net benefits allocated to FRP members accounts		(69 452)	(16 626)
Net benefits allocated to IS members accounts		(229 592)	(77 036)
Operating result before income tax		(4 453)	4 890
Income tax expense (benefit)	12(a)	(1 102)	(7 977)
Net operating result		(5 555)	(3 087)

The Income Statement should be read in conjunction with the accompanying notes.

Super SA Retirement Investment Fund

Statement of Changes in Member Benefits

For the year ended 30 June 2017

	Flexible Rollover Product \$000	Income Stream \$000	Total \$000
Opening balance as at 1 July 2016	773 264	2 394 058	3 167 322
Member contributions	92 369	-	92 369
Government co-contributions	68	-	68
Spouse contributions	1 844	-	1 844
Rollovers from other schemes	255 923	563 340	819 263
Internal transfers	(38 855)	38 855	-
Income tax on rollovers	(25 542)	(51 544)	(77 086)
Net contributions	285 807	550 651	836 458
Benefits to members	(143 112)	(419 664)	(562 776)
Insurance premiums charged to members	(327)	-	(327)
Net benefits comprising:			
Net investment income	70 187	235 419	305 606
Administration fees	(735)	(5 827)	(6 562)
Closing balance as at 30 June 2017	985 084	2 754 637	3 739 721

	Flexible Rollover Product \$000	Income Stream \$000	Total \$000
Opening balance as at 1 July 2015	698 341	1 951 646	2 649 987
Member contributions	69 261	-	69 261
Government co-contributions	75	-	75
Spouse contributions	2 183	-	2 183
Rollovers from other schemes	286 313	600 868	887 181
Internal transfers	(130 484)	130 484	-
Income tax on rollovers	(27 785)	(53 494)	(81 279)
Net contributions	199 563	677 858	877 421
Benefits to members	(140 965)	(312 482)	(453 447)
Insurance premiums charged to members	(301)	-	(301)
Net benefits comprising:			
Net investment income	17 008	81 138	98 146
Administration fees	(382)	(4 102)	(4 484)
Closing balance as at 30 June 2016	773 264	2 394 058	3 167 322

The Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2017

	Administration Fee Reserve \$000 Note 14	Insurance Reserve \$000 Note 15	Operational Risk Reserve \$000 Note 16	(Under)/over allocated benefits \$000	Total Equity \$000
2017					
Opening balance	8 305	1 456	3 727	1 037	14 525
Net operating result	3 650	480	2 097	(11 782)	(5 555)
Net transfers to/from reserves/equity	-	-	-	2 254	2 254
Closing balance	11 955	1 936	5 824	(8 491)	11 224
2016					
Opening balance	3 573	1 186	3 234	7 421	15 414
Net operating result	2 534	270	493	(6 384)	(3 087)
Net transfers to/from reserves/equity	2 198	-	-	-	2 198
Closing balance	8 305	1 456	3 727	1 037	14 525

The Statement of Changes in Reserves should be read in conjunction with the accompanying notes.

Super SA Retirement Investment Fund

Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
GST recoup		162	133
Other income		313	550
Administration expenses paid		(2 522)	(2 080)
Income tax paid		(18 831)	(7 025)
Net flows from operating activities	13	(20 878)	(8 422)
Payments to Funds SA for the purchase of investments		(683 701)	(755 120)
Receipts from the sale of investments from Funds SA		409 321	325 185
Net flows from investing activities		(274 380)	(429 935)
Member contributions		92 609	69 261
Spouse contributions		1 844	2 183
Government co-contributions		68	75
Net transfers from other superannuation entities		820 158	886 797
Payment from the Operational Risk Reserve		(23)	-
Flexible Rollover Product payments		(143 591)	(138 549)
Income Stream payments		(415 816)	(311 306)
Contributions tax paid		(66 377)	(67 554)
Net cash from financing activities		288 872	440 907
Net change in cash		(6 386)	2 550
Cash at beginning of the financial period		24 756	22 206
Cash at end of the financial period		18 370	24 756

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Super SA Retirement Investment Fund

Notes to the Financial Statements

1. Objectives and funding

(a) *Super SA Retirement Investment Fund (the Fund)*

The Flexible Rollover Product and the Super SA Income Stream Product were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994*.

The Fund continues in existence under Section 30(9) of the *Southern State Superannuation Act 2009* (the Act) which provides that the Governor may make regulations enabling the South Australian Superannuation Board (the Board) to provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Part 3 Division 4 of the *Southern State Superannuation Regulations 2009* (the Regulations) provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

The Fund comprises of two different products; the Flexible Rollover Product and the Income Stream.

The Flexible Rollover Product may receive after-tax investor contributions and rollovers from investors.

The Income Stream may only receive rollovers from investors.

The Fund offers investors the opportunity to reinvest funds, providing them with tax advantages, low fees and choice of investment options.

The Fund is only available to investors who have retired, are reaching retirement age, or have terminated employment with the SA public sector. The Fund allows investors in the Flexible Rollover Product to maintain their current insurance through the Triple S Scheme, and provides access to non-preserved benefit amounts.

Benefits, represented by the balances of investors' accounts, are available to investors. The balance of individual investor entitlements is provided on annual statements forwarded to each investor.

Investor contributions are deposited by the Treasurer into the Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Fund is an exempt public sector superannuation entity and operates on a not for profit basis.

(b) *South Australian Superannuation Board*

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and Section 45 of the Regulations, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and Income Stream.

(c) *Superannuation Funds Management Corporation of South Australia*

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government Entity).

(d) *Funding arrangements*

Investments by investors in one or more of the products available in the Fund are paid to the Board, and invested by Funds SA. All investments are the personal property of the investor who makes the investment, and, as such, are subject to tax on investment earnings where applicable.

2. Significant accounting policies

(a) *Basis of accounting*

This financial report is a general purpose financial report. The financial statements have been prepared in accordance with relevant Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

This financial report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$000).

Super SA Retirement Investment Fund

The Fund is a not-for-profit entity for the purpose of preparing financial statements.

(b) Adoption of AASB 1056

The Board adopted AASB 1056 *Superannuation Entities* (AASB 1056), applicable for annual reporting periods beginning on or after 1 July 2016.

The adoption of AASB 1056 has resulted in:

- Changes to the presentation format of the financial statements;
- Changes to the measurement of assets and liabilities from 'net market value' to 'fair value', excluding member liabilities, tax assets and liabilities, and, insurance assets and liabilities;
- Additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13 Fair Value Measurement;
- Member benefits recognised as liabilities rather than equity; and
- Contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses, and are presented in the statement of changes in member benefits.

In accordance with the transitional provisions of AASB 1056, the Fund has applied the new accounting Standard retrospectively from the start of the comparative period.

The adoption of AASB 1056 had the following impact on the financial statements at the transition date of 1 July 2016 for the year ended 30 June 2017:

Description	As previously reported as at 30 June 2016 \$000	Transition adjustment \$000	Restated balance as at 30 June 2016 \$000
Impact of AASB1056 on statement of financial position			
Investments			
Change in measurement from net market value to fair value			
Flexible Rollover Product (FRP) Australian equities	138 379	143	138 522
Flexible Rollover Product (FRP) International equities	117 792	265	118 057
Income Stream (IS) Australian equities	427 101	440	427 541
Income Stream (IS) International equities	364 261	817	365 078
Subtotal	1 047 533	1 665	1 049 198
Member benefits			
Member benefits recognised as liabilities rather than equity:			
Income Stream (IS) member liabilities	-	(773 264)	(773 264)
Flexible Rollover Product (FRP) member liabilities	-	(2 394 058)	(2 394 058)
	-	(3 167 322)	(3 167 322)
Equity			
Member benefits recognised as liabilities rather than equity:			
Member benefits	(3 167 322)	3 167 322	-
	(3 167 322)	3 167 322	-
Impact of AASB1056 on income statement			
Net operating result before income tax previously reported	982 283	-	982 283
Change in measurement from net market value to fair value:			
Changes in investments measured at fair value	-	1 665	1 665
Contributions, rollovers and other inward transfers and benefits paid to members are transferred to the statement of changes in member benefits:			
Member contributions	-	(71 444)	(71 444)
Government co-contributions	-	(75)	(75)
Initial recognition of self-insurance liabilities	-	(262)	(262)
Net movement from insurance activities	-	270	270
Rollovers from other schemes	-	(887 181)	(887 181)
Income tax	-	65 319	65 319
Result from operating activities	982 283	(891 708)	90 575
Benefits allocated to members accounts	-	(93 662)	(93 662)
Net operating result	982 283	(985 370)	(3 087)

Super SA Retirement Investment Fund

(c) *New accounting standards and interpretations*

The Board applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 July 2016. The nature of each new standard or amendment (or both) is described below. Apart from AASB 1056, the adoption of these standards and amendments has not had any significant financial impact on the financial statements.

