



**Government  
of South Australia**

# **SOUTH AUSTRALIAN SUPERANNUATION BOARD**

## **2019-20 Annual Report**

**SOUTH AUSTRALIAN SUPERANNUATION BOARD  
(Super SA Board)**

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Date presented to Treasurer:	30 September 2020

To:

Hon Rob Lucas MLC

Treasurer

This annual report will be 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 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:

Gregory Colin Boulton AM

Presiding Member

Date: 30 September 2020

Signature

A handwritten signature in black ink, appearing to read 'G. Boulton', written over a light grey circular stamp.

## **From the Presiding Member and Chief Executive**

It is our pleasure to present our 2019-20 Super SA Annual Report.

### ***Year in review***

At Super SA, our members are at the heart of everything we do. We have a proud past and a unique mission for the future to help our members live their best lives.

### ***COVID-19 - A challenging time***

The COVID-19 pandemic has impacted so many people, both socially and economically. Our experiences have shown us that now, more than ever, our member-centric approach is vital to keep serving and delivering our members.

We would like to take this opportunity to thank all of the members who have been working on the front line to keep us safe. To our members who are essential workers including nurses, doctors, teachers, police and paramedics - thank you for playing your part.

As the impacts of COVID-19 unfolded, Super SA prioritised the delivery of essential services to ensure we continued to meet your needs. We mobilised our workforce to manage the increased levels of member enquiries and, the introduction of legislative changes to superannuation by the Commonwealth Government in response to COVID-19.

We have processed more than 5,500 member applications and payments for the Commonwealth Government's COVID-19 Early Release of Superannuation Benefit. We have also assisted many Income Stream members to understand and act on changes to the new minimum pension drawdown rates.

Our member centre experienced a 38 per cent increase in phone calls from our members who needed assistance with understanding the investment environment the risk profiles contained within their investment options and the investment option switching process.

### ***Investments***

In 2019-20, we have seen volatility in financial markets in Australia and globally, impacting investment performance across our schemes and the superannuation industry as a whole.

Despite significant market fluctuations, the Triple S Balanced (default) investment option returned -0.39 per cent for the year ending 30 June 2020. This return is above the industry median for the year ended 30 June 2020.

It's important to remember superannuation is a long-term investment and our investment strategies continue to focus on long-term performance, especially during periods of extreme volatility.

Diversification is the primary tool for managing risk. Our investment options continue to be highly diversified to help shield members in times of market stress while still aiming to exceed their investment objectives.

Together with our investment manager Funds SA, we assess the performance of our investment options against a benchmark that takes into consideration a target return over a stated investment horizon. For example, the Triple S Balanced (default) investment option targets a return of 3.5 per cent more than the rate of inflation over a ten-year period.

We are pleased to advise that all of our investment options delivered returns above their investment objectives for the ten-year period ending 30 June 2020.

This performance was compared favourably to industry performance.

### ***Delivering to our members***

Mid-2020 marked the half-way point in delivering our three-year strategy. Our vision is to be truly member-focused, improve outcomes for members and be the most respected super fund.

We have introduced a new brand position including a fresh new look annual statement and are delivering new and exciting initiatives to help you take control of your super.

Work is underway to implement choice of fund to our members, with work to deliver this key change in strategy in 2021.

### ***Thank you***

To all of our members, we thank you for your continued support.

I also thank the Board and all Super SA staff for their support and hard work.

Our purpose at Super SA is to champion our members' financial wellbeing.

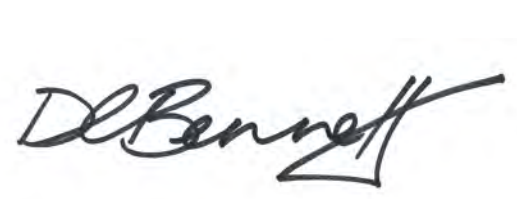
We thank you for putting your trust in Super SA.



Gregory Boulton AM

**Presiding Member**

Super SA Board



Dascia Bennett

**Chief Executive**

Super SA

## Contents

<b>Contents</b> .....	<b>5</b>
<b>Overview: about the agency</b> .....	<b>6</b>
Our strategic focus.....	6
Our organisational structure.....	7
.....	7
Our Minister .....	10
Legislation administered by the agency .....	10
Other related agencies (within the Minister’s area/s of responsibility).....	10
<b>The agency’s performance</b> .....	<b>12</b>
Performance at a glance .....	12
<b>Financial performance</b> .....	<b>19</b>
Financial performance at a glance .....	19
Other financial information .....	19
Other information .....	21
<b>Risk management</b> .....	<b>22</b>
Risk and audit at a glance.....	22
Fraud detected in the agency.....	22
Strategies implemented to control and prevent fraud.....	22
Public interest disclosure .....	22
<b>Reporting required under any other act or regulation</b> .....	<b>23</b>
<b>Public complaints</b> .....	<b>24</b>
Number of public complaints reported .....	24
<b>Service Improvements resulting from complaints or consumer suggestions over 2019-20</b> .....	<b>27</b>
<b>Appendix: Audited financial statements 2019-20</b> .....	<b>28</b>

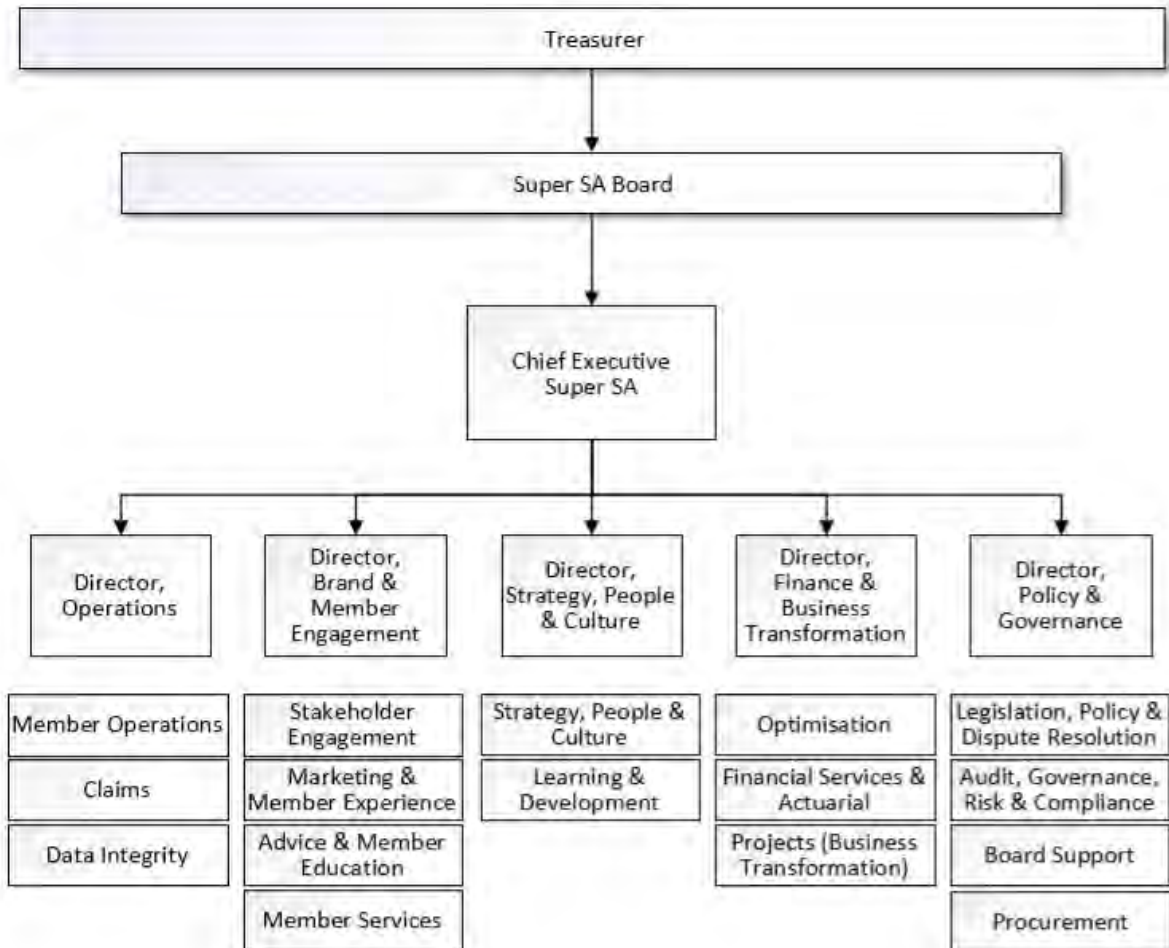
## Overview: about the agency

### Our strategic focus

<p><b>Our Purpose</b></p>	<p>The Board is responsible for the administration of:</p> <ul style="list-style-type: none"> <li>• Triple S Scheme</li> <li>• Pension Scheme</li> <li>• Lump Sum Scheme</li> <li>• Income Stream</li> <li>• Flexible Rollover Product</li> <li>• SA Ambulance Service Superannuation Scheme.</li> </ul>
<p><b>Our Vision</b></p>	<p>Our purpose at Super SA is to champion our members' financial wellbeing.</p>
<p>Our functions, objectives and deliverables</p>	<p>Our strategy is to excel and improve member experience whilst being competitive on fees and returns.</p> <p>We have four high-level strategic objectives which are supported by strategic themes to ensure Super SA will continue to be a viable and dynamic superannuation fund for South Australia.</p> <p><u>High level strategic objectives:</u></p> <ul style="list-style-type: none"> <li>• Grow the Fund under Management to \$35.8 billion by June 2023*</li> <li>• Net investment returns comparative to Super SA six key competitors</li> <li>• Fees – in the most cost efficient quartile of funds</li> <li>• APRA member outcome test – meet member centric test by APRA heat map.</li> </ul> <p>*In conjunction with Funds SA including investments, returns, employer and member contributions</p>

	<p><b><u>Four strategic themes:</u></b></p> <ul style="list-style-type: none"> <li>• Member and Employer Engagement – to enhance the member experience to drive engagement, activation and retention</li> <li>• Future Proofing - Transform the Fund for long-term sustainability</li> <li>• Competitive Products – to design product / investment options that deliver to member expectations in a competitive environment</li> <li>• Member centric culture – to engage employees to deliver an efficient and member centric service.</li> </ul>
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**Our organisational structure**



The Board is responsible to the Treasurer for all aspects of the administration of the *Superannuation Act 1988* (Pension and Lump Sum Schemes), and the *Southern*

*State Superannuation Act 1994* (Triple S Scheme), except for the management and investment of the funds.

The Board comprises five members:

- A presiding member (who is not an employee) appointed by the Governor
- Two members who are appointed by the Governor on the Minister's nomination
- Two members who are elected by scheme members.

Each Board member's term is for three years. As at 30 June 2020, the Super SA Board was comprised as follows:

**Mr Gregory Boulton AM**

Presiding Member (Chairman), Super SA Board

Appointed by the Governor until 8 September 2022.

Significant Superannuation and Investment experience as a Trustee Director of Statewide Super for 11 years. Thirty years' experience as Managing Director, Director and Chairman of Public and Private Companies. Fellow of Australian Institute of Company Directors and Institute of Chartered Accountants.

Currently Chairman of Southern Gold Limited, Deputy Chairman of Cancer Council of SA and Director of Kangaroo Island Plantation Timbers Ltd and Kogi Iron Limited and Presiding Member, Southern Select Super Corporation.

**Ms Virginia Deegan**

Appointed by the Governor until 22 July 2021.

Executive Director Infrastructure, University of Adelaide.

Extensive board and executive management experience across a range of sectors including superannuation, health and higher education.

A Fellow of CPA Australia (FCPA) and Member of Australian Institute of Company Directors.

Director, Life Care Board, Board Member of the Southern Select Super Corporation, Member, SA Health Risk Management and Audit Committee.



### **Ms Alison Kimber**

Member elected representative until 1 October 2021.

A qualified actuary and senior executive with over 30 years' experience in the finance, government and not-for-profit sectors where she has successfully led major reform. In 2016 Alison founded her consultancy firm, ak advisory, which provides expert advice on strategy and planning, commercial direction, governance, change leadership and risk management.

Chair, Uniting Care Wesley Bowden; and Councillor, Australian Institute of Company Directors SA/NT and Board Member, Southern Select Super Corporation, Member, Cabaret Fringe Association Board, Member, ACT City Renewal Authority Board.

### **Associate Professor William Griggs AM ASM**

Member elected representative until 1 October 2021.

Bill Griggs brings to the Board significant leadership and board experience; with expertise in corporate governance, people and culture, superannuation, investment, and insurance. He has a particular interest in managing/coping during times of uncertainty, and in evidence-based decision making.

Current Directorships or equivalent: Director, Funds SA, Director, Return to Work SA; and Board Member, Southern Select Super Corporation. Fellow of Australian Institute of Company Directors.

### **Mr Richard Dennis AM PSM**

Appointed by the Governor until 22 July 2021.

Legal practitioner and consultant; South Australian Parliamentary Counsel 2006-2015; Member, Board of Governors, Walford Anglican School for Girls, Member, Governor of the Wyatt Trust, and Board Member, Southern Select Super Corporation.

Each member, except the Presiding Member, has a deputy appointed by the Governor, who attends meetings in their absence. As at 30 June 2020, the deputy members were:

- Ms Elizabeth Hlipala, Deputy to Ms Virginia Deegan (appointed until 22 July 2021)
- Ms Leah York, Deputy to Dr William Griggs (appointed until 1 October 2021)
- Mr John Wright, Deputy to Richard Dennis (appointed until 22 July 2021)
- Ms Amanda Heyworth, deputy to Alison Kimber (appointed until 1 October 2021).

All members and deputy members serve in a part-time capacity.

Board members can attend a variety of national conferences and education seminars. During the 2019-20 year, a Board members attended the Association of Superannuation Funds of Australia (ASFA) Conference and the Presiding Member attended the Conference of Investor Education. Two key superannuation and governance conferences were cancelled due to the impact of COVID-19.

### **Our Minister**

The Hon Rob Lucas MLC, oversees the administration of the superannuation legislation for which the Board is responsible.

### **Legislation administered by the agency**

The Super SA Board is responsible to the Treasurer for all aspects of the administration of

- *Southern State Superannuation Act 2009* (Triple S, Flexible Rollover Product and Income Stream; and
- *Superannuation Act* (Lump Sum and Pension Schemes),

except for the management and investment of the funds.

The Board also acts as trustee of the SA Ambulance Service Superannuation Fund and is responsible for administering the Trust Deed and rules.

The Government of South Australia, other state and territory governments and Commonwealth Government have entered into a Heads of Government Agreement that recognised certain public sector schemes are exempt public sector superannuation schemes (and therefore exempt from the Commonwealth's *Superannuation Industry (Supervision) Act 1993* (SIS Act). Each scheme is, however, deemed to be a complying fund in terms of the SIS Act, for superannuation guarantee purposes under the *Superannuation Guarantee (Administration) Act 1992* and or income tax purposes under the *Income Tax Assessment Act 1936*. In terms of the agreement, the state government has made a commitment to use best endeavours to ensure that the exempt public sector schemes conform to the principles of the Commonwealth's retirement income policy objectives.

### **Other related agencies (within the Minister's area/s of responsibility)**

#### Super SA

On behalf of the Super SA Board, the State Superannuation Office (Super SA) is responsible for managing SA Public Sector superannuation schemes in line with relevant acts and legislation.

This arises from section 10(3) of the *Superannuation Act 1988*, which 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.

The Board's service level contract with the Chief Executive of the Department of Treasury and Finance sets out specific performance standards. The contract expires on 30 June 2021.

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

### Funds SA

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 Memorandum of Agreement between Funds SA and the Office was executed in May 2019. Funds SA provides this service under legislation. The agreement is reviewed on a three yearly basis or when a significant change occurs.

## The agency's performance

### Performance at a glance

Super SA performance is assessed continuously against the agency's key objectives at every quarter. This will ensure the projects and initiatives carried out through the year are aligned to meet the key objectives.

The 2019-20 financial year has been very challenging, contributed by the COVID-19 pandemic and fluctuations in the global financial market in the last few months of the financial year.

During the 2019-20 financial year, we have observed:

- The number of Triple S members making an additional contribution (either pre or/and post-tax contributions) to their super was similar, 23.8 per cent compared to 23.6 per cent in the previous year. Data showed that despite an increase in the number of Triple S members, the number of members making an additional contribution to their super increased by almost the same margin.
- Lack of interest from members in signing up to extra insurance cover. Most members opted to stay with default cover with 9.8 per cent of members taking up extra cover compared to 10.3 per cent in the previous financial year, despite of a positive Triple S membership growth.
- Super SA has been benchmarked to remain in the most efficient quartile in administrative costs with industry standards (*Chant West Super Fund Fee Survey June 2020*)

Under the Brand and Member Engagement Directorate, Super SA has planned several initiatives and marketing campaigns to increase our members' awareness of Super SA products, member communications and improve our product offering against what is offered in the industry.

The current COVID-19 pandemic has caused a number of state government offices to close and their direct workforce to work from home. As a result, initiatives through the year had to be put on-hold or postponed.