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Fund for the annual reporting period ended 30 June 2017. The impact of these standards and interpretations has been assessed and to the extent applicable to the Fund are outlined in the table below. Standards and Interpretations that are not expected to have a material impact on the Fund have not been included.

Ref	Title	Application Date	Impact on Fund financial report
AASB 2016-1	Amendments to Australia Accounting Standards – recognition of deferred tax assets for unrealised losses	1 July 2017	No significant impact
AASB 2016-2	Amendments to Australia Accounting Standards – disclosure initiative – amendments to AASB107	1 July 2017	No significant impact
AASB 2017-2	Amendments to Australia Accounting Standards – further annual improvements 2014-2016 cycle	1 July 2017	No significant impact
AASB 9 and relevant amending standards	Financial Instruments	1 July 2018	No significant impact

(d) *Financial assets and liabilities*

(a) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

Financial assets and liabilities held for trading

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Fund, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Fund.

Financial instruments designated at fair value through profit or loss upon initial recognition

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

(b) Recognition

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Fund commits to purchase or sell the asset.

(c) Initial recognition

Financial assets and financial liabilities at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the income statement.

Receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the income statement, unless specified otherwise.

(d) Subsequent measurement

After initial measurement, the Fund measures investments at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement. Interest earned is recorded in 'Interest revenue'.

(e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Super SA Retirement Investment Fund

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to financial statement notes 6 and 9.

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(g) Receivables and payables

Receivables are carried at nominal amounts due that approximate fair value. Receivables are normally settled within 30 days. Payables are carried at nominal amounts that approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services.

(h) Benefits payable

Benefits payable are valued at fair value and relate to members who have ceased employment and provided the Fund with appropriate notification on or prior to 30 June 2017 but paid after 30 June 2017.

(i) Insurance liabilities

Insurance liabilities have been recognised and measured using the approach to measuring defined benefit member liabilities as required by AASB 1056. The Scheme has adopted the equivalent AASB 1056 approved shortcut method that provides a valuation to meet the accrued insurance liabilities as at that date when they are expected to fall due.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in fair values

Changes in the fair value of investments invested with Funds SA are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

Interest

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and recognised in the income statement.

(k) Taxation

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* and accordingly the concessional tax rate of 15% has been applied.

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 percent.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

Super SA Retirement Investment Fund

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When 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 part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the ATO are classified as operating cash flows.

(m) Foreign currency

The functional and presentation currency of the Fund is Australian dollars, which is the currency of the primary economic environment the Fund operates. The Fund's performance is evaluated and its liquidity managed in Australian dollars. Therefore, the Australian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(n) Investments

Funds SA provides investments measured at fair value. Below is the basis for valuation of these investments.

(i) Inflation Linked Securities B

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property B

The Property B portfolio comprises two sub-sectors:

Listed Property Trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities B

The Australian Equities B portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities B

The International Equities B portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed

Super SA Retirement Investment Fund

to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(o) Operation of investment portfolio

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (b)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2017, Funds SA managed eight distinct investment options each differing by strategic asset allocation:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash
- Socially Responsible Investment

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(p) Member liabilities

Member liabilities are measured at the amount of accrued benefits. As defined contribution member liabilities, they are measured as the amount of member account balances as at the reporting date.

(q) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been represented to be consistent with current period disclosures.

Super SA Retirement Investment Fund

Fair value of investments

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model. The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of these investments.

3. Member benefit liabilities

Members are defined contribution members and bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Member account balances are determined by unit prices that are determined based on the underlying investment movements. Unit prices are updated twice weekly.

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Member benefits	985 084	773 264	2 754 637	2 394 058	3 739 721	3 167 322
As compared to net assets	989 491	781 656	2 761 454	2 400 191	3 750 945	3 181 847

4. Receivables

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Refund from ATO for GST	15	15	31	22	46	37
Interest	9	10	15	28	24	38
Contributions receivable	140	-	-	-	140	-
Rollovers receivable	-	-	334	1 195	334	1 195
	164	25	380	1 245	544	1 270

5. Fair value of financial instruments

Classification of financial instruments under the fair value hierarchy

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Valuations are the responsibility of the Board. The valuation of investments is performed on a twice weekly basis and are subject to quality assurance procedures.

After the checks above have been performed the Board considers the valuation results, including assumptions used in the valuations.

The Board also considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

Valuation technique

The Fund's investments are not quoted in an active market. The Fund's investment manager, Funds SA considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the underlying funds and fund managers. In measuring fair value, consideration is also paid to any transactions of a fund. The Fund classifies these funds as Level 2.

Super SA Retirement Investment Fund

There were no changes in valuation techniques during the year.

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
Financial assets at fair value through profit or loss - Level 2						
Level 1 and level 3 are not relevant to the Fund	\$000	\$000	\$000	\$000	\$000	\$000
Unlisted managed investment schemes						
Funds SA	995 694	787 706	2 762 139	2 399 387	3 757 833	3 187 093
	<u>995 694</u>	<u>787 706</u>	<u>2 762 139</u>	<u>2 399 387</u>	<u>3 757 833</u>	<u>3 187 093</u>

6. Movement in the value of investments

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Investments at 1 July	787 706	706 927	2 399 387	1 950 240	3 187 093	2 657 167
Cash	9 142	284	(14 582)	8 908	(5 440)	9 192
Inflation Linked Securities B	14 958	(120)	24 806	21 644	39 764	21 524
Property B	24 045	25 525	44 879	98 022	68 924	123 547
Australian Equities B	49 544	10 015	98 715	74 857	148 259	84 872
International Equities B	47 847	(345)	100 934	38 745	148 781	38 400
Long Term Fixed Interest	8 260	10 116	10 923	47 330	19 183	57 446
Short Term Fixed Interest	14 247	5 007	26 577	25 975	40 824	30 982
Diversified Strategies Growth B	15 538	6 340	31 708	30 719	47 246	37 059
Diversified Strategies Income	26 733	22 883	41 668	105 159	68 401	128 042
Socially Responsible	(2 326)	1 074	(2 876)	(2 212)	(5 202)	(1 138)
Change in investments	207 988	80 779	362 752	449 147	570 740	529 926
Investments at 30 June	995 694	787 706	2 762 139	2 399 387	3 757 833	3 187 093

7. Payables

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Audit fees payable	15	17	31	27	46	44
Contributions refundable	380	-	-	-	380	-
Rollovers refundable	-	-	34	-	34	-
	<u>395</u>	<u>17</u>	<u>65</u>	<u>27</u>	<u>460</u>	<u>44</u>