Due to COVID-19 the number of member education activities that could be conducted on-site in 2020 significantly reduced. However, Super SA's member education services still managed to provide engagement to 15,000 members and would be on track to meet this year's target by the end of June 2020 if the pandemic had not occurred

## Performance Indicators

	2020-21 Target	2019-20 Actual Result	2019-20 Target	2018-19 Actual
Achievement of approved service level standards by 30 June each year.	90%	89%	90%	88%
<i>Service level standards have been reviewed to align with the new administration system and a revised 2019-20 Target has been set.</i>				
Issue member statements by 31 October to align with industry norms	85%	90%	85%	91%
<i>For the years prior to 2018-19, the target date for the distribution of member statements was 31 August.</i>				
No. of days to issue superannuant payment summaries from 1 July	14	14	14	14
Benchmarking of administrative costs with industry standards — remain in the most cost efficient quartile of industry standards while providing additional services to members.	In the most cost efficient quartile	In the most cost efficient quartile	In the most cost efficient quartile	In the most cost efficient quartile
<i>Reported by Chant West Super Fund Fee Survey June 2020</i>				

**Activity indicators**

<b>No. of contributors/ members in state schemes:</b>	<b>2019-20 Forecast</b>	<b>2019-20 Actuals</b>	<b>2020-21 Forecast</b>
Members	212,853	214,400	201,823
• Triple S (total)	177,167	178,349	166,768
○ Non-contributors	112,862	99,241	94,934
○ Salary Sacrifice contributors only	15,913	16,747	17,581
○ After Tax contributors only	11,027	10,310	9,593
○ Both After Tax and Salary Sacrifice	4,084	3,892	3,700
○ Preserved > \$6000 account balance	30,605	26,501	29,490
○ Preserved < \$6000 account balance <sup>1</sup>	2,676 <sup>2</sup>	21,658	11,470
• Flexible Rollover Product	6,349	6,352	6,912
• Income Stream	11,574	11,460	10,523
• Superannuants	14,165	14,267	14,077
• Other retirement schemes (Pension, Lump Sum, SA Ambulance) <sup>3</sup>	3,598	3,972	3,543
○ Pension	374	424	351
○ Lump Sum	2,499	2,869	2,562
○ SA Ambulance	725	679	630

<sup>1</sup>The Super SA Board have agreed to opt into the Commonwealth's Inactive Low Balance Account regime for Triple S.

<sup>2</sup>The forecast for 2019-20 assumed that up to 20,000 members will be transferred to the ATO by 30 June 2020. This did not occur in 2019-20, but the forecast for 2020-21 is for 10,000 to transfer to the ATO.

<sup>3</sup>Comprises both active and preserved members.

## Agency specific objectives and performance

Agency objectives	Indicators	Performance
<p>Undertake a default investment option review in conjunction with Funds SA.</p>	<p>Undertake a default investment option review in conjunction with Funds SA.</p>	<p>In partnership with Funds SA, Super SA undertook a strategic review of the fund's default investment option, in preparation for entering into a competitive environment.</p> <p>As a result of this review, updates have been made to the default Balanced investment option for the Triple S and Flexible Rollover Product, as well as Lump Sum Scheme member component Growth option.</p> <p>During the reporting period, for the Balanced Option, the allocation to growth assets has risen from 65 per cent to 70 per cent, which has a long-term growth assets target of 75 per cent.</p> <p>While these changes were expected to be implemented over multiple years (given the nature of investment markets), recent shifts within investment markets have meant implementation has been occurring more rapidly.</p>

Agency objectives	Indicators	Performance
<p>Perform a review of insurance to align with insurance code of conduct</p>	<p>Perform a review of insurance to align with insurance of code of conduct</p>	<p>Super SA has commenced a review of best-practice and leading insurance models of Australian Prudential Regulation Authority (APRA) regulated funds and exempt public sector funds.</p> <p>The review is aimed at ensuring Super SA’s insurance service and product offering is contemporary as the fund moves into a competitive environment. Super SA’s insurance service model review will also ensure the product suite is future-proofed, responds to members’ needs, is fit for purpose and meets members’ expectations.</p> <p>Conforming to the Commonwealth’s retirement income policy and meeting APRA’s standards, as well as aligning with certain Insurance Code of Conduct provisions as per obligations under the Heads of Government Agreement (HOGA), are key objectives. The review is governed by a Steering Committee.</p>



Agency objectives	Indicators	Performance
<p>Conduct a review of the contact centre and modernise the telephony system.</p>	<p>Conduct a review of the contact centre and modernise the telephony system.</p>	<p>This operational review was completed during the reporting period. It made a number of key recommendations to assist Super SA in enhancing a member-centric culture.</p> <p>The review further highlighted the need for Super SA to modernise its Contact Centre technology. Technical requirements and procurement of a system vendor for a new Contact Centre Solution have been completed.</p> <p>The new technology will be cloud-based, offering enhanced functionality to enable improved workforce optimisation and flexibility, better reporting capability and a superior member experience. Implementation of the new solution is on track to occur in 2020.</p>
<p>Introduction of a new fee model to ensure fund sustainability</p>	<p>Introduction of a new fee model to ensure fund sustainability</p>	<p>To cover the costs of providing a competitive level of services, products and benefits, a new fee model was introduced on 1 January 2020. The fees for Triple S and the Flexible Rollover Product increased. The Income Stream Scheme fee decreased.</p> <p>Super SA fees continue to remain in the top quartile of the most competitive in Australia (<i>source: Chant West Super Fund Fee Survey 2020</i>).</p>

Agency objectives	Indicators	Performance
Alignment to federal government "Protecting Your Super" Legislation	Alignment to federal government "Protecting Your Super" Legislation	<p>During the reporting period, Super SA progressed new fee erosion protection arrangements for low account balances to come into effect in 2020-21.</p> <p>This includes placing a cap on the amount of fees (excluding insurance premiums) (of 3 per cent of a member's account balance) that can be charged to members with an account balance below \$6,000, as at 30 June each financial year.</p> <p>Super SA also continued to progress the transfer of low balance accounts to the Australian Taxation Office (ATO), whereby the fund will make its first transfer to the ATO in 2020-21.</p>

#### Targets 2020-21

- Implement choice of superannuation fund for the South Australian public sector
- Introduce a limited public offering
- Transformation of the Super SA insurance model to align with codes of conduct
- Member experience transformation program

## Financial performance

### Financial performance at a glance

The following is a brief summary of the main activities that transpired across the schemes administered by the Super SA Board. Full audited financial statements for 2019-20 are attached to this report (*refer Appendix*).

The total number of members at 30 June 2020 was 214,400 and is consistent with the prior year membership. This figure comprises the following categories of members:

- Triple S active and preserved
- Pension Scheme superannuant, active and preserved
- Lump Sum Scheme active and preserved
- SA Ambulance Service Superannuation Scheme active and preserved
- Super SA Income Stream active, and
- Flexible Rollover Product active.

The value of total assets under management at 30 June 2020 was \$29.7 billion.

Since 30 June 2019, funds under management across the schemes and products administered by the Board fell by \$143.5 million (-0.5 per cent). This consists of funds under management moving a little across the financial year with Triple S Scheme being steady moving from \$18.9 billion to \$19.1 billion, Flexible Rollover Product from \$1.3 billion to \$1.4 billion, the Income Stream from \$3.6 billion to \$3.7 billion, the SA Ambulance Service Superannuation Scheme from \$288 million to \$274 million and the Lump Sum and Pension Schemes moved from \$5.1 billion to \$4.6 billion.

The overall preserved membership declined by 8,930 members to 49,401. This reduction in preserved membership is a result of a decrease in Triple S preserved members by 8,842 to 48,159, decreases in Lump Sum and Pension scheme preserved members of 56 and 34 respectively to 947 and 211; and an increase in SA Ambulance preserved members of two to 84.

### 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 2019-20 financial year, the State Government transferred \$378.5 million into the Employer Account to meet its past service superannuation liabilities in respect of the Lump Sum and Pension Schemes.

### *South Australian Superannuation Fund*

Mr Geoff Keen, an actuary with Brett & Watson Pty Consulting Actuaries, performed the actuarial review of the South Australian Superannuation Fund (Pension and Lump Sum Schemes) as at 30 June 2019. The review which was completed in June 2020 looked comparatively at the cost of the Pension Scheme against the proportion of benefits that can be met from the Old Division of the South Australian Superannuation Fund. The review also looks at the employer cost of future accruing benefits of the Pension and Lump Sum Schemes as well as the projected emerging cost of both schemes. 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 Lump Sum and Pension Schemes were adopted by the Board:

#### Pension scheme

- The employer contribution rate for the employer share of the future service cost of the Pension Scheme be maintained at 26.0 per cent of contributors' salaries.
- The Prescribed Proportion of the future Pension Scheme benefits that can be met from the Fund be increased to 15.0 per cent (previously 14%).

#### Lump Sum Scheme

- The employer contribution rate for the employer share of the future service cost of the Lump Sum Scheme be maintained at 14.75 per cent of contributors' salaries.

The next actuarial review of the South Australian Superannuation Fund (Pension and Lump Sum Schemes) will be performed as at 30 June 2022.

### *Triple S Insurance Pool*

A triennial review of the Triple S Insurance Pool as at 30 June 2019 was performed by Ms Catherine Nance, an actuary with PricewaterhouseCoopers (PwC). The report on the review provided for the purposes of Section 17 of the *Southern State Superannuation Act 2009* shows, among other things, that:

- There is a surplus of \$42.1 million in the overall insurance pool in addition to prudential and self-insurance reserves of \$123.1 million. This compares with a surplus of \$36.8 million and reserves of \$104.5 million in 2016, and
- The premiums charged at 30 June 2019 remain appropriate for all products given the current membership profile and claims experience for 2016-2019.

The next actuarial review of the Triple S Insurance Pool is due to be performed as at 30 June 2022.

### *SA Ambulance Service Superannuation Scheme*

The actuarial review of the SA Ambulance Service Superannuation Scheme is performed at least every three years. The most recent actuarial review of the fund supporting this scheme was performed as at 30 June 2017. 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 per cent to 9.5 per cent effective from 1 July 2018.
- The financing objective in respect of defined benefits be maintained at 105 per cent of the liability for vested defined benefits.

The next actuarial review will be undertaken as at 30 June 2020.

### **Other information**

In response to the COVID-19 pandemic the State Government identified superannuation as an essential service. Super SA mobilised its workforce and prioritised essential services for members, whilst complying with mandated restrictions and safety protocols. In the interest of member and staff safety, the Member Centre was temporarily closed. Super SA focused its communication across multiple channels to keep members informed.

The Fund actively responded to the Commonwealth Government's COVID-19 Early Release of Superannuation Benefits initiative, to assist members suffering financial hardship due to COVID-19. As at 30 June 2020, 5,500 Triple S members had their applications for the early release of benefits approved and paid.

## Risk management

### Risk and audit at a glance

The Super SA Governance and Risk Team's responsibilities include oversight of risk management, compliance, the Board's anti-money laundering and counter-terrorism financing program, incident management and business continuity management. The Team also manage Internal Audit reviews conducted by an external provider.

### Fraud detected in the agency

Category/nature of fraud	Number of instances	Financial Impact to Super SA (\$)
Fraudulent transactions attempted by external parties on member accounts	4	\$ Nil
Fraudulent claim by member for payment from their member account	1	\$ Nil

*NB: Fraud reported includes actual and reasonably suspected incidents of fraud.*

### Strategies implemented to control and prevent fraud

To ensure a strong control environment exists to prevent the occurrence of fraud, the Super SA Office has implemented strong monitoring and validation controls over benefit payments, including verification with members of large benefit payment requests, system based identification of unusual member account activity, validation of proof of identity prior to payment, and independent review and authorisation of all benefit payments.

Regular information is provided to the Super SA Board from internal and external audit, the Audit, Risk and Finance Committee and the Chief Executive.

The Super SA Office maintains the Board's 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 (AMUCTF) Program.

### Public interest disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the *Public Interest Disclosure Act 2018*:

Nil

Note: Disclosure of public interest information was previously reported under the *Whistleblowers Protection Act 1993* and repealed by the *Public Interest Disclosure Act 2018* on 1/7/2019.

## Reporting required under any other act or regulation

Act or Regulation	Requirement
<i>Freedom of Information Act 1991</i>	During 2019–20, one formal application was received requesting access to information under this Act. All other requests to access copies of documentation were informal.

Act or Regulation	Requirement
Section 29 of the <i>Southern State Superannuation Act 2009</i>	<p>There were 26 appeals directly considered by the Super SA Board. There was one request to waive a procedural step (which was not approved) and 13 requests to extend a time limit (of which 12 were approved), pursuant to section 29 of the <i>Southern State Superannuation Act 2009</i>. Section 29 requires that the use of this section of the legislation must be reported to the Treasurer in the Annual Report.</p> <p>26 requests to extend the time limit were also considered (and all approved) by a delegate(s) of the Board under section 29 of the <i>Southern State Superannuation Act 2009</i>, pursuant to a delegation given by the Board.</p>

Act or Regulation	Requirement
<i>Superannuation (Unclaimed Money and Lost Members) Act 1999</i> (Cwth Act)	<p>The Super SA Board is required to report and pay unclaimed money entitlements to the Australian Taxation Office (ATO) twice per year in accordance with the Commonwealth legislation.</p> <p>No payments were required for Pension or Lump Sum Schemes or SA Ambulance Service Superannuation Scheme (31 October 2019 reporting and 30 April 2020 reporting).</p> <p>Payments for Triple S, Flexible Rollover Product and Income Stream were not made for reporting periods ending 31 October 2019 and 30 April 2020 as a system issue prevented our ability to report.</p>

## Public complaints

### Number of public complaints reported

Complaint categories	Sub-categories	Example	Number of Complaints 2019-20
Professional behaviour	Staff attitude	Failure to demonstrate values such as empathy, respect, fairness, courtesy, extra mile; cultural competency	0
Professional behaviour	Staff competency	Failure to action service request; poorly informed decisions; incorrect or incomplete service provided	0
Professional behaviour	Staff knowledge	Lack of service specific knowledge; incomplete or out-of-date knowledge	0
Communication	Communication quality	Inadequate, delayed or absent communication with customer	35
Communication	Confidentiality	Customer's confidentiality or privacy not respected; information shared incorrectly	3
Service delivery	Systems/technology	System offline; inaccessible to customer; incorrect result/information provided; poor system design	22
Service delivery	Access to services	Service difficult to find; location poor; facilities/ environment poor standard; not accessible to customers with disabilities	0



<b>Complaint categories</b>	<b>Sub-categories</b>	<b>Example</b>	<b>Number of Complaints 2019-20</b>
Service delivery	Process	Processing error; incorrect process used; delay in processing application; process not customer responsive	120
Policy	Policy application	Incorrect policy interpretation; incorrect policy applied; conflicting policy advice given	7
Policy	Policy content	Policy content difficult to understand; policy unreasonable or disadvantages customer	39
Service quality	Information	Incorrect, incomplete, out dated or inadequate information; not fit for purpose	0
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	0
Service quality	Timeliness	Lack of staff punctuality; excessive waiting times (outside of service standard); timelines not met	2
Service quality	Safety	Maintenance; personal or family safety; duty of care not shown; poor security service/ premises; poor cleanliness	0

<b>Complaint categories</b>	<b>Sub-categories</b>	<b>Example</b>	<b>Number of Complaints 2019-20</b>
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	0
No case to answer	No case to answer	Third party; customer misunderstanding; redirected to another agency; insufficient information to investigate	1
Super SA's specific complaint category / sub-categories (as they are not in the above complaint categories).			
Investments	Investments	Investment fees; Dissatisfaction with investment of assets	22
		<b>Total</b>	<b>251*</b>

\*2018-19 Total complaints were 350.

<b>Additional Metrics</b>	<b>Total</b>
Number of positive feedback comments	48
Number of negative feedback comments	251 (complaints, see table above)
Total number of feedback comments	299
% complaints resolved within Super SA Board policy timeframes	91%
% complaints resolved within DTF policy timeframes	78%

### **Service Improvements resulting from complaints or consumer suggestions over 2019-20**

- Introduction of early release of super on the grounds of financial hardship or compassionate grounds for members of the Lump Sum Scheme who have a rollover component.
- Introduction of early release of super for those financially impacted by the COVID-19 pandemic.
- Implemented changes to the proof of identification requirements to make it easier for our members during COVID-19 restrictions.
- Updated the delegations to increase the number of staff able to approve critical functions during a BCP event (or planning stage) to provide adequate coverage across the office and less wait time for members.
- Removed the minimum annual fee for the Flexible Rollover Product, for investors who are not in the product for a full year.
- Updated the delegations put in place to allow a member to rollout their preserved super account in Triple S via Super Stream, without manual intervention.
- Introduced the acceptance of switching fees by Lump Sum members by electronic funds transfer, which was previously required to be provided by cheque.
- Introduced the acceptance of fees in respect to family law matters by electronic funds transfer, which was previously required to be provided by cheque.
- Updated the Board policy to give the Chief Executive and Presiding Officer the delegation to give direction in respect to court matters, thereby expediting the outcome for the member.
- Specialised training for operational staff using Lean Methodologies, which resulted in streamlining the claims assessment process.
- Continuous enhancements to the administration system.
- LEAN process improvement implemented in Insurance service team
- Introduced new fee model – decreased fee in Income Stream Scheme.

## **Appendix: Audited financial statements 2019-20**



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## To the Presiding Member South Australian Superannuation Board

### Opinion

I have audited the financial report of South Australian Superannuation Board for the financial year ended 30 June 2020.

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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued 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 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, 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* (including Independence Standards) have been met.

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

## **Responsibilities of the Chief Executive, State Superannuation Office and members of the South Australian Superannuation Board for the financial report**

The Chief Executive, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 that 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**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of South Australian Superannuation Board for the financial year ended 30 June 2020.

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.