Super SA Retirement Investment Fund

8. Net assets

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Net assets available to pay benefits at 1 July	781 656	699 959	2 400 191	1 951 646	3 181 847	2 651 605
<i>Add:</i>						
Member contributions	92 369	69 261	-	-	92 369	69 261
Rollovers from other schemes	255 923	286 313	563 340	600 868	819 263	887 181
Internal transfers	126 225	21 799	179 019	160 311	305 244	182 110
Change in investments measured at fair value	75 753	27 887	235 230	81 602	310 983	109 489
Government co-contributions	68	75	-	-	68	75
Spouse contributions	1 844	2 183	-	-	1 844	2 183
Other revenue	509	479	4 702	4 178	5 211	4 657
	<u>552 691</u>	<u>407 997</u>	<u>982 291</u>	<u>846 959</u>	<u>1 534 982</u>	<u>1 254 956</u>
<i>Less:</i>						
Benefits paid and payable	143 112	140 965	419 664	312 482	562 776	453 447
Internal transfers	165 080	152 283	140 164	29 827	305 244	182 110
Investment expense	4 772	3 498	14 762	10 115	19 534	13 613
Insurance expense	43	262	-	-	43	262
Administration expense	785	782	1 568	1 163	2 353	1 945
Payments from Operational Risk Reserve	23	-	-	-	23	-
Income tax	31 041	28 510	44 870	44 827	75 911	73 337
	<u>344 856</u>	<u>326 300</u>	<u>621 028</u>	<u>398 414</u>	<u>965 884</u>	<u>724 714</u>
Net assets available to pay benefits at 30 June	989 491	781 656	2 761 454	2 400 191	3 750 945	3 181 847

9. Investment expenses

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Investment expenses	4 772	3 498	14 762	10 115	19 534	13 613
	<u>4 772</u>	<u>3 498</u>	<u>14 762</u>	<u>10 115</u>	<u>19 534</u>	<u>13 613</u>

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Fund based on the Fund's investment. The 2017 investment expenses increased due mainly to higher performance fees that aligned with investment performance for the year.

10. Administration expenses

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Administration expenses	769	764	1 535	1 135	2 304	1 899
Other expenses ⁽ⁱ⁾	16	18	33	28	49	46
	<u>785</u>	<u>782</u>	<u>1 568</u>	<u>1 163</u>	<u>2 353</u>	<u>1 945</u>

(i) Other expenses include Auditor's remuneration. Refer note 11.

11. Auditors' remuneration

	2017	2016
	\$000	\$000
Audit fees paid or payable	42	41
	<u>42</u>	<u>41</u>

Audit fees paid (or payable), GST exclusive, relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department.

Super SA Retirement Investment Fund

12. Income tax

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Major components of tax expense						
(a) Current income tax expense						
Current tax charge	1 507	608	(6 827)	(7 142)	(5 320)	(6 534)
Adjustment to current tax for prior periods	(112)	(445)	177	(1 550)	65	(1 995)
Deferred income tax						
Relating to the origination and reversal of temporary differences	4 037	626	-	-	4 037	626
Adjustment to deferred tax for prior periods	116	(74)	-	-	116	(74)
Income tax expense	5 548	715	(6 650)	(8 692)	(1 102)	(7 977)
The prima facie income tax expense on the benefits accrued as a result of operations before income tax reconciles to the income tax expense in the Income Statement as follows:						
Net operating result before tax	1 537	7 424	(5 990)	(2 534)	(4 453)	4 890
Tax applicable at the rate of 15% (2016: 15%)	231	1 114	(899)	(380)	(668)	734
Tax effect of expenses that are not assessable/or deductible in determining taxable income:						
Non-deductible expenses	-	-	24	16	24	16
Tax effect of income /(losses) that are not assessable/or deductible in determining taxable income:						
Investment revenue	(1 496)	(313)	-	-	(1 496)	(313)
Investor contributions	-	-	-	-	-	-
Exempt pension income	-	-	(33 786)	(11 377)	(33 786)	(11 377)
Tax effect of other adjustments:						
Imputation and foreign tax credits	(3 459)	(1 958)	(6 481)	(6 886)	(9 940)	(8 844)
Over provision prior period	(37)	(519)	177	(1 550)	140	(2 069)
Self-insurance deduction	(60)	(55)	-	-	(60)	(55)
Anti-detriment deductions	-	(45)	(124)	(71)	(124)	(116)
Net benefit allocated to members	10 418	2 494	34 439	11 555	44 857	14 049
Deductible financial planning fees	(6)	-	-	-	(6)	-
Movement in insurance liabilities	(43)	(2)	-	-	(43)	(2)
Income tax expense	5 548	716	(6 650)	(8 693)	(1 102)	(7 977)
(b) Current tax liabilities						
Balance at beginning of year	3 984	5 675	12 676	12 780	16 660	18 455
Income tax paid - current period	(26 007)	(24 417)	(42 549)	(33 703)	(68 556)	(58 120)
Income tax paid - prior period	(3 825)	(5 260)	(12 826)	(11 351)	(16 651)	(16 611)
Current year's income tax provision	27 048	28 400	44 717	46 379	71 765	74 779
(Over) provision prior period	(158)	(414)	150	(1 429)	(8)	(1 843)
Current tax liability	1 042	3 984	2 168	12 676	3 210	16 660
(c) Deferred tax liability						
The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date is made up as follows:						
Accrued expenses	(2)	(3)	-	-	(2)	(3)
Realised capital losses carried forward (discounted)	(979)	(1 608)	-	-	(979)	(1 608)
Unrealised capital losses/(gains) carried forward (discounted)	11 286	7 764	-	-	11 286	7 764
Deferred tax liability	10 305	6 153	-	-	10 305	6 153

The Fund offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets

Super SA Retirement Investment Fund

13. Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Cash and cash equivalents	9 337	8 477	9 033	16 279	18 370	24 756

Reconciliation of net operating result to net cash flows from operating activities

Net operating result	7 085	8 140	(12 640)	(11 227)	(5 555)	(3 087)
Adjustments for:						
Change in investments measured at fair value	(75 600)	(27 843)	(235 230)	(81 602)	(310 830)	(109 445)
Investment expenses	4 772	3 498	14 762	10 115	19 534	13 613
Administration fee received	(395)	(305)	(4 516)	(3 810)	(4 911)	(4 115)
Net insurance movement	(437)	(8)	-	-	(437)	(8)
Income tax	5 548	716	(6 650)	(8 693)	(1 102)	(7 977)
(Increase) / decrease in receivables	1	3	(4)	5	(3)	8
Increase / (decrease) in payables	(19 911)	(2 176)	3 293	11 103	(16 618)	8 927
Allocation to members' accounts	69 452	16 626	229 592	77 036	299 044	93 662
Net cash outflows from operating activities	(9 485)	(1 349)	(11 393)	(7 073)	(20 878)	(8 422)

14. Administration Fee Reserve

The surplus attributable to administration fees for both Income Stream and Flexible Rollover Product included in funds under management were initially recognised in March 2014 as Administration Reserves. The reserves are credited with administration fees deducted from member accounts and debited with the costs incurred in administering the funds.

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Opening balance	212	(1 554)	8 093	5 127	8 305	3 573
Investment earnings ⁽ⁱ⁾	9	12	1 035	287	1 044	299
Premiums and charges	395	320	4 516	3 814	4 911	4 134
Administration fees	(769)	(764)	(1 536)	(1 135)	(2 305)	(1 899)
Transfer to reserve	-	2 198	-	-	-	2 198
Operating result	(365)	1 766	4 015	2 966	3 650	4 732
Closing balance	(153)	212	12 108	8 093	11 955	8 305

- (i) The Administration Reserves are notionally invested in the Balanced Option. The annual earning rates were 9.54% (FRP) and 10.90% (IS).

Super SA Retirement Investment Fund

15. Insurance Reserve

The surplus attributable to the insurance pool for the Flexible Rollover Product was initially recognised in March 2014 as an Insurance Reserve and operates on a self-insurance basis. This reserve is credited with insurance deductions from member accounts and debited with the value of benefits paid to members. Insurance is not available to Income Stream investors.

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Opening balance	1 456	1 186	-	-	1 456	1 186
Investment earnings ⁽ⁱ⁾	153	44	-	-	153	44
Premiums and charges	327	301	-	-	327	301
Benefit payments	-	(75)	-	-	-	(75)
Operating result	480	270	-	-	480	270
Closing balance	1 936	1 456	-	-	1 936	1 456

(i) The Insurance Reserve is notionally invested in the Balanced option. The annual earning rate was 9.54%.

16. Operational Risk Reserve

The Operational Risk Reserves for Income Stream and Flexible Rollover Product were established at 31 December 2012 of 0.20 percent of funds under management. From April 2016 members have been charged a fee (0.04% FRP, 0.05% IS) via a reduction to the unit prices in order to build the reserves to 0.25 percent of funds under management.

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Opening balance	1 125	1 013	2 602	2 221	3 727	3 234
Investment earnings ⁽ⁱ⁾	122	34	346	91	468	125
Premiums and charges	340	78	1 312	292	1 652	370
ORR payments	(23)	-	-	(2)	(23)	(2)
Operating result	439	112	1 658	381	2 097	493
Closing balance	1 564	1 125	4 260	2 602	5 824	3 727

(i) The Operational Risk Reserves are notionally invested in the Balanced option. The annual earning rates for FRP was 9.54% (2016: 3.30%) and for IS was 10.90% (2016: 3.99%).

17. Financial risk management objectives and policies

The Fund's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Fund's investment risk management framework.

The Fund's investment risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Board receives regular reports from Funds SA concerning compliance with the Fund's investment objectives.

Super SA Retirement Investment Fund

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

I. Currency risk

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

The Scheme's currency risk is managed by Funds SA as investments include assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 50 percent hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

II. Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

The Fund's interest rate risk is managed by Funds SA, as investments include fixed interest securities.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Fund's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

III. Other market price risk

Other market price risk is the risk that the value of the instrument 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.

As the Fund's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

The Fund's other market price risk is managed by Funds SA, as investments include financial instruments exposed to market prices.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment options are consistent with the time horizon of each.

IV. Investments sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment asset class. The following tables show the standard deviation around expected nominal returns for each asset class.

Super SA Retirement Investment Fund

Income Stream 2017

The statistics shown above are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a zero percent tax rate applied and includes franking credits.

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	3.2	1.3	3 328
Inflation Linked Securities B	3.2	3.9	9 572
Property B	7.9	11.1	29 766
Australian Equities B	9.9	19.5	92 995
International Equities B	9.5	16.7	69 396
Long Term Fixed Interest	3.3	3.8	6 519
Short Term Fixed Interest	3.0	2.7	4 724
Diversified Strategies Growth B	9.2	16.3	21 584
Diversified Strategies Income	6.6	6.5	26 630

Income Stream 2016

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	2.9	1.5	3 883
Inflation Linked Securities B	3.0	4.3	9 555
Property B	7.7	11.0	21 639
Australian Equities B	9.9	19.4	75 682
International Equities B	9.1	16.6	57 387
Long Term Fixed Interest	3.3	3.4	4 842
Short Term Fixed Interest	3.1	3.6	5 352
Diversified Strategies Growth B	9.5	16.3	16 496
Diversified Strategies Income	6.6	6.3	21 185

Flexible Rollover Product 2017

The statistics shown below are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a 15 percent tax rate applied and includes franking credits.

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	2.7	1.1	1 177
Inflation Linked Securities B	2.7	3.3	2 594
Property B	6.8	9.6	8 747
Australian Equities B	8.7	17.6	28 740
International Equities B	8.3	15.0	21 297
Long Term Fixed Interest	2.8	3.3	1 831
Short Term Fixed Interest	2.6	2.3	1 322
Diversified Strategies Growth B	8.2	14.6	6 832
Diversified Strategies Income	5.7	5.6	7 610

Super SA Retirement Investment Fund

Flexible Rollover Product 2016

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement +/- \$000
	%	%	
Cash	2.5	1.3	1 330
Inflation Linked Securities B	2.6	3.7	2 633
Property B	6.6	9.6	6 368
Australian Equities B	8.6	17.5	23 365
International Equities B	8.0	15.0	17 734
Long Term Fixed Interest	2.8	2.9	1 342
Short Term Fixed Interest	2.7	3.1	1 484
Diversified Strategies Growth B	8.4	14.6	5 235
Diversified Strategies Income	5.7	5.5	6 109

Market risk is a useful historical measure of the variability of returns earned by an investment portfolio. The market risk shown above represents the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

The dollar value of the potential impact on the Income Statement arising from the market risk is indicative only. The impacts are not additive across investment asset classes, as each asset class operates in different markets and is subject to different conditions.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The net market value of financial assets, included in the Statement of Financial Position represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Fund does not have any assets which are past due or impaired and there is no concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

For the Scheme's investments, Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

For the Scheme itself, the liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

Super SA Retirement Investment Fund

30 June 2017	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	11 426	11 426	11 426
Vested benefits ⁽ⁱ⁾	3 739 721	3 739 721	3 739 721
Total	3 751 147	3 751 147	3 751 147

30 June 2016	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	8 070	8 070	8 070
Vested benefits ⁽ⁱ⁾	3 167 322	3 167 322	3 167 322
Total	3 175 392	3 175 392	3 175 392

- (i) Vested benefits have been included in the "Less than 3 months" column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depends on, or is derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

18. Segment information

The Fund operates in one reportable segment, being the provision of benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. While the Fund operates from Australia only, the Fund, through its investment managers Funds SA, has investment exposures in different countries and across different industries. Revenue derived from interest and the realised and unrealised changes in the value of investments.

19. Related parties

Key management personnel

The key management personnel of the Scheme includes the Minister for Finance, Board members and the General Manager, State Superannuation Office who have responsibility for the strategic direction and management of the Scheme.

Compensation

All key management personnel are compensated by the Department of Treasury and Finance or the Board, therefore their compensation is disclosed in the respective financial reports.

Transactions with key management personnel and other related parties

There were no transactions requiring disclosure for key management personnel or related parties.

Transactions with other government entities

There were no significant transactions with government entities other than those disclosed elsewhere in the financial statements.

20. Events after the reporting period

The Commonwealth's 2016 Federal Budget Measures included a policy change to the taxation of transition to retirement (TTRs) income products. On 1 July 2017, in response to this measure, the Income Stream investments for affected members transitioned to a taxed portfolio. All remaining Income Stream member investments were retained in the untaxed portfolio. The portion of Income Stream investments transferred to a taxed investment portfolio on 1 July 2017 was \$602.177 million.

Super SA Retirement Investment Fund

Certification of the Financial Report

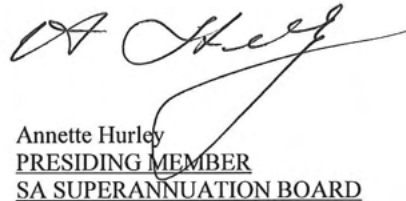
We certify that the attached general purpose financial report for the Super SA Retirement Investment Fund:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*;
- is in accordance with the accounts and records of the Fund; and
- presents fairly the financial position of the Fund as at 30 June 2017 and the results of its operation and cash flows for the year then ended on that date, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

We certify that the internal controls employed by the Fund for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 15/09/2017



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

**To the Presiding Member
South Australian Superannuation Board
South Australian Ambulance Service Superannuation Scheme**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 9 of schedule 3 of the *Superannuation Act 1988*, I have audited the financial report of the South Australian Ambulance Service Superannuation Scheme for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Ambulance Service Superannuation Scheme as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2017
- an Income Statement for the year ended 30 June 2017
- a Statement of Changes in Member Benefits for the year ended 30 June 2017
- Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the South Australian Ambulance Service Superannuation Scheme. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the General Manager, State Superannuation Office and the members of the South Australian Superannuation Board for the financial report

The General Manager, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the South Australia Superannuation Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Manager, State Superannuation Office

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the General Manager, State Superannuation Office and the Presiding Member of the South Australian Superannuation Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