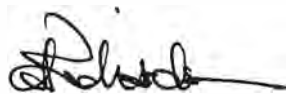
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Superannuation Board's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, 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 Chief Executive, State Superannuation Office and Presiding Member of the South Australian Superannuation Board about, 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**  
23 September 2020

## South Australian Superannuation Board

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020	2019
		\$'000	\$'000
<b>Expenses</b>			
Administration expenses	4	27 937	29 085
Other expenses	5	25	301
<b>Total expenses</b>		27 962	29 386
<b>Income</b>			
Fees and charges	6	29 354	29 612
Interest revenues	7	10	24
<b>Total income</b>		29 364	29 636
<b>Total comprehensive result</b>	11	1 402	250

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

### STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020	2019
		\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents	8	4 377	2 187
Receivables	9	18	19
<b>Non current assets</b>			
Loan Receivable	9, 16	559	556
<b>Total assets</b>		4 954	2 762
<b>Current liabilities</b>			
Payables	10	1 773	983
<b>Total liabilities</b>		1 773	983
<b>Net assets</b>		3 181	1 779
<b>Equity</b>			
Retained earnings	11	559	556
Reserves	11	2 622	1 223
<b>Total Equity</b>		3 181	1 779

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 2020

	Note	Retained earnings	Reserves	Total
		\$'000	\$'000	\$'000
<b>Balance at 30 June 2018</b>		548	981	1 529
<b>Total comprehensive result for 2018-19</b>		250	-	250
Transferred to reserves		(242)	242	-
<b>Balance at 30 June 2019</b>		556	1 223	1 779
<b>Total comprehensive result for 2019-20</b>		1 402	-	1 402
Transferred to reserves		(1 399)	1 399	-
<b>Balance at 30 June 2020</b>	11	559	2 622	3 181

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

### STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020	2019
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Administration expenses paid		(30 203)	(31 950)
Other expenses		(27)	(314)
<b>Cash (used in) operations</b>		(30 230)	(32 264)
<b>Cash inflows</b>			
Interest received		8	17
Fees and charges paid		32 327	32 572
GST recovered from the ATO		85	80
<b>Cash generated from operations</b>		32 420	32 669
<b>Net cash provided by operating activities</b>	13	2 190	405
<b>Net increase in cash and cash equivalents</b>		2 190	405
Cash and cash equivalents at the beginning of the period		2 187	1 782
<b>Cash and cash equivalents at the end of the period</b>	8, 13	4 377	2 187

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

## South Australian Superannuation Board

### Note 1 Objectives and funding

#### 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 Treasurer (formerly 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 (DTF), 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 DTF 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 Summary of 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 2020. 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:
  - 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.

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 2020, and comparative information 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.

## South Australian Superannuation Board

### 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 is registered for Goods and Services Tax (GST) 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 ATO, 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 2020 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2020.

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.

Interest revenues comprise the interest received on the loan to the Treasurer (formerly 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 earned.

#### Expenses

Administration expenses are the payment of the administration fees to DTF 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.

## South Australian Superannuation Board

### 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 16 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 Impact of standards and statements not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

The Board has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Board are outlined below.

#### *AASB 16 - Leases*

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

#### *AASB 1059 – Service Concession Arrangement: Grantors*

The objective of AASB 1059 is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity. The standard applies to reporting periods beginning on or after 1 January 2020.

The Board has no operating leases and is not a service concession grantor, the Board has assessed the impact of the new standards, and has determined there will be no impact on the Board's financial statements.

### Note 4 Administration expenses

	Note	2020	2019
		\$'000	\$'000
Administration expenses		26 920	22 960
Strategic projects	17	1 017	6 125
<b>Total administration expenses</b>		<b>27 937</b>	<b>29 085</b>

### Note 5 Other expenses

	2020	2019
	\$'000	\$'000
Other expenses <sup>(i)</sup>	25	166
Election costs	-	135
<b>Total other expenses</b>	<b>25</b>	<b>301</b>

- (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. Audit fees for the Board were \$16 500 (2019: \$16 300). Other expenses in 2018-19 include \$150 000 for DTF ICT capital program costs.

## South Australian Superannuation Board

### Note 6 Fees and charges

	2020	2019
	\$'000	\$'000
Recovery of administration expenses	29 354	29 612
<b>Total fees and charges</b>	<b>29 354</b>	<b>29 612</b>

### Note 7 Interest revenues

	2020	2019
	\$'000	\$'000
Deposit Account held with the Treasurer	7	16
Loan to Southern Select Super Corporation <sup>(i)</sup>	3	8
<b>Total interest revenues</b>	<b>10</b>	<b>24</b>

(i) Refer note 16

### Note 8 Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Cash at bank	4 377	2 187
<b>Total cash and cash equivalents</b>	<b>4 377</b>	<b>2 187</b>

### 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.

### Note 9 Receivables

	2020	2019
	\$'000	\$'000
<b>Current receivables</b>		
Sundry debtors	-	1
Audit fee recovery	18	18
<b>Total current receivables</b>	<b>18</b>	<b>19</b>
<b>Non-current receivables</b>		
Loan receivable <sup>(i)</sup>	559	556
<b>Total non-current receivables</b>	<b>559</b>	<b>556</b>
<b>Total receivables</b>	<b>577</b>	<b>575</b>

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

(i) Refer note 16

## South Australian Superannuation Board

### Note 10 Payables

	2020	2019
	\$'000	\$'000
Audit fee payable	18	18
Administration expenses payable	1 469	843
GST input tax payable	286	122
<b>Total payables</b>	<b>1 773</b>	<b>983</b>

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 \$'000	Total Comprehensive Result \$'000	Transfers (To) Reserve \$'000	2020 \$'000	2019 \$'000
<b>Retained Earnings</b>	556	1 402	(1 399)	559	556
<b>Reserves</b>	Opening Balance \$'000	Transfers To Reserve \$'000	Transfers From Reserve \$'000	2020 \$'000	2019 \$'000
General Reserve <sup>(i)</sup>	1 223	1 399	-	2 622	1 223
<b>Total Reserves</b>	1 223	1 399	-	2 622	1 223

- (i) The Transfers to Reserve amount represents under spend in office expenditure and interest allocated from July 2019 to June 2020.

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.

### 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 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 Board include the Treasurer, the governing board members, and the Chief Executive and the five members of the Executive Group, State Superannuation Office who have responsibility for the strategic direction and management of the Board.

The compensation detailed below excludes salaries and other benefits the Treasurer 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 DTF). The Chief Executive and Executive Leadership Group, State Superannuation Office, are compensated through the DTF so their compensation is also not included below.

#### The South Australian Superannuation Board

Gregory Boulton (Presiding Member - Re-appointed 09/09/19)

Virginia Deegan (Re-appointed 23/07/18)

Richard Dennis (Appointed 23/07/18)

Bill Griggs (Re-elected 02/10/18)

Alison Kimber (Elected 02/10/18)

Amanda Heyworth (Deputy Member - Appointed 29/11/18)

Liz Hlipala (Deputy Member - Re-appointed 23/07/18)

Leah York (Deputy Member - Re-appointed 29/11/18)

John Wright (Deputy Member - Re-appointed 23/07/18)

## South Australian Superannuation Board

### The South Australian Superannuation Board Audit, Risk and Finance Committee

Virginia Deegan (Convenor) (Appointed 23/07/15)  
 Gregory Boulton (Appointed 19/12/18)  
 Richard Dennis (Appointed 19/12/18)  
 John Wright (Appointed 23/07/15)

### The South Australian Superannuation Board Member Services Committee

Bill Griggs (Convenor) (Appointed 02/10/15)  
 Leah York (Appointed 02/10/15)  
 Gregory Boulton (Appointed 19/12/18)  
 Alison Kimber (Appointed 19/12/18)  
 Dascia Bennett (ex officio member November 2017)

#### Compensation

	2020	2019
	\$'000	\$'000
Salaries and other short-term employee benefits	240	210
<b>Total</b>	<b>240</b>	<b>210</b>

Compensation costs are included in administration expenses.

#### Note 13 Cash flow reconciliation

	2020	2019
	\$'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	4 377	2 187
Balance as per the Statement of Cash Flows	4 377	2 187

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

Total comprehensive result	1 402	250
<b>Movement in operational assets and liabilities</b>		
(Increase) in receivables	(2)	(7)
Increase in payables	790	162
<b>Net cash provided by operating activities</b>	<b>2 190</b>	<b>405</b>

#### 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 16).

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

## South Australian Superannuation Board

### Note 15 Events after the reporting period

There were no significant events after the reporting period.

### Note 16 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 2019-20 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount receivable was \$3,000 (2019 \$8,000).

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 2019-20 there was no principal repayment required (refer to the Fund's Financial Report) (2019: Nil).

### Note 17 Strategic Projects

Super SA sets an annual capital expenditure budget, which funds the Transformation program each year. Included in this program are infrequent and substantial projects, including system upgrades, replacements, product, structural and governance changes.

The annual budget for the Transformation program is driven by the Board's strategic direction, and is overseen by the Super SA Project Board.

The Board's Strategic Project expense (Note 4) reflects the reimbursement of Project costs incurred by DTF. For 2018-19 this represented the ICT Solution Project, which was closed in December 2018. In accordance with the appropriate policies, the Bluedoor ICT asset has been recognised in the DTF asset register as at the 31 December 2018 close off date.

### Note 18 Coronavirus (COVID-19) impact

#### Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19 has had a significant impact on the domestic and global economy and equity, debt and commodity markets.

Super SA has considered the impact of COVID-19 and provided advice to the Board in preparing its financial statements. Given the dynamic and evolving nature of COVID-19 as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of assets and liabilities may arise in the future. Any such impacts will be accounted for in future accounting periods.

#### Processes applied

In preparing these financial statements the Board considered the impact of COVID-19 in its:

- evaluation of any areas of judgment or estimation uncertainty;
- stress testing scenarios, which are an integral component of Board's risk management framework, to assess the potential impacts of the COVID-19 pandemic on liquidity; and
- the determination of the completeness and appropriateness of financial statement disclosures.

#### Risk management

The Board continues to apply its risk management framework and continues to monitor the impact of COVID-19 on its risk profile. The Board is focused on the effects of the global COVID-19 pandemic and is monitoring it as it unfolds.

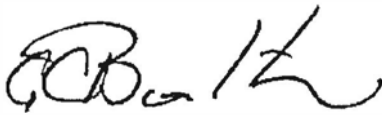


## South Australian Superannuation Board

### Certification of the financial statements

We certify that the:

- Financial statements of the Board:
  - are in accordance with the accounts and records of the authority; and comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
  
- Internal controls employed by the Board over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Gregory Boulton AM  
PRESIDING MEMBER  
SA SUPERANNUATION BOARD



Dascia Bennett  
CHIEF EXECUTIVE  
STATE SUPERANNUATION OFFICE



Erin Fitzgerald  
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION  
STATE SUPERANNUATION OFFICE

Date ..... 17 September 2020 .....



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

## Opinion

I have audited the financial report of the South Australian Superannuation Scheme for the financial year ended 30 June 2020.

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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued 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 2020
- an Income Statement for the year ended 30 June 2020
- a Statement of Changes in Member Benefits for the year ended 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, 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* (including Independence Standards) have been met.

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

### **Responsibilities of the Chief Executive, State Superannuation Office and members of the South Australian Superannuation Board for the financial report**

The Chief Executive, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 that 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**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 20AB(2) of the *Superannuation Act 1998*, I have audited the financial report of South Australian Superannuation Scheme for the financial year ended 30 June 2020.

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.

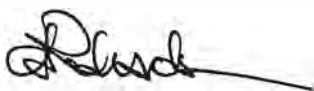
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Superannuation Scheme's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, 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 Chief Executive, State Superannuation Office and the Presiding Member of the South Australian Superannuation Board about, 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**

23 September 2020

South Australian Superannuation Scheme

Statement of Financial Position  
as at 30 June 2020

	Note	2020 \$000	2019 \$000
<b>Assets</b>			
Cash and cash equivalents	16	28 964	6 407
Contributions receivable	5	1 130	886
Receivables	6	4 528	5 778
Investments	7	4 612 448	5 100 537
<b>Total Assets</b>		<u>4 647 070</u>	<u>5 113 608</u>
<b>Liabilities</b>			
Benefits Payable		27 262	31 696
Payables	9	105	391
<b>Total liabilities excluding member benefits</b>		<u>27 367</u>	<u>32 087</u>
<b>Net assets available for member benefits</b>	18	<u>4 619 703</u>	<u>5 081 521</u>
<b>Member benefits</b>			
Defined benefit member liabilities		8 424 560	8 818 519
Defined contribution member liabilities		554 488	624 520
<b>Total member benefits</b>	4	<u>8 979 048</u>	<u>9 443 039</u>
<b>Total net assets/(liabilities)</b>		<u>(4 359 345)</u>	<u>(4 361 518)</u>
<b>Equity</b>			
Defined benefits that are (under) funded		(4 359 345)	(4 361 518)
<b>Total Equity</b>		<u>(4 359 345)</u>	<u>(4 361 518)</u>

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

Income Statement  
for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
Changes in investments measured at fair value		(22 058)	431 477
Interest revenue		39	100
<b>Total revenue</b>		<u>(22 019)</u>	<u>431 577</u>
Investment expenses	10	(33 787)	(38 667)
Higher education expense	13	(8 971)	(8 712)
Administration expenses	11	(4 308)	(3 969)
<b>Total expenses</b>		<u>(47 066)</u>	<u>(51 348)</u>
<b>Result from superannuation activities</b>		<u>(69 085)</u>	<u>380 229</u>
Net change in defined benefit member liabilities		67 007	(99 003)
Allocation to/(from) defined contribution members accounts		4 251	(44 672)
<b>Net operating result</b>		<u>2 173</u>	<u>236 554</u>

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 2020

2020	Note	Defined Benefit Component \$000	Defined Contribution Component \$000	Totals \$000
<b>Opening balance as at 1 July 2019</b>		<b>8 818 519</b>	<b>624 520</b>	<b>9 443 039</b>
Contributions for Past Service Liability	14	383 140	-	383 140
Employer contributions	15	30 853	-	30 853
Public Authority employer contributions		37 159	-	37 159
Member contributions		655	11 567	12 222
Transfers from other super entities		3	527	530
<b>Net contributions</b>		<b>451 810</b>	<b>12 094</b>	<b>463 904</b>
Benefits to members		(778 762)	(77 875)	(856 637)
Net benefits allocated, comprising:				
Net investment income		-	(3 956)	(3 956)
Administration fees		-	(295)	(295)
Net change in member liabilities		(67 007)	-	(67 007)
<b>Closing balance as at 30 June 2020</b>		<b>8 424 560</b>	<b>554 488</b>	<b>8 979 048</b>

2019	Note	Defined Benefit Component \$000	Defined Contribution Component \$000	Totals \$000
<b>Opening balance as at 1 July 2018</b>		<b>9 058 646</b>	<b>652 682</b>	<b>9 711 328</b>
Contributions for Past Service Liability	14	384 278	-	384 278
Employer contributions	15	36 480	-	36 480
Public Authority employer contributions		36 596	-	36 596
Member contributions		673	13 048	13 721
Transfers from other super entities		10	1 976	1 986
<b>Net contributions</b>		<b>458 037</b>	<b>15 024</b>	<b>473 061</b>
Benefits to members		(797 167)	(87 858)	(885 025)
Net benefits allocated, comprising:				
Net investment income		-	44 990	44 990
Administration fees		-	(318)	(318)
Net change in member liabilities		99 003	-	99 003
<b>Closing balance as at 30 June 2019</b>		<b>8 818 519</b>	<b>624 520</b>	<b>9 443 039</b>

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

## South Australian Superannuation Scheme

### Statement of Changes in Equity for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
<b>(Under) funded benefits opening balance 1 July</b>		<b>(4 361 518)</b>	<b>(4 598 072)</b>
Net operating result		2 173	236 554
<b>(Under) funded benefits closing balance 30 June</b>		<b>(4 359 345)</b>	<b>(4 361 518)</b>

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

### Statement of Cash Flows for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
GST recoup		300	270
Other income		48	100
Higher education expenses		(8 971)	(8 712)
Administration expenses paid		(4 677)	(4 254)
<b>Net cash flows from operating activities</b>	16	<b>(13 300)</b>	<b>(12 596)</b>
Receipts from the sale of investments from Funds SA		854 008	811 505
Payments to Funds SA for the purchase of investments		(421 764)	(403 645)
<b>Net cash flows from investing activities</b>		<b>432 244</b>	<b>407 860</b>
Employer contributions		30 839	36 550
Past service liability contributions		384 133	384 235
Commonwealth and Public Authorities contributions		37 361	37 342
Member contributions		12 159	13 745
Transfers from other superannuation entities		300	2 250
Pension benefits to members		(638 466)	(635 250)
Benefit payments to members		(222 713)	(236 529)
<b>Net cash flows from financing activities</b>		<b>(396 387)</b>	<b>(397 657)</b>
<b>Net change in cash</b>		<b>22 557</b>	<b>(2 393)</b>
Cash at the beginning of the financial period		6 407	8 800
<b>Cash at the end of the financial period</b>	16	<b>28 964</b>	<b>6 407</b>

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 per cent. 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* (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.

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 2020 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 per cent (2019: 26 per cent) for old scheme contributors and 14.75 per cent (2019: 14.75 per cent) for new scheme contributors.

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:



## South Australian Superannuation Scheme

### (i) State government departments

State government departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities that are deposited by the Treasurer into the Account. Details on employer contributions from State Government Departments are detailed in Note 15.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. The amounts the Government transferred into the Account are at Note 14. 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.  
  
Details on the contributions for past service liabilities are provided at Note 14.
- *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.  
  
Details on the employer contributions for the 2019-20 financial year are provided at Note 15.

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* (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) Impact of standards and statements not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

The Board has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Scheme. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Scheme are outlined below.

#### *AASB 16 - Leases*

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

#### *AASB 1059 – Service Concession Arrangement: Grantors*

The objective of AASB 1059 is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity. The standard applies to reporting periods beginning on or after 1 January 2020.

The Scheme has no operating leases and is not a service concession grantor. The Board has assessed the impact of the new standards on the Scheme, and has determined there will be no impact on the Scheme's financial statements.

## South Australian Superannuation Scheme

### (c) *Financial assets and liabilities*

#### (a) **Classification**

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

##### *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 9. 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 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 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 note 7.

#### (f) **Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and on 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.

## South Australian Superannuation Scheme

### (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 2020 but paid after 30 June 2020. These also include pension payments payable on or prior to 30 June 2020 but paid after 30 June 2020.