21 September 2017

South Australian Ambulance Service Superannuation Scheme

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$000	2016 \$000
Assets			
Cash and cash equivalents		1 010	531
Receivables	7	6	7
Contributions receivable		3	3
Investments			
Cash	5	5 844	4 135
Inflation Linked Securities B		21 188	20 316
Property B		30 263	27 838
Australian Equities B		58 129	52 064
International Equities B		50 739	44 204
Long Term Fixed Interest		19 607	20 005
Short Term Fixed Interest		7 408	5 143
Diversified Strategies Growth B		19 075	16 768
Diversified Strategies Income		40 570	39 223
Tax assets	13(c)	-	69
Total assets		253 842	230 306
Liabilities			
Benefits payable		2	2
Payables	8	547	73
Insurance liabilities		551	505
Income tax liabilities	13(c)	215	-
Deferred tax liabilities	13(d)	3 915	2 366
Total liabilities excluding member benefits		5 230	2 946
Net assets available for member benefits		248 612	227 360
Member benefits			
Defined benefit member liabilities	3	178 472	171 554
Defined contribution member liabilities	4	57 721	52 794
Total member liabilities		236 193	224 348
Net assets		12 419	3 012
Equity			
Insurance Reserve	16	2 733	2 681
Operational Risk Reserve	17	604	551
Change in member liabilities		9 082	(220)
Total equity		12 419	3 012

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Income Statement

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Changes in investments measured at fair value		25 654	9 370
Interest revenue		11	13
Revenue		25 665	9 383
Investment expenses	9	1 592	1 244
Administration expenses	10	302	284
Result from superannuation activities		1 894	1 528
Insurance expense		46	505
Result from operating activities		23 725	7 350
Net change in defined benefit member liabilities		(8 929)	(31 359)
Allocation to defined contribution member accounts		(3 586)	2 216
Result from operating activities before tax		11 210	21 793
Income tax	13(b)	1 818	91
Net operating result		9 392	(21 884)

The Income Statement should be read in conjunction with the accompanying notes.

South Australian Ambulance Service Superannuation Scheme

Statement of Changes in Member Benefits

For the year ended 30 June 2017

	Note	Defined Benefit Members \$000	Defined Contribution Members \$000	Total \$000
Opening balance as at 1 July 2016		171 554	52 794	224 348
Employer contributions	12	8 296	2 705	11 001
Member contributions		-	1 381	1 381
Transfers from other super entities		-	608	608
Government co-contributions		-	9	9
Contributions tax		(1 244)	(406)	(1 650)
Net contributions		7 052	4 297	11 349
Benefits to members (benefits paid and payable)		(9 063)	(2 955)	(12 018)
Net benefits comprising:				
Net investment income		18 154	5 919	24 073
Net administered fees		(228)	(74)	(302)
Net change in member liabilities		(8 997)	(2 260)	(11 257)
Closing balance as at 30 June 2017		178 472	57 721	236 193

	Note	Defined Benefit Members \$000	Defined Contribution Members \$000	Total \$000
Opening balance as at 1 July 2015		138 992	52 925	191 917
Employer contributions	12	7 933	2 621	10 554
Member contributions		-	1 353	1 353
Transfers from other super entities		-	323	323
Government co-contributions		-	12	12
Contributions tax		(1 197)	(396)	(1 593)
Net contributions		6 736	3 913	10 649
Benefits to members (benefits paid and payable)		(5 533)	(1 828)	(7 361)
Net benefits comprising:				
Net investment income		6 118	2 021	8 139
Net administered fees		(213)	(71)	(284)
Net change in member liabilities		25 455	(4 167)	21 288
Closing balance as at 30 June 2016		171 554	52 794	224 348

The Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

South Australian Ambulance Service Superannuation Scheme

Statement of Changes in Equity For the year ended 30 June 2017

	Insurance Reserve	Operational Risk Reserve	Over/(under) allocated benefits	Total Equity
2017	\$000 Note 16	\$000 Note 17	\$000	\$000
Opening balance	2 681	551	(220)	3 012
Net operating result	52	53	9 287	9 392
Net transfer to equity	-	-	15	15
Closing balance	2 733	604	9 082	12 419
	Insurance Reserve	Operational Risk Reserve	Over/(under) allocated benefits	Total Equity
2016	\$000 Note 16	\$000 Note 17	\$000	\$000
Opening balance	2 176	533	22 187	24 896
Net operating result	505	18	(22 407)	(21 884)
Closing balance	2 681	551	(220)	3 012

The Statement of Changes in Reserves should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Bank interest		11	14
Receipt of GST recoup		22	22
Audit expense		(26)	(26)
Consultancy expenses		(7)	(42)
PAYG withholding		-	4
Administration expenses paid		(290)	(272)
Income tax paid		(849)	81
Net cash flows from operating activities	15	(1 139)	(219)
Receipts from the sale of investments from Funds SA		11 840	7 050
Payments to Funds SA for the purchase of investments		(10 906)	(9 860)
Net cash flows from investing activities		934	(2 810)
Employer contributions		11 422	10 472
Member contributions		1 431	1 339
Spouse contributions		4	3
Government co-contributions		9	12
Transfers from other superannuation entities		608	323
Benefit payments to members		(12 019)	(7 526)
Contributions tax paid		(771)	(1 575)
Net cash flows from financing activities		684	3 048
Net change in cash		479	19
Cash at beginning of the financial period		531	512
Cash at end of the financial period		1 010	531

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

South Australian Ambulance Service Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) *South Australian Ambulance Service Superannuation Scheme*

On 29 June 2006, the Treasurer declared the South Australian Ambulance Service Superannuation Scheme (the Scheme) a scheme and fund established pursuant to Clause 2 of Schedule 3 of the *Superannuation Act 1988* (the Act). The net assets of the SA Ambulance Service Superannuation Fund (the former scheme) as at 30 June 2006 were transferred to the Scheme. The Scheme is an exempt public sector superannuation scheme in terms of schedule 1AA of the *Superannuation Industry (Supervision) Regulations 1994* (Cwlth). The Scheme is a taxed scheme by virtue of schedule 4 of the *Income Tax Assessment Regulations 1997* (Cwlth).

The Scheme is governed by a Trust Deed and Rules pursuant to the Act and became effective from 1 July 2006. The Scheme's membership includes contributory, non-contributory, spouse, and preserved members. The main benefit for contributory members is a defined benefit. Non-contributory, spouse and preserved members are entitled to accumulation benefits. The Scheme provides benefits to members on retirement, resignation, death, permanent or temporary disablement and serious ill health.

Member and Employer contributions are deposited by the Treasurer into the fund established for the Scheme (the Fund). The Scheme was closed to further new members with effect from 1 July 2008.

The Scheme is an exempt public sector superannuation scheme and operates on a not for profit basis.

(b) *South Australian Superannuation Board*

Pursuant to Clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared the South Australian Superannuation Board (the Board) the Trustee of the Scheme from 1 July 2006. As Trustee of the Scheme, the Board is responsible for administering the Trust Deed and Rules.

(c) *Superannuation Funds Management Corporation of South Australia*

Pursuant to Clause 2(1)(c) of Schedule 3 of the Act, the Treasurer declared the Fund to be invested and managed by Funds SA from 1 July 2006.

For further information on the investment of the Fund, reference should be made to the annual report of Funds SA.

(d) *Funding arrangements*

For the year ended 30 June 2017, contributory members contributed 5 percent of post-tax salary or 5.9 percent of pre-tax salary. Members could also make additional voluntary contributions on either a pre-tax or post-tax basis. The employer contributed at the rate of 12 percent of member salaries. For members who were entitled to the SA Ambulance Service Award superannuation benefit under the Scheme, the employer contributed an additional 3 per cent of salaries (3.72 per cent for Elective Services employees and Emergency Services staff).

Non-contributory members are employees employed on a casual basis or those employees who elected prior to 30 June 2006 to not be a defined benefit member. Non-contributory members may make voluntary post-tax or pre-tax contributions. The employer contribution for non-contributory members is 9.5 percent (2016 9.5 percent) of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

The triennial actuarial review as at 30 June 2014 recommended that the current employer contribution for the defined benefit scheme members be reduced from 12 percent to 9.5 percent, effective from 1 July 2015. This contribution rate was approved by the Board implemented during the 2016-17 financial year. This is expected to maintain the value of the Scheme's assets at least equal to 105 percent of vested defined benefits. The 9.5 percent employer contribution will comprise: 7.84 percent for the defined benefit employer contribution; 0.83 percent represents administration expenses; and 0.83 percent represents insurance premiums. Employer contributions for the year have been made at the rate determined by the scheme actuary. The next triennial actuarial review, as at 30 June 2017, is scheduled for the scheme during 2017-18.

The insurance cover for Death, Total and Permanent Disablement and Income Protection was provided as a self-insurance arrangement within the fund from 1 July 2006. The actuarial review as at 30 June 2014 has recommended that the insurance contribution be reduced from 1.21 percent to 0.83 percent, and of this; 0.59 percent represents insurance premiums for Death, Total and Permanent Disablement and Serious Ill-Health cover; and 0.24 percent represents premiums for Income Protection cover.

2. Significant accounting policies

(a) *Basis of accounting*

This financial report is a general purpose financial report. The financial statements have been prepared in accordance with relevant Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987* (PFAA), except as provided below.

This financial report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

South Australian Ambulance Service Superannuation Scheme

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$000). The scheme is a not-for-profit entity for the purpose of preparing financial statements.

(b) Adoption of AASB 1056

The Board adopted AASB 1056 *Superannuation Entities* (AASB 1056), applicable for annual reporting periods beginning on or after 1 July 2016.

The adoption of AASB 1056 has resulted in:

- Changes to the presentation format of the financial statements;
- Changes to the measurement of assets and liabilities from 'net market value' to 'fair value', excluding member liabilities, tax assets and liabilities, and, insurance assets and liabilities;
- Additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13 Fair Value Measurement;
- Member benefits recognised as liabilities rather than equity;
- Contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses, and are presented in the statement of changes in member benefits; and
- Recognition of insurance related liabilities and measurement of these balances using the same approach to measuring defined benefit member liabilities.

In accordance with the transitional provisions of AASB 1056, the Fund has applied the new accounting Standard retrospectively from the start of the comparative period.

The adoption of AASB 1056 had the following impact on the financial statements at the transition date of 1 July 2016 for the year ended 30 June 2016:

Description	As previously reported as at 30 June 2016 \$000	Transition adjustment \$000	Restated balance as at 30 June 2016 \$000
Impact of AASB1056 on statement of financial position			
Investments			
Change in measurement from net market value to fair value			
Australian equities	52 010	54	52 064
International equities	44 105	99	44 204
Subtotal	96 115	153	96 268
Member benefits			
Member benefits recognised as liabilities rather than equity:			
Defined contribution member liabilities	-	52 794	52 794
Defined benefit member liabilities	-	171 554	171 554
	-	224 348	224 348
Equity			
Member benefits recognised as liabilities rather than equity:			
Member benefits	224 348	(224 348)	-
Impact of AASB1056 on income statement			
Operating result before income tax previously reported	12 583	-	12 583
Change in measurement from net market value to fair value:			
Changes in investments measured at fair value	-	153	153
Contributions, rollovers and other inward transfers and benefits paid to members are transferred to the statement of changes in member benefits:			
Contributions by employers	-	(10 554)	(10 554)
Contributions by members	-	(1 350)	(1 350)
Rollovers from other schemes	-	(323)	(323)
Spouse contributions	-	(3)	(3)
Government co-contributions	-	(12)	(12)
Benefits paid to members/beneficiaries	-	7 361	7 361
Insurance liabilities	-	(505)	(505)
Benefits allocated to members accounts	-	(29 143)	(29 143)
Result from operating activities	12 583	(34 376)	(21 793)
Income tax	(1 669)	1 578	(91)
Net operating result	10 914	(32 798)	(21 884)

South Australian Ambulance Service Superannuation Scheme

(c) ***New accounting standards and interpretations***

The Board applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 July 2016. The nature of each new standard or amendment (or both) is described below. Apart from AASB 1056, the adoption of these standards and amendments has not had any significant financial impact on the financial statements.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the annual reporting period ended 30 June 2017. The impact of these standards and interpretations has been assessed and to the extent applicable to the Scheme are outlined in the table below. Standards and Interpretations that are not expected to have a material impact on the Scheme have not been included.

Ref	Title	Application Date	Impact on Fund financial report
AASB 2016-1	Amendments to Australia Accounting Standards – recognition of deferred tax assets for unrealised losses	1 July 2017	No significant impact
AASB 2016-2	Amendments to Australia Accounting Standards – disclosure initiative – amendments to AASB107	1 July 2017	No significant impact
AASB 2017-2	Amendments to Australia Accounting Standards – further annual improvements 2014-2016 cycle	1 July 2017	No significant impact
AASB 9 and relevant amending standards	Financial Instruments	1 July 2018	No significant impact

(d) ***Financial assets and liabilities***

(a) Classification

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

Financial assets and liabilities held for trading:

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Scheme.

Financial instruments designated at fair value through profit or loss upon initial recognition:

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

(b) Recognition

The Scheme recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Scheme commits to purchase or sell the asset.

(c) Initial recognition

Financial assets and financial liabilities at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the income statement.

Receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Scheme recognises the difference in the income statement, unless specified otherwise.

(d) Subsequent measurement

After initial measurement, the Scheme measures investments at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement. Interest earned is recorded in 'Interest revenue'.

(e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

South Australian Ambulance Service Superannuation Scheme

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Scheme.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Scheme uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to financial statement notes 6 and 9.

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(g) Receivables and payables

Receivables are carried at nominal amounts due that approximate fair value. Receivables are normally settled within 30 days. Payables are carried at nominal amounts that approximate fair value. They represent liabilities for goods and services provided to the Scheme prior to the end of the financial year that are unpaid when the Scheme becomes obliged to make future payments in respect of the purchase of these goods or services.

(h) Benefits payable

Benefits payable are valued at fair value and relate to members who have ceased employment and provided the Scheme with appropriate notification on or prior to 30 June 2017 but paid after 30 June 2017. These also include pension payments payable on or prior to 30 June 2017 but paid after 30 June 2017.

(i) Insurance liabilities

Insurance liabilities have been recognised and measured using the approach to measuring defined benefit member liabilities as required by AASB 1056. The Scheme has adopted the equivalent AASB 1056 approved shortcut method that provides a valuation to meet the accrued insurance liabilities as at that date when they are expected to fall due.

(j) Taxation

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* and accordingly the concessional tax rate of 15% has been applied.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

South Australian Ambulance Service Superannuation Scheme

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in fair values

Changes in the fair value of investments invested with Funds SA are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

Interest

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and recognised in the income statement.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When 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 part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the ATO are classified as operating cash flows.

(m) Foreign currency

The functional and presentation currency of the Scheme is Australian Dollars, which is the currency of the primary economic environment the Scheme operates. The Scheme's performance is evaluated and its liquidity managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(n) Investments

Funds SA provides investments measured at fair value. Below is the basis for valuation of these investments.

(i) Inflation Linked Securities B

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property B

The Property B portfolio comprises two sub-sectors:

Listed Property Trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities B

The Australian Equities B portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities B

The International Equities B portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been

South Australian Ambulance Service Superannuation Scheme

valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(o) Operation of investment portfolio

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (b)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2017, Funds SA managed eight distinct investment options each differing by strategic asset allocation:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(p) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

(q) Significant accounting judgements, estimates and assumptions

The preparation of the Scheme's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

South Australian Ambulance Service Superannuation Scheme

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been presented to be consistent with current period disclosures.

Fair value of investments

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model. The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of these investments.

Valuation of defined benefits member liabilities

The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the actuary considers an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of defined benefit member liabilities.