### (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 Scheme's primary currency. 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.

#### (i) Inflation Linked Securities A

The Inflation Linked Securities A 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.

## South Australian Superannuation Scheme

(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 2018). 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.

(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 2020, 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 (DB) High Growth Strategy.

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.

## South Australian Superannuation Scheme

### (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.

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 Mr Geoffrey Keen, Fellow of the Institute of Actuaries of Australia from Brett & Watson Pty Ltd to measure the defined benefits members' liabilities and the employer funded defined benefit component in respect of new scheme contributors.

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 2020.

The expected future benefit payments have been determined using the 2019 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The actuarial valuation of member liabilities of the South Australian Superannuation Scheme is undertaken annually, as at 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): 6.5 per cent per annum (2019: 7.0 per cent);
- The future rate of salary growth: 2.5 per cent per annum (2019: 4.0 per cent); and
- Long term inflation (CPI): 2.0 per cent per annum (2019: 2.5 per cent).

## South Australian Superannuation Scheme

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.

	2020			2019		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Member liabilities	8 424 560	554 488	8 979 048	8 818 519	624 520	9 443 039
	<u>8 424 560</u>	<u>554 488</u>	<u>8 979 048</u>	<u>8 818 519</u>	<u>624 520</u>	<u>9 443 039</u>

	2020			2019		
	Old Scheme	New Scheme	Total	Old Scheme	New Scheme	Total
	\$000	\$000	\$000	\$000	\$000	\$000
SA Superannuation Fund	1 145 739	554 488	1 700 227	1 109 476	624 520	1 733 996
<b>SA Superannuation Scheme contribution account:</b>						
Employer contribution accounts	1 116 334	289 872	1 406 206	1 162 633	323 637	1 486 270
SA Government employer account	5 072 230	528 334	5 600 564	5 322 879	612 642	5 935 521
Public authorities	264 832	7 219	272 051	279 364	7 888	287 252
	<u>7 599 135</u>	<u>1 379 913</u>	<u>8 979 048</u>	<u>7 874 352</u>	<u>1 568 687</u>	<u>9 443 039</u>

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 four assumptions (being the discount rate, the rate of salary adjustment, pension indexation rates and mortality rates) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities.

The assumed discount rate 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 variable 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, are resignations. The following table outlines the defined benefit liability sensitivity estimates provided by the scheme actuary on the discount rate, salary increase rate, pension indexation rate and mortality rate <sup>(a)</sup>.

Scenario	Member liability result <sup>(a)</sup> \$M	Change in member benefit liability \$M	Change in member benefit liability %
Base Case	8 425	-	-
Discount rate plus 0.5%	8 098	(327)	(3.9)
Discount rate less 0.5%	8 776	352	4.2
Salary increase rate plus 0.5%	8 445	21	0.2
Salary increase rate less 0.5%	8 404	(20)	(0.2)
Pension increase rate plus 0.5%	8 771	346	4.1
Pension increase rate less 0.5%	8 101	(323)	(3.8)
Mortality rate plus 10%	8 258	(166)	(2.0)
Mortality rate less 10%	8 607	183	2.2

(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.

## South Australian Superannuation Scheme

### Vested benefits

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.

	2020			2019		
	Old Scheme \$000	New Scheme \$000	Total \$000	Old Scheme \$000	New Scheme \$000	Total \$000
SA Superannuation Fund	1 146 941	554 488	1 701 429	1 110 896	624 520	1 735 416
<b>SA Superannuation Scheme contribution account:</b>						
Employer contribution accounts	1 118 853	327 007	1 445 860	1 166 228	354 981	1 521 209
SA Government employer account	5 076 314	618 155	5 694 469	5 327 619	692 639	6 020 258
Public authorities	264 954	7 863	272 817	279 637	8 462	288 099
	<u>7 607 062</u>	<u>1 507 513</u>	<u>9 114 575</u>	<u>7 884 380</u>	<u>1 680 602</u>	<u>9 564 982</u>

### 5. Contributions receivable

	2020 \$000	2019 \$000
Member contributions	256	194
Employer contributions	874	692
	<u>1 130</u>	<u>886</u>

### 6. Receivables

	2020 \$000	2019 \$000
Interest receivable	-	9
Benefit repayments	273	500
GST recoup from ATO	90	74
Overpaid administration expenses	53	-
Overpaid pensions	6	6
Prepaid benefits	260	149
Past service receivable	125	1 117
Public authorities	3 658	3 859
Temporary disability	63	64
	<u>4 528</u>	<u>5 778</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 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 twice weekly 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.

## South Australian Superannuation Scheme

### *Valuation technique*

The Scheme's investments are not quoted in an active market. To ensure fair value can be determined, the Scheme's investment manager, Funds SA, applies due diligence and considers valuation techniques and inputs used in valuing the funds, prior to investing. In measuring fair value, consideration is given to the amounts for which financial assets can be sold, excluding transaction costs. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

	2020	2019
	\$000	\$000
<b>Financial assets at fair value through profit or loss - Level 2</b>		
Level 1 and level 3 are not relevant to the Scheme		
Unlisted managed investment schemes	4 612 448	5 100 537
Funds SA	4 612 448	5 100 537

### 8. Value and movement of investments by investment option

	2020	Movement	2019
	\$000	\$000	\$000
High Growth A	23 419	(5 713)	29 132
Growth A	391 741	(80 496)	472 237
Balanced A	62 496	(1 263)	63 759
Moderate A	24 988	742	24 246
Conservative A	24 042	1 636	22 406
Capital Defensive A	9 526	718	8 808
Cash A	17 654	12 760	4 894
Socially Responsible	135	(1 653)	1 788
DB High Growth Strategy	4 058 447	(414 820)	4 473 267
<b>Investments at 30 June</b>	4 612 448	(488 089)	5 100 537

### 9. Payables

	2020	2019
	\$000	\$000
Audit fees	84	84
Returned benefit payments	21	18
PAYG Tax payable	-	26
Rollovers payable	-	263
	105	391

### 10. Investment expenses

	2020	2019
	\$000	\$000
Investment expenses	33 787	38 667
	33 787	38 667

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment.

### 11. Administration expenses

	2020	2019
	\$000	\$000
Administration expenses <sup>(i)</sup>	4 164	3 863
Other expenses <sup>(ii)</sup>	144	106
	4 308	3 969

(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. In addition the total for the year ended 30 June 2020 includes the Scheme's share of the Strategic Projects costs of \$13 7000 (2019: \$588 000).

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



## South Australian Superannuation Scheme

### 12. Auditor's remuneration

	2020	2019
	\$000	\$000
Audit fees paid or payable	78	78
	78	78

Audit fees paid (or payable), \$78 100 GST exclusive (2019: \$78 000), 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

	2020	2019
	\$000	\$000
Higher education superannuation costs	8 971	8 712
	8 971	8 712

These amounts are paid to the Commonwealth Government that related to the South Australian share of the 2020 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

	2020	2019
	\$000	\$000
SA Government	378 492	379 809
SA Water	4 399	4 230
Forestry SA	249	239
	383 140	384 278

### 15. Employer contributions

	2020	2019
	\$000	\$000
State government departments	21 154	25 046
Statutory authorities – state government entities	9 568	11 286
Statutory authorities – non-state government entities	131	148
	30 853	36 480

### 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:

	2020	2019
	\$000	\$000
Cash and cash equivalents	28 964	6 407
<b>Reconciliation of operating result to net cash from operating activities</b>		
Net operating result	2 173	236 554
Adjustments for:		
Change in investments measured at fair value	22 058	(431 477)
Investment expenses	33 787	38 667
(Increase) in receivables	(60)	(15)
Allocation to members' accounts	(71 258)	143 675
<b>Net flows from operating activities</b>	(13 300)	(12 596)

### 17. 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.

## South Australian Superannuation Scheme

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 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

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.

#### (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 Scheme'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 fair value with changes in fair value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

The Scheme'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 option. The following tables show the standard deviation around expected nominal returns for each investment option.

## South Australian Superannuation Scheme

The Funds SA statistics shown below are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have zero per cent tax rate applied and exclude franking credits.

	Average	Market	Average	Potential
	Return	Risk	Funds Under	impact of
	%	%	Management	market risk
			\$000	(+/-)
				on Income
				Statement
				\$000
2020				
<b>Investment Option</b>				
High Growth A	7.7	11.1	26 275	2 917
Growth A	7.7	11.1	431 989	47 951
Balanced A	7.2	10.1	63 127	6 376
Moderate A	6.4	7.4	24 617	1 822
Conservative A	5.7	5.4	23 224	1 254
Capital Defensive A	5.0	3.8	9 167	348
Cash A	3.3	1.0	11 274	113
Socially Responsible	6.4	10.3	962	99
DB High Growth Strategy	7.7	10.2	4 265 857	435 117
				Potential
				impact of
				market risk
				(+/-)
				on Income
				Statement
				\$000
2019				
<b>Investment Option</b>				
High Growth A	8.3	11.1	29 677	3 294
Growth A	7.4	9.5	485 906	46 161
Balanced A	6.8	8.4	60 427	5 076
Moderate A	6.0	6.6	22 808	1 505
Conservative A	5.2	5.3	22 654	1 201
Capital Defensive A	4.3	3.7	8 528	316
Cash A	2.7	1.0	5 310	53
Socially Responsible	5.8	9.9	1 839	182
DB High Growth Strategy	7.9	9.9	4 470 915	442 621

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 fair 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. Funds SA is the Scheme's only 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.

## South Australian Superannuation Scheme

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.

	Less than 3 Months \$000	Total	Carrying
		Contractual	Amount
		Cash Flows	Liabilities
2020			
Benefits payable	27 262	27 262	27 262
Payables <sup>(i)</sup>	21	21	21
Vested benefits <sup>(ii)</sup>	9 114 575	9 114 575	9 114 575
<b>Total</b>	<b>9 141 858</b>	<b>9 141 858</b>	<b>9 141 858</b>
2019			
Benefits payable	31 696	31 696	31 696
Payables <sup>(i)</sup>	281	281	281
Vested benefits <sup>(ii)</sup>	9 564 982	9 564 982	9 564 982
<b>Total</b>	<b>9 596 959</b>	<b>9 596 959</b>	<b>9 596 959</b>

(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.

### (f) 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. Net assets available for member benefits

AASB 1056 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:

	2020		2019	
	Old Scheme \$000	New Scheme \$000	Total \$000	Total \$000
<b>SA Superannuation Fund Account (employee component)</b>				
Funds held at 1 July	1 602 579	611 520	2 214 099	2 226 748
Contributions	655	11 567	12 222	13 721
Transfers from other super entities	3	527	530	1 986
Changes in investments measured at fair value	(8 820)	(937)	(9 757)	187 986
Interest	6	5	11	30
	(8 156)	11 162	3 006	203 723
Benefits Paid and Payable	92 472	77 875	170 347	198 832
Investment expenses	11 195	3 238	14 433	16 346
Administration expenses	687	555	1 242	1 194
	104 354	81 668	186 022	216 372
<b>Funds held at 30 June</b>	<b>1 490 069</b>	<b>541 014</b>	<b>2 031 083</b>	<b>2 214 099</b>

## South Australian Superannuation Scheme

	2020	2019
SA Superannuation Scheme Contribution Account (employer component)	\$000	\$000
<b>Funds held at 1 July</b>	<u>2 867 422</u>	<u>2 886 508</u>
Employer contributions:		
State Government departments	21 154	25 046
Statutory Authorities	9 699	11 434
Contribution for past service liability	<u>383 140</u>	<u>384 278</u>
	413 993	420 758
Changes in investments measured at fair value	(12 301)	243 490
Bank interest and other revenue:		
Public authorities	37 136	36 545
Interest	28	70
Temporary disability	<u>23</u>	<u>51</u>
	438 879	700 914
Benefits paid and payable:		
Old scheme contributors	562 015	542 392
New scheme contributors	<u>124 275</u>	<u>143 801</u>
	686 290	686 193
Investment expenses	19 354	22 321
Higher education superannuation costs	8 971	8 712
Administration expenses	<u>3 066</u>	<u>2 774</u>
	717 681	720 000
<b>Funds held at 30 June</b>	<u>2 588 620</u>	<u>2 867 422</u>
<b>Net assets available for member benefits</b>	<u>4 619 703</u>	<u>5 081 521</u>

### 19. Coronavirus (COVID-19) impact

#### Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world wide pandemic by the World Health Organisation in March 2020. COVID-19 has had a significant impact on the domestic and global economy and equity, debt and commodity markets.

Super SA has considered the impact of COVID-19 and provided advice to the Board in preparing its financial statements. Given the dynamic and evolving nature of COVID-19 as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Scheme's assets and liabilities may arise in the future. Any such impacts will be accounted for in future accounting periods.

The impact of COVID-19 on the macroeconomic outlook, including an explanation of the matters considered in determining the Scheme's assumptions in the valuation of defined benefit member liabilities, is outlined in Note 4 to the financial statements. Given the relative uncertainty of the impact of COVID-19 and its social and economic consequences, these assumptions represent reasonable and supportable forward looking views as at the reporting date.

#### COVID-19 Early Release of Superannuation Scheme

On 22 March 2020 the Australian Government announced the COVID-19 Early Release of Superannuation Scheme (ERS) as a temporary measure to stimulate the Australian economy. This scheme allowed eligible members to access up to \$10 000 of their superannuation in both financial years 2019-20 and 2020-21.

The Scheme does not permit the release of current contributors' defined benefits on hardship and compassionate grounds including COVID-19; however, they can take money from any rollover account (if such an account exists). The total rollover balance at 30 June 2020 comprises an insignificant proportion of the overall defined benefit liabilities and as such, any payments that could be made under the Government's COVID-19 Early Release Scheme are immaterial.

For the year ended 30 June 2020 the Scheme paid \$25 000 in Lump Sum member benefits under the ERS. Super SA expects any ERS benefits to be paid to members over the financial year ended 30 June 2021 to be immaterial.

#### Processes applied

In preparing these financial statements the Board considered the impact of COVID-19 in the:

- evaluation of any areas of judgment or estimation uncertainty in addition to those disclosed above;
- adoption of significant assumptions and market inputs used in:
  - valuing the Scheme's investments (in particular, unlisted investments);
  - valuing the Scheme's defined benefit member liabilities; and
  - preparing disclosures for the fair value of financial assets and liabilities and financial risk management;
- review of external market communications to identify other COVID-19 related impacts;
- review of public forecasts and experience from previous economic downturns;
- assessment of the fair value of the Scheme's assets and liabilities;
- stress testing scenarios, which are an integral component of the Board's risk management framework, to assess the potential impacts of the COVID-19 pandemic on the Scheme's portfolio valuation and liquidity; and
- determination of the completeness and appropriateness of financial statement disclosures.

## South Australian Superannuation Scheme

### Consideration of the Statement of Financial Position and further disclosures

Key items within the Statement of Financial Position and related disclosures impacted by COVID-19 are as follows:

#### *Financial instruments at fair value through profit and loss*

Given recent market volatility, Funds SA as the Scheme's investment manager reviewed the appropriateness of inputs to its valuation of financial instruments as well as performing out of cycle valuations. The impact of changes in valuation inputs has also been considered in terms of the classification of financial instruments in the fair value hierarchy, transfers within the fair value hierarchy and the sensitivity analysis. The Scheme's investments include a portfolio of unlisted equity investments which, in accordance with the Scheme's accounting policies, are measured at fair value. The determination of investments carrying value included a consideration of the impact of COVID-19.

#### *Defined benefit member liabilities*

Given recent market volatility, the Board on the advice of consulting actuaries reviewed the appropriateness of the significant assumptions used in its valuation of defined benefit member liabilities and disclosures of changes in these assumptions and the impact these may have on the Scheme's defined benefit deficit.

The likely main financial impact of the COVID-19 pandemic on the Scheme is if future investment returns were to be significantly reduced. The assumed salary inflation rate has been reduced to allow for the likely impact of the COVID-19 pandemic and a reduction to the assumed investment return both in the long term and for the year ending 30 June 2020 has been made. While the assumed CPI inflation rate has been reduced, the assumed investment return has also been reduced by the same amount, offsetting the impact of the reduced CPI inflation rate. Refer to Note 4 for more information.

#### *Risk management*

The Board's risk management framework continues to be applied across the Scheme's operations. The Board continues to monitor the impact of COVID-19 on the Scheme's risk profile. Non financial risks emerging from global movement restrictions, and remote working by our staff, counterparties and service providers have been identified, assessed, managed and governed through timely application of the Board's risk management framework.

The Board is focused on the effects of the global COVID-19 pandemic and is monitoring it as it unfolds, specifically:

- The Board manages the Scheme's cash flow on a daily basis, and prepares for events that may affect the liquidity position;
- The Investment Manager, Funds SA, actively manages investments in line with the long-term investment strategy, and monitors and responds to movements in global investment markets; and
- Funds SA stress-test liquidity for a range of possible scenarios.

### 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 manager Funds SA, has investment exposures in different countries and across different industries. Revenue derived from interest and the realised and unrealised changes from the different segments is reflected in the value of investments.

### 21. Related parties

#### *(a) Key management personnel*

The key management personnel of the Scheme includes the Treasurer, Board members and the Chief Executive and the five members of the Executive Group, State Superannuation Office who have responsibility for the strategic direction and management of the Scheme.

#### *(b) 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.

#### *(c) Transactions with key management personnel and other related parties*

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

#### *(d) 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.

South Australian Superannuation Scheme

Certification of the financial report

We certify that the:

- Financial statements of the South Australian Superannuation Scheme:
  - are in accordance with the accounts and records of the Scheme; and comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the Scheme at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Scheme over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Gregory Boulton AM  
PRESIDING MEMBER  
SA SUPERANNUATION BOARD



Dascia Bennett  
CHIEF EXECUTIVE  
STATE SUPERANNUATION OFFICE



Erin Fitzgerald  
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION  
STATE SUPERANNUATION OFFICE

Date 17 September 2020 .....