The mortality assumption is based on publicly available mortality tables. Future salary increases are based on the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

3. Defined benefit member liabilities

Actuarial valuations to determine the liability for accrued benefits are conducted at least every three years and is undertaken by Stuart Miles (FIAA), Principal, Representative Mercer Consulting (Australia) Pty Ltd. The most recent actuarial valuation was undertaken as at 30 June 2017 and the next review to be undertaken as at 30 June 2018. The liability was determined on the basis of the present value of the expected future payments that will arise from membership of the Scheme up to 30 June 2017. The figure reported has been determined by reference to the expected future salary level increases (4 percent; 2016: 4 percent) and by application of the market-based, risk-adjusted discount rate after tax (9.7 percent; 2016: 3.3 percent).

	2017	2016
	\$000	\$000
Defined benefit member liabilities	178 472	171 554

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2017.

The Board uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The Scheme has identified two assumptions (being the discount rate and the rate of salary adjustment) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities.

- i. The assumed discount has been determined by reference to the investment returns expected on an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of defined benefit member liabilities.
- ii. The assumed annual salary adjustment has been determined by reference to the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsor.

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include: pension indexation rates, mortality rates and resignations.

The following table outlines the sensitivity estimates of the total member liabilities, provided by the scheme actuary, on the net earnings and salary growth.

South Australian Ambulance Service Superannuation Scheme

Scenario	Member Liability result \$000	Change in member benefit liability \$000	Change in member benefit liability %
Base case	236 193	-	-
Salary growth less 0.5%	233 782	(2 411)	(1.0)
Net earnings less 0.5%	239 899	3 706	1.6

As advised in Note 1(d), employer contributions for the year have been made at the rate determined by the scheme actuary.

Vested benefits

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

	2017 \$000	2016 \$000
DB vested benefits	171 121	164 428

4. Defined contribution member liabilities

The employee funded, defined contribution component for new scheme contributors has an accrued liability that is the balance of the employees' contribution accounts as at the end of the financial year. These accounts are valued using unit prices that are determined by the underlying investment movements.

Defined contribution members bear the investment risk relating to the underlying assets and unit prices. Unit prices are updated twice weekly.

	2017 \$000	2016 \$000
Defined contribution member liabilities	57 721	52 794

Refer to Note 18 for the Scheme's management of the investment risks.

5. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Valuations are the responsibility of the Board. The valuation of investments is performed on a twice weekly basis and are subject to quality assurance procedures.

After the checks above have been performed the Board considers the valuation results, including assumptions used in the valuations.

The Board also considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

Valuation technique

The Scheme's investments are not quoted in an active market. The Scheme's investment manager, Funds SA considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the underlying funds and fund managers. In measuring fair value, consideration is also paid to any transactions of a fund. The Scheme classifies these funds as Level 2.

South Australian Ambulance Service Superannuation Scheme

There were no changes in valuation techniques during the year.

Financial assets at fair value through profit or loss - Level 2	2017	2016
<i>Level 1 and level 3 are not relevant to the Scheme</i>	\$000	\$000

Unlisted managed investment schemes	252 823	229 696
Funds SA	252 823	229 696
	252 823	229 696

6. Movement in the value of investments

	2017	2016
	\$000	\$000
Investments at 1 July	229 696	218 759
Cash	1 709	(7 346)
Inflation Linked Securities B	872	(2 236)
Property B	2 425	8 028
Australian Equities B	6 065	2 259
International Equities B	6 535	(1 035)
Long Term Fixed Interest	(398)	3 099
Short Term Fixed Interest	2 265	136
Diversified Strategies - Growth B	2 307	2 357
Diversified Strategies - Income	1 347	5 675
Change in investments	23 127	10 937
Investments at 30 June	252 823	229 696

7. Receivables

	2017	2016
	\$000	\$000
GST recoup from ATO	5	6
Other receivables	1	1
	6	7

8. Payables

	2017	2016
	\$000	\$000
Payables	24	25
Unearned revenue	518	44
Provision for PAYG withholding	5	4
	547	73

9. Investment expenses

	2017	2016
	\$000	\$000
Investment expenses	1 592	1 244
	1 592	1 244

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. The 2017 investment expenses increased due mainly to higher performance fees that aligned with investment performance for the year.

10. Administration expenses

	DB Scheme	DC Scheme	2017	2016
	\$000	\$000	\$000	\$000
Administration expenses ⁽ⁱ⁾	204	66	270	253
Other expenses ⁽ⁱⁱ⁾	-	32	32	31
	204	98	302	284

(i) Administration expenses comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a share of the administration cost from the Scheme.

(ii) Other expenses include Auditor's remuneration. Refer note 11.

South Australian Ambulance Service Superannuation Scheme

11. Auditors' remuneration

	2017	2016
	\$000	\$000
Audit fees paid or payable	24	24
	24	24

Audit fees paid (or payable), GST exclusive, relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department.

12. Employer contributions

	2017	2016
	\$000	\$000
Employer contributions	10 085	9 617
Insurance premiums	458	616
Administration charges	458	321
	11 001	10 554

13. Income tax

	2017	2016
	\$000	\$000
(a) Major components of tax expense		
Current income tax	309	(34)
Current tax charge	(40)	(134)
Adjustment to current tax for prior periods		
Deferred income tax		
Relating to the origination and reversal of temporary differences	1 508	279
Adjustment to deferred tax for prior periods	41	(20)
Income tax as reported in the Income Statement	1 818	91

(b) Income tax expense

Reconciliation between income tax expenses and the accounting profit before income tax

Net result from operating activities	11 210	(21 793)
Tax applicable at the rate of 15% (2016: 15%)	1 682	(3 269)
Tax effect of expenses that are not assessable/or deductible in determining taxable income:		
Investment revenue	(643)	(16)
Net benefit allocated to member accounts	1 877	4 371
Movement in insurance liabilities	7	76
Tax effect of other adjustments:		
Imputation and foreign tax credits	(1 027)	(838)
Self-insurance deduction	(64)	(65)
Over provision prior period	(14)	(168)
Income tax as reported in the Income Statement	1 818	91

(c) Current tax liability (asset)

Current years income tax provision	215	(69)
Current tax liability (asset)	215	(69)

(d) Deferred tax liability

The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date comprises:

Accrued expenses	(4)	(4)
Prepaid contributions/contributions receivable	(77)	(6)
Realised capital losses carried (forward) discounted	(905)	(1 089)
Unrealised capital (losses)/gains carried (forward) discounted	4 901	3 465
Net deferred tax liability (asset)	3 915	2 366

The Fund offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets

South Australian Ambulance Service Superannuation Scheme

14. Net assets available for member benefits

	Total 2017 \$000	Total 2016 \$000
(a) Funds held at 1 July	224 128	214 087
<i>less:</i>		
Prior year adjustment on Insurance Reserve	43	43
<i>add:</i>		
Member contributions	1 378	1 350
Employer contributions	10 543	9 938
Changes in investments measured at fair value	25 357	9 269
Rollovers from other schemes	608	323
Government co-contributions	9	12
Interest revenue	11	13
Transfer from equity	14	
	37 923	20 908
<i>less:</i>		
Benefit paid and payable	11 325	7 126
Investment expense	1 592	1 244
Insurance expense	46	505
Administration expenses	302	280
Contributions tax	1 650	1 593
Income tax expense	1 818	76
	16 720	10 824
Assets available to pay benefits	245 275	224 128
Insurance Reserve		
Opening balance of Insurance Reserve	2 681	2 176
<i>add:</i>		
Prior year adjustment	43	43
<i>add:</i>		
Premiums and charges	458	616
Changes in investments measured at fair value on Insurance Reserve @ 9.58%	244	83
	745	742
<i>less:</i>		
Total and permanent disablement	436	-
Temporary disablement	257	235
	693	235
<i>less:</i>		
Consultancy expenses	-	2
	693	237
Closing balance of Insurance Reserve	2 733	2 681
Operational Risk Reserve		
Opening balance of Operational Risk Reserve	551	533
<i>add:</i>		
Changes in investments measured at fair value on Operational Risk Reserve @ 9.58%	53	18
	53	18
Closing balance of Operational Risk Reserve	604	551
Net assets available for member benefits	248 612	227 360

South Australian Ambulance Service Superannuation Scheme

15. Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2017	2016
	\$000	\$000
Cash and cash equivalents	1 010	531
Reconciliation of operating result to net cash flows from operating activities		
Net operating result	9 392	(21 884)
Adjustments for:		
Changes in investments measured at fair value	(25 654)	(9 370)
Investment expenses	1 592	1 244
Income taxes	969	110
(Increase) / decrease in receivables	1	2
Increase / (decrease) in payables	-	31
Increase / (decrease) in insurance liabilities	46	505
Allocation to members' accounts	12 515	29 143
Net cash flows from operating activities	(1 139)	(219)

16. Insurance Reserve

The Scheme self-insures and provides an insurance benefit based on units of cover, subject to certain limitations, in the event of death or invalidity before age 65. An Income Protection Insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 60.

The *Standard Insurance* benefit of two units of cover costs \$1.50 per week and is compulsory for most members of the scheme except casual employees who can elect to opt out of insurance and those who opted out of an additional unit of cover under Item 1 Schedule 3 of the repealed *Southern State Superannuation Regulations 1995*, and those who are special category members in terms of Regulation 28. Police Officers and operations employees of the SA Ambulance Service, who commenced employment after 1 July 2008 or former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme, are required to have at least 6 units of Standard Insurance cover. The value of a unit of Standard Insurance for members up to age 34 years is \$75 000. The value of a unit declines from age 35. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to \$1.5 million and casual employees up to \$750 000. Fixed Insurance closed to new applications in November 2014.

As required by Section 17 of the repealed Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2013. The actuary concluded that the cost of standard cover exceeds the standard cover premium by \$0.25 per unit per week; an expected premium subsidy of \$3.3 million per annum results. There are sufficient reserves to maintain the current premium subsidy for at least the next three years. In accordance with section 17 of the Act, a report will be received later in 2017 on the costs and liabilities of the insurance arrangements in existence as at 30 June 2017.

To be eligible for the Income Protection Insurance benefit, a member must be an active member, working full-time or part-time and receiving an employer contribution. Casual employees not automatically provided with the benefit can apply and be accepted for cover subject to medical evidence. Income Protection payments can continue for 24 months for members employed full or part time. Casual employees can be paid for up to 12 months.

	2017	2016
	\$000	\$000
Opening balance of the Insurance Reserve	2 681	2 176
Investment earnings on Reserve @ 9.58% ⁽ⁱ⁾⁽ⁱⁱ⁾	244	83
Premiums and charges	458	616
Prior year adjustment	43	43
	745	742
Less		
Benefit payments	693	235
Consultancy expenses	-	2
Closing balance of Reserve	2 733	2 681

(i) The Insurance Reserve is notionally invested in the Balanced option.

(ii) Investment earnings on Insurance Reserve 2016: 3.31%.

South Australian Ambulance Service Superannuation Scheme

17. Operational Risk Reserve

The Operational Risk Reserve is to be accumulated to 0.6% of funds under management following a decision of the Board and in line with Prudential Standard SPS114.

	2017 \$000	2016 \$000
Opening balance of the Operational Risk Reserve	551	533
Investment earnings on Reserve @ 9.58% ⁽ⁱ⁾	53	18
Closing balance of Reserve	604	551

- (i) The Operational Risk Reserve is notionally invested in the Balanced option.
(ii) Investment earnings on Operational Risk Reserve 2016: 3.31%.

18. Financial risk management objectives and policies

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

I. Currency risk

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

The Scheme's currency risk is managed by Funds SA as investments include assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 50 percent hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

II. Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

South Australian Ambulance Service Superannuation Scheme

The Fund's interest rate risk is managed by Funds SA, as investments include fixed interest securities.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

III. Other market price risk

Other market price risk is the risk that the value of the instrument 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.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

The Fund's other market price risk is managed by Funds SA, as investments include financial instruments exposed to market prices.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment options are consistent with the time horizon of each.

IV. Investments sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment asset class. The following tables show the standard deviation around expected nominal returns for each asset class.

2017

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement +/- \$000
	%	%	
Cash	2.7	1.1	55
Inflation Linked Securities B	2.7	3.3	685
Property B	6.8	9.6	2 789
Australian Equities B	8.7	17.6	9 697
International Equities B	8.3	15.0	7 121
Long Term Fixed Interest	2.8	3.3	654
Short Term Fixed Interest	2.6	2.3	144
Diversified Strategies Growth B	8.2	14.6	2 617
Diversified Strategies Income	5.7	5.6	2 234

2016

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement +/- \$000
	%	%	
Cash	2.5	1.3	102
Inflation Linked Securities B	2.6	3.7	793
Property B	6.6	9.6	2 287
Australian Equities B	8.6	17.5	8 914
International Equities B	8.0	15.0	6 708
Long Term Fixed Interest	2.8	2.9	535
Short Term Fixed Interest	2.7	3.1	157
Diversified Strategies Growth B	8.4	14.6	2 276
Diversified Strategies Income	5.7	5.5	2 001

South Australian Ambulance Service Superannuation Scheme

The statistics shown above are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a 15 percent tax rate applied and includes franking credits.

Market risk is a useful historical measure of the variability of returns earned by an investment portfolio. The market risk shown above represents the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

The dollar value of the potential impact on the Income Statement arising from the market risk is indicative only. The impacts are not additive across investment asset classes, as each asset class operates in different markets and is subject to different conditions.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired and there is no concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

For the Scheme's investments, Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

For the Scheme itself, the liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2017	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	2	2	2
Payables ⁽ⁱ⁾	518	518	518
Vested benefits ⁽ⁱⁱ⁾	228 842	228 842	228 842
Total	229 362	229 362	229 362
30 June 2016	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	2	2	2
Payables ⁽ⁱ⁾	44	44	44
Vested benefits ⁽ⁱⁱ⁾	217 222	217 222	217 222
Total	217 268	217 268	217 268

- (i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).

South Australian Ambulance Service Superannuation Scheme

- (ii) Vested benefits have been included in the "Less than 3 months" column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depends on, or is derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

19. Segment information

The scheme operates in one reportable segment, being the provision of benefits to members. The scheme also operates from one reportable geographic segment, being Australia, from where its activities are managed. While the Scheme operates from Australia only, the Scheme, through its investment managers Funds SA, has investment exposures in different countries and across different industries.

20. Related parties

Key management personnel

The key management personnel of the Scheme includes the Minister for Finance, Board members and the General Manager, State Superannuation Office who have responsibility for the strategic direction and management of the Scheme.

Compensation

All key management personnel are compensated by the Department of Treasury and Finance or the Board, therefore their compensation is disclosed in the respective financial reports.

Transactions with key management personnel and other related parties

There were no transactions requiring disclosure for key management personnel or related parties.

Transactions with other government entities

There were no significant transactions with government entities other than those disclosed elsewhere in the financial statements.

21. Events after the reporting period

There were no significant events after the reporting period.

South Australian Ambulance Service Superannuation Scheme

Certification of the financial report

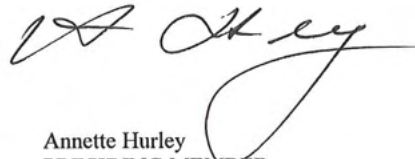
We certify that the attached general purpose financial report for the South Australian Ambulance Service Superannuation Scheme:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*;
- is in accordance with the accounts and records of the Scheme; and
- presents fairly the financial position of the Scheme as at 30 June 2017 and the results of its operation and cash flows for the year then ended on that date, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

We certify that the internal controls employed by the Scheme for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 15/09/2017