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

### Opinion

I have audited the financial report of the Southern State Superannuation Scheme for the financial year ended 30 June 2020.

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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued 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 2020
- an Income Statement for the year ended 30 June 2020
- a Statement of Changes in Member Benefits for the year ended 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, 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* (including Independence Standards) have been met.



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

### **Responsibilities of the Chief Executive, State Superannuation Office and members of the South Australian Superannuation Board for the financial report**

The Chief Executive, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 that 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**

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 Southern State Superannuation Scheme for the financial year ended 30 June 2020.

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, but not for the purpose of expressing an opinion on the effectiveness of the Southern State Superannuation Scheme's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, 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 Chief Executive, State Superannuation Office and the Presiding Member of the South Australian Superannuation Board about, 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**

23 September 2020

## Southern State Superannuation Scheme

### Statement of Financial Position as at 30 June 2020

	Note	2020 \$000	2019 \$000
<b>Assets</b>			
Cash and cash equivalents	17	7 171	28 878
Receivables	6	3 881	2 054
Contributions receivable	7	28 380	33 152
Investments	4	19 114 102	18 983 247
<b>Total assets</b>		<b>19 153 534</b>	<b>19 047 331</b>
<b>Liabilities</b>			
Benefits payable		41 629	96 164
Payables	8	192	178
Provision for PAYG withholding tax		491	-
Insurance liabilities		2 112 6	19 185
<b>Total liabilities excluding member benefits</b>		<b>63 438</b>	<b>115 527</b>
<b>Net assets available for member benefits</b>		<b>19 090 096</b>	<b>18 931 804</b>
Member benefit liabilities	3	18 935 303	18 725 165
<b>Total net assets</b>		<b>154 793</b>	<b>206 639</b>
<b>Equity</b>			
Death, invalidity and income protection insurance reserve	9	161 746	165 063
Administration fee reserve	10	405	1 970
Operational risk reserve	11	36 702	35 485
Investment allocation (over)/under	13	(44 060)	4 121
<b>Total equity</b>		<b>154 793</b>	<b>206 639</b>

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

### Income Statement for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
Net changes in investments measured at fair value		(20 257)	1 497 306
Interest revenue		119	349
Other revenue		20	-
<b>Total revenue</b>		<b>(20 118)</b>	<b>1 497 655</b>
Investment expenses	14	(99 297)	(105 050)
Administration expenses	15	(17 629)	(14 042)
<b>Total expenses</b>		<b>(116 926)</b>	<b>(119 092)</b>
<b>Result from superannuation activities</b>		<b>(137 044)</b>	<b>1 378 563</b>
Net insurance activities		(3 376)	2 065
<b>Result from operating activities</b>		<b>(140 420)</b>	<b>1 380 628</b>
Net benefits allocated to members accounts	12	88 574	(1 375 009)
<b>Net operating result</b>		<b>(51 846)</b>	<b>5 619</b>

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 2020

	2020 \$000	2019 \$000
<b>Opening balance as at 1 July</b>	<b>18 725 165</b>	<b>16 991 695</b>
Employer contributions	1 203 833	1 187 715
Member contributions	108 998	116 268
Transfers from other super entities	549 105	489 766
Government co-contributions	801	1 625
<b>Net contributions</b>	<b>1 862 737</b>	<b>1 795 374</b>
Benefits to members	(1 561 073)	(1 430 714)
Insurance premiums charged to members	(48 412)	(43 071)
Insurance benefits credited to members	45 460	36 872
Net benefits allocated to members, comprising:		
Net investment income	(72 406)	1 386 751
Administration fees	(16 168)	(11 742)
<b>Closing balance as at 30 June</b>	<b>18 935 303</b>	<b>18 725 165</b>

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 2020

	Admin Fee Reserve \$000 Note 10	Insurance Reserve \$000 Note 9	Operational Risk Reserve \$000 Note 11	(Under)/over allocated benefits \$000	Total Equity \$000
<b>2020</b>					
<b>Opening Balance</b>	<b>1 970</b>	<b>165 063</b>	<b>35 485</b>	<b>4 121</b>	<b>206 639</b>
Net operating result	(1 565)	(1 817)	(283)	(48 181)	(51 846)
Net transfers (from)/to reserves/equity	-	(1 500)	1 500	-	-
<b>Closing Balance</b>	<b>405</b>	<b>161 746</b>	<b>36 702</b>	<b>(44 060)</b>	<b>154 793</b>
<b>2019</b>					
<b>Opening Balance</b>	<b>4 027</b>	<b>155 347</b>	<b>32 873</b>	<b>9 271</b>	<b>201 518</b>
Net operating result	(2 057)	9 716	2 612	(4 652)	5 619
Net transfers (from) equity	-	-	-	(498)	(498)
<b>Closing Balance</b>	<b>1 970</b>	<b>165 063</b>	<b>35 485</b>	<b>4 121</b>	<b>206 639</b>

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

**Southern State Superannuation Scheme**

**Statement of Cash Flows**  
for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
GST Recoup		1 353	1 773
Other income		166	348
Insurance administration expenses paid		(4 677)	(9 128)
Administration expenses paid		(19 143)	(15 056)
<b>Net cash flows from operating activities</b>	<b>17</b>	<b><u>(22 301)</u></b>	<b><u>(22 063)</u></b>
Receipts from the sale of investments from Funds SA		769 307	374 402
Payments to Funds SA for the purchase of investments		(1 019 716)	(722 979)
<b>Net cash flows from investing activities</b>		<b><u>(250 409)</u></b>	<b><u>(348 577)</u></b>
Employer contributions		1 208 493	1 194 142
Member contributions		109 064	115 924
Government co-contributions		801	1 625
Transfers from other superannuation entities		547 396	489 875
Benefit payments to members		(1 614 638)	(1 423 296)
Payments from Operational Risk Reserve		(113)	(40)
<b>Net cash flows from financing activities</b>		<b><u>251 003</u></b>	<b><u>378 230</u></b>
<b>Net change in cash</b>		<b>(21 707)</b>	<b>7 590</b>
Cash at beginning of the financial period		28 878	21 288
<b>Cash at end of the financial period</b>	<b>17</b>	<b><u>7 171</u></b>	<b><u>28 878</u></b>

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 Act and the *Southern State Superannuation Regulations 2009*.

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1 per cent, under Regulation 17. A member of the police force, an operations employee of the South Australian 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 per cent 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 (the 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 per cent (2019: 9.50 per cent) of salary where the member has elected to contribute less than 4.5 per cent of salary. Where the member has elected to contribute 4.5 per cent or more of salary, the employer must contribute at a rate of 10 per cent.

Benefits, represented by the balances of all member accounts, are available for employees who retire, resign and meet a condition of release, are retrenched, elect Transition to Retirement or Early Access to Super while still an employee of the SA Public Sector or die, or 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 South Australian Superannuation Board (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 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 the investment of the Fund, 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 (DTF) established for that purpose. During the current reporting period contributions were made to the Special Deposit Account.

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) *Impact of standards and statements not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

The Board has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Scheme. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Scheme are outlined below.

##### *AASB 16 - Leases*

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

##### *AASB 1059 - Service Concession Arrangement: Grantors*

The objective of AASB 1059 is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity. The standard applies to reporting periods beginning on or after 1 January 2020.

The Scheme has no operating leases and is not a service concession grantor. The Board has assessed the impact of the new standards on the Scheme, and has determined there will be no impact on the Scheme's financial statements.

#### (c) *Financial assets and liabilities*

##### (a) *Classification*

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

##### *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 9. 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 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'.

## Southern State Superannuation Scheme

### (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 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 note 4.

### (f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on 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 2020 but paid after 30 June 2020. These also include income protection payments payable on or prior to 30 June 2020 but paid after 30 June 2020.

### (i) Insurance liabilities

The Scheme provides death and disability benefits to its defined contribution members. Premiums are deducted from insured members' accounts and are paid into dedicated insurance reserves in order to meet claims as they arise. The Scheme ultimately self-insures this risk as the Board believes it is appropriate in light of the Scheme's present membership and reserve levels. The table below outlines the net results of the Scheme's insurance activities during the year:

#### Insurance activities

	2020 \$000	2019 \$000
Insurance contract revenue	48 412	43 071
Insurance contract claims expenses	(45 460)	(36 872)
(Increase)/decrease in insurance liabilities	(1 941)	4 538
Net result from insurance activities	1 011	10 737

#### Significant estimates made in measuring insurance contract asset and liabilities

The Scheme uses the services of an actuary to determine its insurance contract assets and liabilities. An actuarial valuation involves making various assumptions about the future. Actual events in the future may differ from these assumptions. The most recent actuarial valuation was performed for the triennium ending 30 June 2019. A shorthand approach has been adopted to determine the value of insurance liabilities between actuarial valuation dates. It is expected that the liability amount determined using the shorthand method will not be materially different had the liabilities been determined in full.

The key assumptions used in measuring the insurance contract liabilities are:

- Mortality and disability rates reflecting the Scheme's own claim experience;
- The number and amount of insurance claims yet to be reported to the Scheme, relating to the period prior to the reporting year end; and
- The level of additional payments expected for income protection claims in the course of payment.

The key factors or uncertainties that impact the key assumptions above are:

- If mortality and/or disability rates increase, it will result in an increase in insurance liabilities as a result of higher claims and will lead to a decline in the net assets of the Scheme;
- Higher than expected claims reported to the Scheme will result in an increase in insurance liabilities and will lead to a decline in the net assets of the Scheme; and
- A better than expected claims experience will result in lower liabilities and an increase in net assets of the Scheme.



## Southern State Superannuation Scheme

The impact of uncertainties around the key assumptions is largely met from the insurance reserves in the Scheme. The adequacy of the insurance reserves are considered as part of the actuarial valuation.

### (j) 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.

### (k) 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.

### (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 Scheme's primary currency. 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 A

The Inflation Linked Securities A 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.

## Southern State Superannuation Scheme

(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 2018). 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 (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 2020, Funds SA managed eight distinct investment options for the Scheme which were available to investors, 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) 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.

## Southern State Superannuation Scheme

### 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 daily. Refer to Note 18 for the Scheme's management of the investment risks.

	2020	2019
	\$000	\$000
Member benefits	18 935 303	18 725 165
As compared to net assets available for member benefits	19 090 096	18 931 804

### 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 daily 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. To ensure fair value can be determined, the Scheme's investment manager, Funds SA, applies due diligence and considers valuation techniques and inputs used in valuing the funds, prior to investing. In measuring fair value, consideration is given to the amounts for which financial assets can be sold, excluding transaction costs. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

	2020	2019
	\$000	\$000
Financial assets at fair value through profit or loss - Level 2		
Level 1 and level 3 are not relevant to the Scheme		
Unlisted managed investment schemes	19 114 102	18 983 247
Funds SA	19 114 102	18 983 247

### 5. Value and movement of investments by investment option

	2020	Movement	2019
	\$000	\$000	\$000
High Growth A	1 435 455	(25 220)	1 460 675
Growth A	713 320	(19 708)	733 028
Balanced A	15 108 098	(470 868)	15 578 966
Moderate A	444 577	98 781	345 796
Conservative A	419 540	65 321	354 219
Capital Defensive A	277 765	60 354	217 411
Cash A	639 966	413 796	226 170
Socially Responsible	75 381	8 399	66 982
Investments at 30 June	19 114 102	130 855	18 983 247

### 6. Receivables

	2020	2019
	\$000	\$000
Refund from ATO for GST	438	257
Interest	2	29
Other receivables	2 454	1 632
Rollovers receivable	987	136
	3 881	2 054

**Southern State Superannuation Scheme**

**7. Contributions receivable**

	2020	2019
	\$000	\$000
Member contributions	1 069	1 180
Employer contributions	27 311	31 972
	28 380	33 152

**8. Payables**

	2020	2019
	\$000	\$000
Audit fees	94	94
Other payables	98	84
	192	178

**9. 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 permanent invalidity before age 70. An Income Protection Insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 65.

Most members of the Scheme are provided with three Standard Death and Total and Permanent Disablement (TPD) units of cover as a default costing \$2.25 per week and can reduce or cancel this at any time. 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 and are only able to reduce below this level or cancel on reaching age 65. 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. Members can switch their cover to Fixed Benefit Insurance and purchase additional units (subject to medical evidence). Each Fixed Benefit Insurance unit has a value of \$10 000 (for any age before 70), the premium increases from age 35. Fixed Insurance closed to new applications in November 2014.

As required by Section 17 of the Act, a report is obtained from an actuary appointed by the Treasurer on the costs and liabilities of the insurance arrangements of the Scheme (refer Note 2(i)).

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 Income Protection Insurance 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.

	2020	2019
	\$000	\$000
<b>Opening Balance of Insurance Reserve</b>	165 063	155 347
Investment earnings on Insurance Reserve <sup>(i)</sup>	(326)	12 191
Premiums and charges	48 412	43 071
Benefit payments	(45 460)	(36 872)
Administration expenses <sup>(ii)</sup>	(4 443)	(8 674)
<b>Operating Result</b>	(1 817)	9 716
Transfer (from) Reserve	(1 500)	-
<b>Closing balance of Reserve</b>	161 746	165 063

(i) The Insurance Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2020 was (0.3) per cent.

(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.

	2020	2019
	\$000	\$000
Opening Balance of Administration Fee Reserve	1 970	4 027
Investment earnings on Administration Fee Reserve <sup>(i)</sup>	(20)	130
Administration fees	16 168	11 742
Administration expenses <sup>(ii)</sup>	(17 713)	(13 929)
<b>Operating Result</b>	<b>(1 565)</b>	<b>(2 057)</b>
<b>Closing balance of Reserve</b>	<b>405</b>	<b>1 970</b>

(i) The Administration Fee Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2020 was (0.3) per cent.

(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 per cent of funds under management in line with Prudential Standard SPS114. The reserve is currently 0.19 per cent of funds under management.

	2020	2019
	\$000	\$000
Opening Balance of Operational Risk Reserve	35 485	32 873
Investment Revenue on Operational Risk Reserve <sup>(i)</sup>	(129)	2 652
Payments from Reserve	(154)	(40)
<b>Operating Result</b>	<b>(283)</b>	<b>2 612</b>
Transfer to Reserve	1 500	-
<b>Closing balance of Reserve</b>	<b>36 702</b>	<b>35 485</b>

(i) The Operational Risk Reserve is notionally invested in the Balanced Option. The rate of return on earnings in 2020 was (0.3) per cent.

### 12. Allocated to members' accounts

The value of funds which have been formally allocated to investor accounts equals the member benefits. The formal allocation of earnings to investors' accounts has been determined for the 2019-20 financial year.

### 13. Unallocated to members' accounts

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

The Scheme also values the investments reported in the financial statements at fair value (refer notes 2(c)(e) and 4), while the unit prices used to determine the member benefit liabilities are based on the underlying investment movements using redemption value (refer note 3). The redemption value is adjusted for disposal costs. This difference in valuation methods is reflected in the investment allocation amount in the Statement of Financial Position.

There are a range of historical allocation factors that influence the difference between the assets and liabilities of the Scheme that are subject to ongoing management review and resolution.

### 14. Investment expenses

	2020	2019
	\$000	\$000
Investment expenses	99 297	105 050
	<u>99 297</u>	<u>105 050</u>

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment.

## Southern State Superannuation Scheme

### 15. Administration expenses

	2020	2019
	\$000	\$000
Administration expenses <sup>(i)</sup>	17 497	13 929
Other expenses <sup>(ii)</sup>	132	113
	17 629	14 042

(i) Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act provides that administration costs will be paid from the Fund. The purpose of the administration 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 2020, the charge was \$1.35 per week per member for all members, active and non-active. In addition, from 1 January 2020 an asset based fee of 0.05 per cent of members' account balances was introduced, the fee is charged monthly and capped at \$325 per annum. However, 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 investment earnings credited to the member's account with a minimum of \$10. These charges are included on member annual statements. For the year ended 30 June 2020 the amount charged to members' employer contribution accounts was \$16.2 million (2019: \$11.7 million).

(ii) Other expenses include Auditor's remuneration (refer Note 16).

### 16. Auditors' remuneration

	2020	2019
	\$000	\$000
Audit fees paid or payable	78	78
	78	78

Audit fees paid (or payable), \$78 300 GST exclusive (2019: \$78 000), 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:

	2020	2019
	\$000	\$000
Cash and cash equivalents	7 171	28 878
<b>Reconciliation of operating result to net cash from operating activities</b>		
Net operating result	(51 846)	5 619
Adjustments for:		
Change in investments measured at fair value	20 257	(1 497 306)
Investment expenses	99 297	105 050
Insurance recognition	(1 011)	(10 737)
(Increase)/decrease in receivables	(424)	288
Increase in payables	-	14
Allocation (from)/to members' accounts	(88 574)	1 375 009
<b>Net cash outflows from operating activities</b>	<b>(22 301)</b>	<b>(22 063)</b>

### 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.

## Southern State Superannuation Scheme

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 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

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.

#### (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 Scheme'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 fair value with changes in fair value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

The Scheme'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.

## Southern State Superannuation Scheme

**(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 option. The following tables show the standard deviation around expected nominal returns for each investment option.

The Funds SA statistics shown below are net of investment management fees and gross of tax. These investment statistics have zero per cent tax rate applied and exclude franking credits.

	Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk on Income Statement (+/-)
	%	%	\$000	\$000
<b>2020</b>				
<b>Investment Option</b>				
High Growth A	7.7	11.1	1 448 065	160 735
Growth A	7.7	11.1	723 174	80 272
Balanced A	7.2	10.1	15 343 532	1 549 697
Moderate A	6.4	7.4	395 187	29 244
Conservative A	5.7	5.4	386 880	20 891
Capital Defensive A	5.0	3.8	247 588	9 408
Cash A	3.3	1.0	433 068	4 331
Socially Responsible	6.4	10.3	71 182	7 332
	Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk on Income Statement (+/-)
	%	%	\$000	\$000
<b>2019</b>				
<b>Investment Option</b>				
High Growth A	8.3	11.1	1 377 251	152 875
Growth A	7.4	9.5	681 178	64 712
Balanced A	6.8	8.4	14 930 166	1 254 134
Moderate A	6.0	6.6	309 626	20 435
Conservative A	5.2	5.3	346 271	18 352
Capital Defensive A	4.3	3.7	196 652	7 276
Cash A	2.7	1.0	210 728	2 107
Socially Responsible	5.8	9.9	60 961	6 035

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 fair 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. Funds SA is the Scheme's only 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.

	Less than 3 Months	Total	Carrying
		Contractual Cash Flows	Amount Liabilities
2020			
	\$000	\$000	\$000
Benefits payable	41 629	41 629	41 629
Payables <sup>(i)</sup>	98	98	98
Vested benefits <sup>(ii)</sup>	18 935 303	18 935 303	18 935 303
<b>Total</b>	<b>18 977 030</b>	<b>18 977 030</b>	<b>18 977 030</b>
2019			
	\$000	\$000	\$000
Benefits payable	96 164	96 164	96 164
Payables <sup>(i)</sup>	84	84	84
Vested benefits <sup>(ii)</sup>	18 725 165	18 725 165	18 725 165
<b>Total</b>	<b>18 821 413</b>	<b>18 821 413</b>	<b>18 821 413</b>

- (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.

## 19. Coronavirus (COVID-19) impact

### Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world wide pandemic by the World Health Organisation in March 2020. COVID-19 has had a significant impact on the domestic and global economy and equity, debt and commodity markets.

Super SA has considered the impact of COVID-19 and provided advice to the Board in preparing its financial statements. Given the dynamic and evolving nature of COVID-19 as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Scheme's assets and liabilities may arise in the future. Any such impacts will be accounted for in future accounting periods.

### COVID-19 Early Release of Superannuation Scheme

On 22 March 2020 the Australian Government announced the COVID-19 Early Release of Superannuation Scheme (ERS) as a temporary measure to stimulate the Australian economy. This scheme allowed eligible members to access up to \$10 000 of their superannuation in both financial years 2019-20 and 2020-21.

For the year ended 30 June 2020 the Scheme paid \$45.2 million in member benefits under the ERS. Super SA expects a similar amount of benefits to be paid to members over the financial year ended 30 June 2021 under the ERS.

## Southern State Superannuation Scheme

### Processes applied

In preparing these financial statements the Board considered the impact of COVID-19 in the:

- evaluation of any areas of judgment or estimation uncertainty in addition to those disclosed above;
- adoption of significant assumptions and market inputs used in:
  - valuing the Scheme's investments (in particular, unlisted investments); and
  - preparing disclosures for the fair value of financial assets and liabilities and financial risk management;
- review of external market communications to identify other COVID-19 related impacts;
- review of public forecasts and experience from previous economic downturns;
- assessment of the fair value of the Scheme's assets and liabilities;
- stress testing scenarios, which are an integral component of the Board's risk management framework, to assess the potential impacts of the COVID-19 pandemic on the Scheme's portfolio valuation and liquidity; and
- determination of the completeness and appropriateness of financial statement disclosures.

### Consideration of the Statement of Financial Position and further disclosures

Key items within the Statement of Financial Position and related disclosures impacted by COVID-19 are as follows:

#### *Financial instruments at fair value through profit and loss*

Given recent market volatility, Funds SA as the Scheme's investment manager reviewed the appropriateness of inputs to its valuation of financial instruments as well as performing out of cycle valuations. The impact of changes in valuation inputs has also been considered in terms of the classification of financial instruments in the fair value hierarchy, transfers within the fair value hierarchy and the sensitivity analysis. The Scheme's investments include a portfolio of unlisted equity investments which, in accordance with the Scheme's accounting policies, are measured at fair value. The determination of investments carrying value included a consideration of the impact of COVID-19.

#### *Risk management*

The Board's risk management framework continues to be applied across the Scheme's operations. The Board continues to monitor the impact of COVID-19 on the Scheme's risk profile. Non financial risks emerging from global movement restrictions, and remote working by our staff, counterparties and service providers have been identified, assessed, managed and governed through timely application of the Board's risk management framework.

The Board is focused on the effects of the global COVID-19 pandemic and is monitoring it as it unfolds, specifically:

- The Board manages the Scheme's cash flow on a daily basis, and prepares for events that may affect the liquidity position;
- The Investment Manager, Funds SA, actively manages investments in line with the long-term investment strategy, and monitors and responds to movements in global investment markets; and
- Funds SA stress-test liquidity for a range of possible scenarios.

### 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 manager Funds SA, has investment exposures in different countries and across different industries. Revenue derived from interest and the realised and unrealised changes from the different segments is reflected in the value of investments.

### 21. Related parties

#### *(a) Key management personnel*

The key management personnel of the Scheme includes the Treasurer, Board members and the Chief Executive and the five members of the Executive Group, State Superannuation Office who have responsibility for the strategic direction and management of the Scheme.

#### *(b) 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.

#### *(c) Transactions with key management personnel and other related parties*

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

#### *(d) 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:

- Financial statements of the Triple S Scheme:
  - are in accordance with the accounts and records of the Scheme; and comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the Scheme at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Scheme over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Gregory Boulton AM  
PRESIDING MEMBER  
SA SUPERANNUATION BOARD



Dascia Bennett  
CHIEF EXECUTIVE  
STATE SUPERANNUATION OFFICE



Erin Fitzgerald  
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION  
STATE SUPERANNUATION OFFICE

Date ..... 17 September 2020 .....



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

### Opinion

I have audited the financial report of the Super SA Retirement Investment Fund for the financial year ended 30 June 2020.

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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued 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 2020
- an Income Statement for the year ended 30 June 2020
- a Statement of Changes in Member Benefits for the year ended 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, 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* (including Independence Standards) have been met.

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

### **Responsibilities of the Chief Executive, State Superannuation Office and members of the South Australian Superannuation Board for the financial report**

The Chief Executive, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 that 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**

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 Super SA Retirement Investment Fund for the financial year ended 30 June 2020.

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.

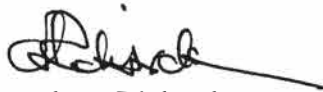
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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, but not for the purpose of expressing an opinion on the effectiveness of the Super SA Retirement Investment Fund's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, 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 Chief Executive, State Superannuation Office and the Presiding Member of the South Australian Superannuation Board about, 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**

23 September 2020

## Super SA Retirement Investment Fund

### Statement of Financial Position as at 30 June 2020

	Note	2020 \$000	2019 \$000
<b>Assets</b>			
Cash and cash equivalents	12	38 046	24 739
Receivables	4	1 285	216
Investments	5	5 162 752	4 946 713
<b>Total Assets</b>		<b>5 202 083</b>	<b>4 971 668</b>
<b>Liabilities</b>			
Benefits payable		10 527	26 350
Payables	7	3 465	213
Insurance liabilities		865	667
Provision for PAYG withholding tax		48	94
Income tax payable	11(b)	17 148	6 612
Deferred tax liabilities	11(c)	10 192	21 359
<b>Total liabilities excluding member benefits</b>		<b>42 245</b>	<b>55 295</b>
<b>Net assets available for member benefits</b>		<b>5 159 838</b>	<b>4 916 373</b>
<b>Member benefits</b>			
Income Stream (IS) member benefit liabilities	3	3 746 243	3 595 496
Flexible Rollover Product (FRP) member benefit liabilities	3	1 402 081	1 298 897
<b>Total member benefits</b>		<b>5 148 324</b>	<b>4 894 393</b>
<b>Total net assets</b>		<b>11 514</b>	<b>21 980</b>
<b>Equity</b>			
Administration Fee Reserve	13	19 785	19 111
Insurance Reserve	14	1 833	2 063
Operational Risk Reserve	15	13 641	11 465
Investment allocation (over)	17	(23 745)	(10 659)
<b>Total equity</b>		<b>11 514</b>	<b>21 980</b>

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

### Income Statement for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
Change in investments measured at fair value		(32 060)	341 692
Interest revenue		181	438
Other income		8 352	6 016
<b>Total revenue</b>		<b>(23 527)</b>	<b>348 146</b>
Investment expenses	8	(25 779)	(24 355)
Administration expenses	9	(3 834)	(3 493)
<b>Total expenses</b>		<b>(29 613)</b>	<b>(27 848)</b>
<b>Result from superannuation activities</b>		<b>(53 140)</b>	<b>320 298</b>
Net insurance activities		(428)	(758)
<b>Result from operating activities</b>		<b>(53 568)</b>	<b>319 540</b>
Net benefits allocated to IS members accounts		21 826	(237 947)
Net benefits allocated to FRP members accounts		9 764	(74 713)
<b>Operating result before income tax</b>		<b>(21 978)</b>	<b>6 880</b>
Income tax benefit/(expense)	11(a)	11 512	(3 877)
<b>Net operating result</b>		<b>(10 466)</b>	<b>3 003</b>

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

**Super SA Retirement Investment Fund**

**Statement of Changes in Member Benefits**  
as at 30 June 2020

2020	Note	Flexible Rollover Product \$000	Income Stream \$000	Totals \$000
<b>Opening Balance as at 1 July 2019</b>	3	1 298 897	3 595 496	4 894 393
Member contributions		70 580	-	70 580
Government co-contributions		72	-	72
Spouse contributions		300	-	300
Rollovers from other schemes		442 710	829 894	1 272 604
Income tax on rollovers		(41 396)	(58 830)	(100 226)
<b>Net contributions</b>		<b>472 266</b>	<b>771 064</b>	<b>1 243 330</b>
Benefits to members		(359 558)	(598 491)	(958 049)
Insurance premiums charged to members		(501)	-	(501)
Insurance benefits credited to members		741	-	741
Net benefits comprising:				
Net investment income		(8 283)	(16 524)	(24 807)
Administration fees		(1 481)	(5 302)	(6 783)
<b>Closing Balance as at 30 June 2020</b>	3	<b>1 402 081</b>	<b>3 746 243</b>	<b>5 148 324</b>
2019	Note	Flexible Rollover Product \$000	Income Stream \$000	Totals \$000
<b>Opening Balance as at 1 July 2018</b>	3	1 154 283	3 179 310	4 333 593
Member contributions		67 696	-	67 696
Government co-contributions		67	-	67
Spouse contributions		878	-	878
Rollovers from other schemes		416 900	809 895	1 226 795
Income tax on rollovers		(36 729)	(56 353)	(93 082)
<b>Net contributions</b>		<b>448 812</b>	<b>753 542</b>	<b>1 202 354</b>
Benefits to members		(379 450)	(575 303)	(954 753)
Insurance premiums charged to members		(380)	-	(380)
Insurance benefits credited to members		919	-	919
Net benefits comprising:				
Net investment income		75 858	245 135	320 993
Administration fees		(1 145)	(7 188)	(8 333)
<b>Closing Balance as at 30 June 2019</b>	3	<b>1 298 897</b>	<b>3 595 496</b>	<b>4 894 393</b>

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



## Super SA Retirement Investment Fund

### Statement of Changes in Equity for the year ended 30 June 2020

2020	Admin Fee Reserve \$000 Note 13	Insurance Reserve \$000 Note 14	Operational Risk Reserve \$000 Note 15	(Under)/over allocated benefits \$000	Total Equity \$000
<b>Opening Balance</b>	<b>19 111</b>	<b>2 063</b>	<b>11 465</b>	<b>(10 659)</b>	<b>21 980</b>
Net operating result	1 524	(230)	1 326	(13 086)	(10 466)
Net transfers (from)/to reserves/equity	(850)	-	850	-	-
<b>Closing Balance</b>	<b>19 785</b>	<b>1 833</b>	<b>13 641</b>	<b>(23 745)</b>	<b>11 514</b>

2019	Admin Fee Reserve \$000 Note 13	Insurance Reserve \$000 Note 14	Operational Risk Reserve \$000 Note 15	(Under)/over allocated benefits \$000	Total Equity \$000
<b>Opening Balance</b>	<b>15 098</b>	<b>2 464</b>	<b>8 359</b>	<b>(6 944)</b>	<b>18 977</b>
Net operating result	4 013	(401)	3 106	(3 715)	3 003
<b>Closing Balance</b>	<b>19 111</b>	<b>2 063</b>	<b>11 465</b>	<b>(10 659)</b>	<b>21 980</b>

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

### Statement of Cash Flows for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
GST recoup		271	273
Other income		213	434
Administration expenses paid		(4 170)	(3 744)
Income tax paid		10 881	(9 769)
<b>Net cash flows from operating activities</b>	<b>12</b>	<b>7 195</b>	<b>(12 806)</b>
Receipts from the sale of investments from Funds SA		1 039 397	488 597
Payments to Funds SA for the purchase of investments		(1 304 923)	(748 753)
<b>Net cash flows from investing activities</b>		<b>(265 526)</b>	<b>(260 156)</b>
Member contributions		70 565	67 697
Spouse contributions		300	878
Government co-contributions		72	67
Net transfers from other superannuation entities		1 275 784	1 226 363
Payments from the Operational Risk Reserve		(12)	6
Income Stream payments		(609 103)	(567 517)
Flexible Rollover Product payments		(365 742)	(376 015)
Contributions tax paid		(100 226)	(80 827)
<b>Net cash flows from financing activities</b>		<b>271 638</b>	<b>270 652</b>
<b>Net change in cash</b>		<b>13 307</b>	<b>(2 310)</b>
Cash at beginning of the financial period		24 739	27 049
<b>Cash at end of the financial period</b>	<b>12</b>	<b>38 046</b>	<b>24 739</b>

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 Act). The Fund was established under Section 47(B) of the repealed Act. The Fund is now continued under Part 3 Division 4 of the *Southern State Superannuation Regulations 2009* (the Regulations).

Part 3 Division 4 provides that the South Australian Superannuation Board (the Board) may 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.

Regulation 45 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.

##### (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).

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

## Super SA Retirement Investment Fund

### (b) *Impact of standards and statements not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

The Board has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Fund. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Fund are outlined below.

#### *AASB 16 - Leases*

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating

#### *AASB 1059 – Service Concession Arrangement: Grantors*

The objective of AASB 1059 is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity. The standard applies to reporting periods beginning on or after 1 January 2020.

The Fund has no operating leases and is not a service concession grantor. The Board has assessed the impact of the new standards on the Fund, and has determined there will be no impact on the Fund's financial statements.

### (c) *Financial assets and liabilities*

#### (a) **Classification**

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

#### *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 9. 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 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.

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 by the Fund.

## Super SA Retirement Investment 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 note 5.

### **(f) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and on 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 are eligible to receive payment and provided the Fund with appropriate notification on or prior to 30 June 2020 but paid after 30 June 2020.

### **(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 Fund 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 per cent 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 per cent.

#### 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.

## Super SA Retirement Investment Fund

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 Fund's primary currency. 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 B 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 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.

## Super SA Retirement Investment Fund

(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 2018). 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 Fund'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 2020, Funds SA managed eight distinct investment options for the Fund which were available to investors, 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) 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 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.

## Super SA Retirement Investment Fund

### 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 daily. Refer to Note 16 for the Fund's management of the investment risks.

	Flexible Rollover				2020 \$000	Totals 2019 \$000
	Product		Income Stream			
	2020 \$000	2019 \$000	2020 \$000	2019 \$000		
Member benefits	1 402 081	1 298 897	3 746 243	3 595 496	5 148 324	4 894 393
As compared to net assets available for member benefits	1 409 486	1 308 108	3 750 352	3 608 265	5 159 838	4 916 373

### 4. Receivables

	Flexible Rollover				2020 \$000	Totals 2019 \$000
	Product		Income Stream			
	2020 \$000	2019 \$000	2020 \$000	2019 \$000		
Refund from ATO for GST	21	18	58	50	79	68
Interest	1	18	2	17	3	35
Overpaid expenses recoverable	15	-	38	-	53	-
Contributions receivable	15	113	-	-	15	113
Rollovers receivable	1 050	-	85	-	1 135	-
	1 102	149	183	67	1 285	216

### 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 daily 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. To ensure fair value can be determined, the Fund's investment manager, Funds SA, applies due diligence and considers valuation techniques and inputs used in valuing the funds, prior to investing. In measuring fair value, consideration is given to the amounts for which financial assets can be sold, excluding transaction costs. The Fund 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	Flexible Rollover				2020 \$000	Totals 2019 \$000
	Product		Income Stream			
	2020 \$000	2019 \$000	2020 \$000	2019 \$000		
Level 1 and level 3 are not relevant to the Fund						
Unlisted managed investment schemes	1 420 307	1 327 208	3 742 445	3 619 505	5 162 752	4 946 713
Funds SA	1 420 307	1 327 208	3 742 445	3 619 505	5 162 752	4 946 713

**Super SA Retirement Investment Fund**

**6. Value and movement of investments by investment option**

**Income Stream**

	2020 \$000	Movement \$000	2019 \$000
High Growth	81 513	(2 689)	84 202
Growth	204 002	(19 260)	223 262
Balanced	1 473 872	(21 572)	1 495 444
Moderate	552 000	65 453	486 547
Conservative	426 714	6 741	419 973
Capital Defensive	221 315	33 300	188 015
Cash	249 840	151 798	98 042
Socially Responsible	37 768	6 526	31 242
<b>Investments at 30 June</b>	<b>3 247 024</b>	<b>220 297</b>	<b>3 026 727</b>

**Income Stream (Transition to Retirement)**

	2020 \$000	Movement \$000	2019 \$000
High Growth	21 590	(21 819)	43 409
Growth	27 782	(1 582)	29 364
Balanced	267 614	(94 162)	361 776
Moderate	79 994	(1 482)	81 476
Conservative	40 093	(1 509)	41 602
Capital Defensive	17 361	58	17 303
Cash	36 932	23 149	13 783
Socially Responsible	4 055	(10)	4 065
<b>Investments at 30 June</b>	<b>495 421</b>	<b>(97 357)</b>	<b>592 778</b>

**Flexible Rollover**

	2020 \$000	Movement \$000	2019 \$000
High Growth	76 426	15 803	60 623
Growth	121 473	(16 228)	137 701
Balanced	636 508	(26 120)	662 628
Moderate	169 677	(2 901)	172 578
Conservative	140 691	9 941	130 750
Capital Defensive	95 047	1 525	93 522
Cash	159 997	105 778	54 219
Socially Responsible	20 488	5 301	15 187
<b>Investments at 30 June</b>	<b>1 420 307</b>	<b>93 099</b>	<b>1 327 208</b>

**Total**

	2020 \$000	Movement \$000	2019 \$000
High Growth	179 529	(8 705)	188 234
Growth	353 257	(37 070)	390 327
Balanced	2 377 994	(141 854)	2 519 848
Moderate	801 671	61 070	740 601
Conservative	607 498	15 173	592 325
Capital Defensive	333 723	34 883	298 840
Cash	446 769	280 725	166 044
Socially Responsible	62 311	11 817	50 494
<b>Investments at 30 June</b>	<b>5 162 752</b>	<b>216 039</b>	<b>4 946 713</b>



**Super SA Retirement Investment Fund**

**7. Payables**

	Flexible Rollover		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Audit fees payable	13	13	35	36	48	49
Rollovers refundable	328	-	3 089	164	3 417	164
	<u>341</u>	<u>13</u>	<u>3 124</u>	<u>200</u>	<u>3 465</u>	<u>213</u>

**8. Investment expenses**

	Flexible Rollover		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Investment expenses	7 039	6 551	18 740	17 804	25 779	24 355
	<u>7 039</u>	<u>6 551</u>	<u>18 740</u>	<u>17 804</u>	<u>25 779</u>	<u>24 355</u>

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Fund based on the Fund's investments.

**9. Administration expenses**

	Flexible Rollover		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Administration expenses	1 007	831	2 759	2 597	3 766	3 428
Other expenses <sup>(i)</sup>	19	18	49	47	68	65
	<u>1 026</u>	<u>849</u>	<u>2 808</u>	<u>2 644</u>	<u>3 834</u>	<u>3 493</u>

(i) Other Expenses include Auditor's remuneration. Refer note 10.

**10. Auditors' remuneration**

	2020	2019
	\$000	\$000
Audit fees paid or payable	44	45
	<u>44</u>	<u>45</u>

Audit fees paid (or payable), \$44 300 GST exclusive (2019: \$44 700), relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor General's Department.

**11. Income tax**

	Flexible Rollover		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Major components of income tax benefit/(expense)</b>						
<b>(a) Current income tax benefit/(expense)</b>						
Current tax charge	(3 963)	(2 165)	4 263	9 264	300	7 099
Adjustment to current tax for prior periods	(68)	(954)	113	(5 506)	45	(6 460)
Relating to the originating and reversal of temporary differences	6 729	(3 281)	4 438	(963)	11 167	(4 244)
Adjustment to deferred tax for prior periods	-	185	-	(457)	-	(272)
<b>Income tax benefit/(expense)</b>	<u>2 698</u>	<u>(6 215)</u>	<u>8 814</u>	<u>2 338</u>	<u>11 512</u>	<u>(3 877)</u>

**Super SA Retirement Investment Fund**

Income tax cont.	Flexible Rollover				Totals	
	Product		Income Stream			
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Reconciliation between income tax expenses and the accounting profit before						
Net operating result before tax	(5 422)	10 003	(16 556)	(3 123)	(21 978)	6 880
Tax applicable at the rate of 15% (2019: 15%)	813	(1 500)	2 483	468	3 296	(1 032)
Tax effect of expenses that are not assessable/or deductible in determining taxable income:						
Non deductible expenses	-	-	(53)	(44)	(53)	(44)
Tax effect of income /(losses) that are not assessable/or deductible in determining taxable income:						
Investment revenue	(2 392)	2 742	(166)	1 355	(2 558)	4 097
Exempt pension income	-	-	(4 751)	29 451	(4 751)	29 451
Tax effect of other adjustments:						
Imputation and foreign tax credits	2 849	4 596	7 913	12 813	10 762	17 409
Under/(over) provision prior period	(68)	(770)	113	(5 963)	45	(6 733)
Self-Insurance deduction	62	71	-	-	62	71
Net benefit allocated to members	1 429	(11 360)	3 275	(35 742)	4 704	(47 102)
Deductible financial planning fees	5	6	-	-	5	6
<b>Income tax benefit/(expense)</b>	<b>2 698</b>	<b>(6 215)</b>	<b>8 814</b>	<b>2 338</b>	<b>11 512</b>	<b>(3 877)</b>
<b>(b) Current tax liabilities</b>						
Balance at beginning of year	1 200	1 785	5 412	2 981	6 612	4 766
Income tax paid - current period	(36 207)	(37 693)	(36 920)	(41 676)	(73 127)	(79 369)
Income tax paid - prior periods	(1 268)	(2 739)	(14 951)	(8 487)	(16 219)	(11 226)
Current years income tax provision	45 359	38 893	54 568	45 201	99 927	84 094
(Over)/under provision prior period	68	954	(113)	7 393	(45)	8 347
<b>Current tax liabilities</b>	<b>9 152</b>	<b>1 200</b>	<b>7 996</b>	<b>5 412</b>	<b>17 148</b>	<b>6 612</b>
<b>(c) Deferred tax liabilities/(assets)</b>						
The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date is made up as follows:						
Accrued expenses	(2)	(2)	(1)	-	(3)	(2)
Unrealised capital losses/(gains) carried forward (discounted)	11 447	18 176	(1 252)	3 185	10 195	21 361
<b>Deferred tax liabilities/(assets)</b>	<b>11 445</b>	<b>18 174</b>	<b>(1 253)</b>	<b>3 185</b>	<b>10 192</b>	<b>21 359</b>

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.

**12. 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				Totals	
	Product		Income Stream			
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	15 839	12 946	22 207	11 793	38 046	24 739

## Super SA Retirement Investment Fund

### Reconciliation of cash and cash equivalents cont.

	Flexible Rollover		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Reconciliation of operating result to net cash from operating activities</b>						
Net operating result	(2 724)	3 788	(7 742)	(785)	(10 466)	3 003
Adjustments for:						
Change in investments measured at fair value	7 550	(92 184)	24 510	(249 508)	32 060	(341 692)
Investment expenses	7 039	6 551	18 740	17 804	25 779	24 355
Administration fee received	(777)	(500)	(7 575)	(5 516)	(8 352)	(6 016)
Net insurance movement	438	881	-	-	438	881
(Increase)/decrease in receivables	(840)	(9)	(236)	25	(1 076)	16
(decrease)/increase in payables	2 051	(2 152)	(1 649)	(3 861)	402	(6 013)
Allocation to members accounts	(9 764)	74 713	(21 826)	237 947	(31 590)	312 660
<b>Net cash outflows from operating activities</b>	<b>2 973</b>	<b>(8 912)</b>	<b>4 222</b>	<b>(3 894)</b>	<b>7 195</b>	<b>(12 806)</b>

### 13. 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		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Opening balance</b>	<b>(857)</b>	<b>(526)</b>	<b>19 968</b>	<b>15 624</b>	<b>19 111</b>	<b>15 098</b>
Investment earnings <sup>(i)</sup>	-	-	(34)	1 425	(34)	1 425
Administration fees	777	500	4 599	5 516	5 376	6 016
Administration expenses	(1 022)	(831)	(2 796)	(2 597)	(3 818)	(3 428)
<b>Operating result</b>	<b>(245)</b>	<b>(331)</b>	<b>1 769</b>	<b>4 344</b>	<b>1 524</b>	<b>4 013</b>
Transfer to/(from) Reserve	900	-	(1 750)	-	(850)	-
<b>Closing balance</b>	<b>(202)</b>	<b>(857)</b>	<b>19 987</b>	<b>19 968</b>	<b>19 785</b>	<b>19 111</b>

(i) The Administration Reserves are notionally invested in the Balanced Option. The rate of return on earnings were (0.48) per cent (FRP), (0.20) per cent (IS) and (0.45) per cent (TRIS).

### 14. 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 offered through Income Stream.

	Flexible Rollover		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Opening balance</b>	<b>2 063</b>	<b>2 464</b>	<b>-</b>	<b>-</b>	<b>2 063</b>	<b>2 464</b>
Investment earnings <sup>(i)</sup>	10	138	-	-	10	138
Premiums and charges	501	380	-	-	501	380
Benefit payments	(741)	(919)	-	-	(741)	(919)
<b>Operating result</b>	<b>(230)</b>	<b>(401)</b>	<b>-</b>	<b>-</b>	<b>(230)</b>	<b>(401)</b>
<b>Closing balance</b>	<b>1 833</b>	<b>2 063</b>	<b>-</b>	<b>-</b>	<b>1 833</b>	<b>2 063</b>

(i) The Insurance Reserve is notionally invested in the Balanced option. The rate of return on earnings was (0.48) per cent.

## Super SA Retirement Investment Fund

### 15. Operational Risk Reserve

The Operational Risk Reserves (ORR) for Income Stream and Flexible Rollover Product were established at 31 December 2012 of 0.20 per cent of funds under management. From April 2016, members were charged a fee (0.04 per cent FRP, 0.05 per cent IS/TRIS) via a reduction to the unit prices in order to build the reserves to a target rate (0.45 per cent FRP, 0.20 per cent IS/TRIS) of funds under management. From March 2018, the fee charged to FRP members was increased from 0.04 per cent to 0.05 per cent, IS/TRIS remained unchanged at 0.05 per cent until June 2019. From July 2019 to December 2019 the fee charged to IS/TRIS members was reduced to 0.025 per cent, from January 2020 the rate was further reduced to 0.0125 per cent. The FRP rate remained unchanged at 0.05 per cent for year.

	Flexible Rollover Product		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Opening balance</b>	2 971	2 142	8 494	6 217	11 465	8 359
Investment earnings <sup>(i)</sup>	(23)	184	(49)	599	(72)	783
ORR fee	704	646	703	1 671	1 407	2 317
Payments from reserve	(3)	(1)	(6)	7	(9)	6
<b>Operating result</b>	<b>678</b>	<b>829</b>	<b>648</b>	<b>2 277</b>	<b>1 326</b>	<b>3 106</b>
Transfer to Reserve	-	-	850	-	850	-
<b>Closing balance</b>	<b>3 649</b>	<b>2 971</b>	<b>9 992</b>	<b>8 494</b>	<b>13 641</b>	<b>11 465</b>

(i) The ORRs are notionally invested in the Balanced option. The rate of return on earnings were (0.48) per cent (FRP), (0.20) per cent (IS) and (0.45) per cent (TRIS).

### 16. 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.

#### (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 Fund'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 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

## Super SA Retirement Investment Fund

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.

**(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 fair value with changes in fair 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 option. The following tables show the standard deviation around expected nominal returns for each investment option.

**Income Stream**

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

2020 <b>Investment Option</b>	Average Return %	Market Risk %	Average Funds Under Management \$000	Potential impact of market risk on Income Statement (+/-) \$000
High Growth B	8.1	11.1	82 858	9 197
Growth B	8.1	11.1	213 632	23 713
Balanced B	7.6	10.2	1 484 658	151 435
Moderate B	6.6	7.4	519 273	38 426
Conservative B	5.8	5.4	423 344	22 861
Capital Defensive B	5.1	3.8	204 665	7 777
Cash B	3.3	1.0	173 941	1 739
Socially Responsible B	6.7	10.3	34 505	3 554

Super SA Retirement Investment Fund

Income Stream cont.

2019	Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk on Income Statement (+/-)
Investment Option	%	%	\$000	\$000
High Growth B	8.3	11.2	78 583	8 801
Growth B	7.7	9.4	210 020	19 742
Balanced B	6.9	8.4	1 375 855	115 572
Moderate B	6.1	6.6	454 160	29 975
Conservative B	5.3	5.3	404 860	21 458
Capital Defensive B	4.4	3.7	171 151	6 333
Cash B	2.7	1.0	92 771	928
Socially Responsible B	6.3	10.0	28 836	2 884

Income Stream Transition to Retirement

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 per cent tax rate applied and includes franking credits.

2020	Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk on Income Statement (+/-)
Investment Option	%	%	\$000	\$000
High Growth B	7.0	11.1	32 499	3 607
Growth B	7.0	11.1	28 573	3 172
Balanced B	6.5	10.2	314 695	32 099
Moderate B	5.7	7.4	80 735	5 974
Conservative B	5.1	5.4	40 847	2 206
Capital Defensive B	4.4	3.8	17 332	659
Cash B	2.8	1.0	25 358	254
Socially Responsible B	5.9	10.3	4 060	418

2019	Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk on Income Statement (+/-)
Investment Option	%	%	\$000	\$000
High Growth B	7.3	11.0	40 905	4 500
Growth B	6.6	9.3	31 343	2 915
Balanced B	6.2	8.4	354 389	29 769
Moderate B	5.3	6.6	84 441	5 573
Conservative B	4.7	5.2	44 938	2 337
Capital Defensive B	3.8	3.7	14 980	554
Cash B	2.3	1.0	11 887	119
Socially Responsible B	5.4	9.9	4 679	463

## Super SA Retirement Investment Fund

### Flexible Rollover Product

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 per cent tax rate applied and includes franking credits.

	Average	Market	Average	Potential
	Return	Risk	Funds Under	impact of
	%	%	Management	market risk
			\$000	(+/-)
				on Income
				Statement
				\$000
2020				
<b>Investment Option</b>				
High Growth B	7.0	11.1	68 525	7 606
Growth B	7.0	11.1	129 587	14 384
Balanced B	6.5	10.2	649 568	66 256
Moderate B	5.7	7.4	171 128	12 663
Conservative B	5.1	5.4	135 720	7 329
Capital Defensive B	4.4	3.8	94 284	3 583
Cash B	2.8	1.0	107 108	1 071
Socially Responsible B	5.9	10.3	17 837	1 837
				Potential
				impact of
				market risk
				(+/-)
				on Income
				Statement
				\$000
2019				
<b>Investment Option</b>				
High Growth B	7.3	11.0	58 138	6 395
Growth B	6.6	9.3	127 930	11 897
Balanced B	6.2	8.4	620 967	52 161
Moderate B	5.3	6.6	162 882	10 750
Conservative B	4.7	5.2	128 927	6 704
Capital Defensive B	3.8	3.7	90 037	3 331
Cash B	2.3	1.0	47 199	472
Socially Responsible B	5.4	9.9	15 084	1 493

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 fair 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. Funds SA is the Fund's only 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.

## Super SA Retirement Investment Fund

### (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 Fund'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 Fund itself, the liquidity position is monitored on a daily basis. The Fund'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.

	Less than 3	Total	Carrying
	Months	Contractual	Amount
	\$000	\$000	\$000
2020			
Benefits payable	10 527	10 527	10 527
Payables <sup>(i)</sup>	3 417	3 417	3 417
Vested benefits <sup>(ii)</sup>	5 148 324	5 148 324	5 148 324
<b>Total</b>	<b>5 162 268</b>	<b>5 162 268</b>	<b>5 162 268</b>
2019			
Benefits payable	26 350	26 350	26 350
Payables <sup>(i)</sup>	164	164	164
Vested benefits <sup>(ii)</sup>	4 894 393	4 894 393	4 894 393
<b>Total</b>	<b>4 920 907</b>	<b>4 920 907</b>	<b>4 920 907</b>

- (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 Fund 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.

## 17. Unallocated to members' accounts

Defined contribution 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.

The Fund also values the investments reported in the financial statements at fair value (refer notes 2(c)(e) and 5), while the unit prices used to determine the member benefit liabilities are based on the underlying investment movements using redemption value (refer note 3). The redemption value is adjusted for disposal costs. This difference in valuation methods is reflected in the investment allocation amount in the Statement of Financial Position.

There are a range of historical allocation factors that influence the difference between the assets and liabilities of the Fund that are subject to ongoing management review and resolution.



## Super SA Retirement Investment Fund

### 18. Coronavirus (COVID-19) impact

#### Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world wide pandemic by the World Health Organisation in March 2020. COVID-19 has had a significant impact on the domestic and global economy and equity, debt and commodity markets.

Super SA has considered the impact of COVID-19 and provided advice to the Board in preparing its financial statements. Given the dynamic and evolving nature of COVID-19 as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Fund's assets and liabilities may arise in the future. Any such impacts will be accounted for in future accounting periods.

#### *COVID-19 Early Release of Superannuation Scheme*

On 22 March 2020 the Australian Government announced the COVID-19 Early Release of Superannuation Scheme (ERS) as a temporary measure to stimulate the Australian economy. This scheme allowed eligible members to access up to \$10 000 of their superannuation in both financial years 2019-20 and 2020-21.

For the year ended 30 June 2020 the Fund paid \$831 000 in member benefits under the ERS. Super SA expects a similar amount of benefits to be paid to members over the financial year ended 30 June 2021 under the ERS.

#### Processes applied

In preparing these financial statements the Board considered the impact of COVID-19 in the:

- evaluation of any areas of judgment or estimation uncertainty in addition to those disclosed above;
- adoption of significant assumptions and market inputs used in:
  - valuing the Fund's investments (in particular, unlisted investments); and
  - preparing disclosures for the fair value of financial assets and liabilities and financial risk management;
- review of external market communications to identify other COVID-19 related impacts;
- review of public forecasts and experience from previous economic downturns;
- assessment of the fair value of the Fund's assets and liabilities;
- stress testing scenarios, which are an integral component of the Board's risk management framework, to assess the potential impacts of the COVID-19 pandemic on the Fund's portfolio valuation and liquidity; and
- determination of the completeness and appropriateness of financial statement disclosures.

#### Consideration of the Statement of Financial Position and further disclosures

Key items within the Statement of Financial Position and related disclosures impacted by COVID-19 are as follows:

#### *Financial instruments at fair value through profit and loss*

Given recent market volatility, Funds SA as the Fund's investment manager reviewed the appropriateness of inputs to its valuation of financial instruments as well as performing out of cycle valuations. The impact of changes in valuation inputs has also been considered in terms of the classification of financial instruments in the fair value hierarchy, transfers within the fair value hierarchy and the sensitivity analysis. The Fund's investments include a portfolio of unlisted equity investments which, in accordance with the Fund's accounting policies, are measured at fair value. The determination of investments carrying value included a consideration of the impact of COVID-19.

#### *Recoverability of Deferred Tax Balances*

In assessing whether a deferred tax asset can be recognised and given the macro-economic conditions arising from COVID-19 existed at the reporting date, the Board has ensured the projections of future taxable earnings is robust and based on reasonable assumptions regarding the Fund's future investment performance and taxable contribution levels.

#### *Risk management*

The Board's risk management framework continues to be applied across the Fund's operations. The Board continues to monitor the impact of COVID-19 on the Fund's risk profile. Non financial risks emerging from global movement restrictions, and remote working by our staff, counterparties and service providers have been identified, assessed, managed and governed through timely application of the Board's risk management framework.

The Board is focused on the effects of the global COVID-19 pandemic and is monitoring it as it unfolds, specifically:

- The Board manages the Fund's cash flow on a daily basis, and prepares for events that may affect the liquidity position;
- The Investment Manager, Funds SA, actively manages investments in line with the long-term investment strategy, and monitors and responds to movements in global investment markets; and
- Funds SA stress-test liquidity for a range of possible scenarios.

### 19. 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 from the different segments is reflected in the value of investments.

## Super SA Retirement Investment Fund

### 20. Related parties

#### **(a) Key management personnel**

The key management personnel of the Fund includes the Treasurer, Board members and the Chief Executive and the five members of the Executive Group, State Superannuation Office who have responsibility for the strategic direction and management of the Fund.

#### **(b) 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.

#### **(c) Transactions with key management personnel and other related parties**

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

#### **(d) 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.

Super SA Retirement Investment Fund

Certification of the financial report

We certify that the:

- Financial statements of the Super SA Retirement Investment Fund:
  - are in accordance with the accounts and records of the Fund; and comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the Fund at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Fund over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Gregory Boulton AM  
PRESIDING MEMBER  
SA SUPERANNUATION BOARD



Dascia Bennett  
CHIEF EXECUTIVE  
STATE SUPERANNUATION OFFICE



Erin Fitzgerald  
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION  
STATE SUPERANNUATION OFFICE

Date 17 September 2020



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

## Opinion

I have audited the financial report of the South Australian Ambulance Service Superannuation Scheme for the financial year ended 30 June 2020.

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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued 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 2020
- an Income Statement for the year ended 30 June 2020
- a Statement of Changes in Member Benefits for the year ended 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, 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* (including Independence Standards) have been met.

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

### **Responsibilities of the Chief Executive, State Superannuation Office and members of the South Australian Superannuation Board for the financial report**

The Chief Executive, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 that 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**

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 South Australian Ambulance Service Superannuation Scheme for the financial year ended 30 June 2020.

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, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Ambulance Service Superannuation Scheme's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, 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 Chief Executive, State Superannuation Office and the Presiding Member of the South Australian Superannuation Board about, 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**  
23 September 2020

## South Australian Ambulance Service Superannuation Scheme

### Statement of Financial Position as at 30 June 2020

	Note	2020 \$000	2019 \$000
<b>Assets</b>			
Cash and cash equivalents	13	493	363
Receivables	7	8	9
Contributions receivable		5	3
Investments	5, 6	274 200	288 205
Tax assets	14(b)	-	594
<b>Total assets</b>		<b>274 706</b>	<b>289 174</b>
<b>Liabilities</b>			
Benefits payable		789	3
Payables	8	336	29
Insurance liabilities		494	521
Income tax liabilities	14(b)	1 831	-
Deferred tax liabilities	14(c)	5 118	6 823
<b>Total liabilities excluding member benefits</b>		<b>8 568</b>	<b>7 376</b>
<b>Net assets available for member benefits</b>		<b>266 138</b>	<b>281 798</b>
<b>Member benefits</b>			
Defined benefit member liabilities	3	188 303	194 188
Defined contribution member liabilities	4	60 539	65 215
<b>Total member benefits</b>		<b>248 842</b>	<b>259 403</b>
<b>Total net assets</b>		<b>17 296</b>	<b>22 395</b>
<b>Equity</b>			
Insurance Reserve	15	3 295	3 406
Operational Risk Reserve	16	694	697
Defined benefits that are over funded		13 307	18 292
<b>Total equity</b>		<b>17 296</b>	<b>22 395</b>

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

### Income Statement for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
Changes in investments measured at fair value		24	22 378
Interest revenue		4	9
<b>Total revenue</b>		<b>28</b>	<b>22 387</b>
Investment expenses	9	(1 610)	(1 655)
Administration expenses	10	(380)	(354)
<b>Total expenses</b>		<b>(1 990)</b>	<b>(2 009)</b>
<b>Result from superannuation activities</b>		<b>(1 962)</b>	<b>20 378</b>
Net insurance activities		(471)	(251)
<b>Result from operating activities</b>		<b>(2 433)</b>	<b>20 127</b>
Net change in defined benefit member liabilities		(5 769)	(11 819)
Allocation to defined contribution member accounts		2 409	(3 102)
<b>Result from operating activities before tax</b>		<b>(5 793)</b>	<b>5 206</b>
Income tax benefit/(expense)	14(a)	694	(1 446)
<b>Net operating result</b>		<b>(5 099)</b>	<b>3 760</b>

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 2020

2020	Note	Defined Benefit Component \$000	Defined Contribution Component \$000	Totals \$000
<b>Opening balance as at 1 July 2019</b>		<b>194 188</b>	<b>65 215</b>	<b>259 403</b>
Employer contributions	12	7 423	2 386	9 809
Member contributions		-	1 255	1 255
Transfers from other super entities		-	264	264
Government co-contributions		-	3	3
Contributions tax		(1 066)	(343)	(1 409)
<b>Net contributions</b>		<b>6 357</b>	<b>3 565</b>	<b>9 922</b>
Benefits to members		(18 419)	(5 922)	(24 341)
Insurance premiums charged to members		-	(41)	(41)
Insurance benefits credited to members		408	131	539
Net benefits comprising:				
Net investment income		-	(2 409)	(2 409)
Net change in member liabilities		5 769	-	5 769
<b>Closing balance as at 30 June 2020</b>		<b>188 303</b>	<b>60 539</b>	<b>248 842</b>
2019	Note	Defined Benefit Component \$000	Defined Contribution Component \$000	Totals \$000
<b>Opening balance as at 1 July 2018</b>		<b>182 902</b>	<b>60 475</b>	<b>243 377</b>
Employer contributions	12	7 780	2 536	10 316
Member contributions		-	1 229	1 229
Transfers from other super entities		-	621	621
Government co-contributions		-	5	5
Contributions tax		(1 169)	(381)	(1 550)
<b>Net contributions</b>		<b>6 611</b>	<b>4 010</b>	<b>10 621</b>
Benefits to members		(7 366)	(2 402)	(9 768)
Insurance premiums charged to members		-	(42)	(42)
Insurance benefits credited to members		222	72	294
Net benefits comprising:				
Net investment income		-	3 102	3 102
Net change in member liabilities		11 819	-	11 819
<b>Closing balance as at 30 June 2019</b>		<b>194 188</b>	<b>65 215</b>	<b>259 403</b>

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 2020

	Insurance Reserve \$000 Note 15	Operational Risk Reserve \$000 Note 16	Over/(under) allocated benefits \$000	Total Equity \$000
2020				
<b>Opening balance</b>	3 406	697	18 292	22 395
Net operating result	(111)	(3)	(4 985)	(5 099)
<b>Closing balance</b>	<b>3 295</b>	<b>694</b>	<b>13 307</b>	<b>17 296</b>
2019				
<b>Opening balance</b>	3 047	651	14 939	18 637
Net operating result	359	46	3 355	3 760
Net transfers (from) equity	-	-	(2)	(2)
<b>Closing balance</b>	<b>3 406</b>	<b>697</b>	<b>18 292</b>	<b>22 395</b>

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

**Statement of Cash Flows**  
for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
GST Recoup		27	26
Bank interest		5	9
Administration expenses paid		(406)	(379)
Income tax received/(paid)		1 501	(1 037)
<b>Net cash flows from operating activities</b>	13	<b>1 127</b>	<b>(1 381)</b>
Receipts from the sale of investments from Funds SA		19 720	7 810
Payments to Funds SA for the purchase of investments		(7 300)	(7 800)
<b>Net cash flows from investing activities</b>		<b>12 420</b>	<b>10</b>
Employer contributions		10 054	9 930
Member contributions		1 291	1 181
Government co-contributions		3	5
Transfers from other superannuation entities		264	621
Benefit payments to members		(23 554)	(9 769)
Contributions tax paid		(1 475)	(1 113)
<b>Net cash flows from financing activities</b>		<b>(13 417)</b>	<b>855</b>
<b>Net change in cash</b>		<b>130</b>	<b>(516)</b>
Cash at the beginning of the financial period		363	879
<b>Cash at the end of the financial period</b>		<b>493</b>	<b>363</b>

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), which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA). 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

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.

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. 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

For the year ended 30 June 2020, contributory members contributed 5 per cent of post tax salary or 5.9 per cent 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 per cent 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 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 per cent (2019: 9.5 per cent) of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

The triennial actuarial review as at 30 June 2017 recommended that the current employer contribution for the defined benefit scheme members be reduced from 12 per cent to 9.5 per cent, effective from 1 July 2018. This rate is expected to maintain the value of the Scheme's assets at least equal to 105 per cent of accrued and vested defined benefits until at least 2020. The 9.5 per cent employer contribution includes 0.83 per cent in respect of insurance premiums. The next triennial actuarial review, as at 30 June 2020, is scheduled for the scheme during 2020-21.

The insurance cover for Death, Total and Permanent Disablement, Serious Ill-Health and Income Protection was provided as a self-insurance arrangement within the fund from 1 July 2006. The actuarial review as at 30 June 2017 recommended that the self-insurance contribution of 0.83 per cent be maintained and that the voluntary contribution rate of \$1.35 per unit per week also be maintained. The review also recommended that the self-insurance reserve be increased from 100 per cent to 200 per cent of one year's expected claim costs.

As at 30 June 2020, the asset coverage of vested benefits met the target of 105 per cent.

## South Australian Ambulance Service 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) Impact of standards and statements not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

The Board has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Scheme. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Scheme are outlined below.

##### *AASB 16 - Leases*

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

##### *AASB 1059 – Service Concession Arrangement: Grantors*

The objective of AASB 1059 is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity. The standard applies to reporting periods beginning on or after 1 January 2020.

The Scheme has no operating leases and is not a service concession grantor. The Board has assessed the impact of the new standards on the Scheme, and has determined there will be no impact on the Scheme's financial statements.

#### (c) Financial assets and liabilities

##### (a) Classification

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

##### *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 9. 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 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'.

## South Australian Ambulance Service Superannuation Scheme

### (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 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 note 5.

### (f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on 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 2020 but paid after 30 June 2020. These also include income protection payments payable on or prior to 30 June 2020 but paid after 30 June 2020.

### (i) Insurance liabilities

The Scheme provides death and disability benefits to Contributory Members in Service, members may also purchase voluntary insurance. Premiums for voluntary insurance are deducted from insured members' accounts and are paid into dedicated insurance reserves in order to meet claims as they arise. An actuarially determined percentage of defined benefit employer contributions are also paid into the reserves. The Scheme ultimately self-insures this risk as the Board believes it is appropriate in light of the Scheme's present membership and reserve levels. The table below outlines the net results of the Scheme's insurance activities during the year:

#### Insurance activities

	2020	2019
	\$000	\$000
Insurance contract revenue	438	435
Insurance contract claims expenses	(539)	(294)
Decrease in insurance liabilities	27	1
Net result from insurance activities	(74)	142

#### Significant estimates made in measuring insurance contract asset and liabilities

The Scheme uses the services of an actuary to determine its insurance contract assets and liabilities. An actuarial valuation involves making various assumptions about the future. Actual events in the future may differ from these assumptions. The most recent actuarial valuation was performed for the triennium ending 30 June 2017. The value of insurance liabilities between actuarial valuation dates is determined by evaluating the expected claims over the next year based on the assumptions adopted at the most recent actuarial valuation.

The key assumptions used in measuring the insurance contract liabilities are:

- Mortality and disability rates determined by Super SA based on the experience of a large number of public sector employees in South Australia, adjusted to estimate the Scheme's claim experience;
- The number and amount of insurance claims yet to be reported to the Scheme, relating to the period prior to the reporting year end.

## South Australian Ambulance Service Superannuation Scheme

The key factors or uncertainties that impact the key assumptions above are:

- If mortality and/or disability rates increase, it will result in an increase in insurance liabilities as a result of higher claims and will lead to a decline in the net assets of the Scheme;
- Higher than expected claims reported to the Scheme will result in an increase in insurance liabilities and will lead to a decline in the net assets of the Scheme; and
- A better than expected claims experience will result in lower liabilities and an increase in net assets of the Scheme.

The impact of uncertainties around the key assumptions is largely met from the insurance reserves in the Scheme. The adequacy of the insurance reserves are considered as part of the actuarial valuation.

### (j) 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.

### (k) Taxation

The Scheme is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* and accordingly the concessional tax rate of 15 per cent 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 Scheme 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 Scheme 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 Scheme is Australian dollars, which is the Scheme's primary currency. 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.

## South Australian Ambulance Service Superannuation Scheme

### (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 B 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 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 2018). 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.

### (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 (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 2020, Funds SA managed the Balanced investment for the fund and reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to the investment discussed in the preceding paragraphs.

## South Australian Ambulance Service Superannuation Scheme

### (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.

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 benefit member liabilities

Actuarial valuations to determine the defined benefit members' accrued liabilities are conducted at least every three years. The most recent actuarial valuation was undertaken by Esther Conway (FIAA), an actuary with Mercer Consulting (Australia) Pty Ltd. The actuarial valuation was undertaken as at 30 June 2017 with the next triennial valuation to be undertaken as at 30 June 2020.

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. The accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2020.

The annual update of the defined benefit member liability has been determined by reference to the expected future salary level increases (2.5 per cent; 2019: 3.5 per cent) and by application of the market-based, risk-adjusted discount rate after tax (4.25 per cent; 2019: 5 per cent).

	2020	2019
	\$000	\$000
Defined benefit member liabilities	188 303	194 188
	<u>188 303</u>	<u>194 188</u>

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.

- 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 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.

## South Australian Ambulance Service Superannuation Scheme

The following table outlines the sensitivity estimates of the total member liabilities (both defined benefit (\$189 million) and defined contribution (\$60 million)), provided by the Scheme actuary, on the net earnings and salary growth.

Scenario	Member Liability result \$000	Change in member benefit liability \$000	Change in member benefit liability %
Base Case	248 842	-	-
Salary growth less 0.5%	246 126	(2 716)	(1.1)
Net earnings less 0.5%	253 117	4 275	1.7

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.

	2020 \$000	2019 \$000
Defined benefit vested benefits	186 404	193 848
	<u>186 404</u>	<u>193 848</u>

#### 4. Defined contribution member liabilities

The employee funded, defined contribution component for the defined contribution 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.

	2020 \$000	2019 \$000
Defined contribution member liabilities	60 539	65 215
	<u>60 539</u>	<u>65 215</u>

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

	2020 \$000	2019 \$000
Defined benefit vested benefits	186 404	193 848
Defined contribution member liabilities	60 539	65 215
Total vested benefits	<u>246 943</u>	<u>259 063</u>

Refer to Note 17 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 twice weekly 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.



## South Australian Ambulance Service Superannuation Scheme

### *Valuation technique*

The Scheme's investments are not quoted in an active market. To ensure fair value can be determined, the Scheme's investment manager, Funds SA, applies due diligence and considers valuation techniques and inputs used in valuing the funds, prior to investing. In measuring fair value, consideration is given to the amounts for which financial assets can be sold, excluding transaction costs. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

	2020	2019
	\$000	\$000
<b>Financial assets at fair value through profit or loss - Level 2</b>		
Level 1 and level 3 are not relevant to the Scheme		
Unlisted managed investment schemes	274 200	288 205
Funds SA	<u>274 200</u>	<u>288 205</u>
<b>6. Value and movement of investments by investment option</b>		
	2020	2019
	\$000	\$000
Investments at 1 July	288 205	267 493
Change in Balanced B	(14 005)	20 712
Investments at 30 June	<u>274 200</u>	<u>288 205</u>
<b>7. Receivables</b>		
	2020	2019
	\$000	\$000
GST recoup from ATO	8	8
Other receivables	-	1
	<u>8</u>	<u>9</u>
<b>8. Payables</b>		
	2020	2019
	\$000	\$000
Audit fees payable	26	26
Unearned revenue	283	-
Provision for PAYG withholding tax	4	3
Other payables	23	-
	<u>336</u>	<u>29</u>
<b>9. Investment expense</b>		
	2020	2019
	\$000	\$000
Investment expenses	1 610	1 655
	<u>1 610</u>	<u>1 655</u>
Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment.		
<b>10. Administration expenses</b>		
	2020	2019
	\$000	\$000
Administration expenses <sup>(i)</sup>	348	318
Other expenses <sup>(ii)</sup>	32	36
	<u>380</u>	<u>354</u>

(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**

	2020	2019
	\$000	\$000
Audit fees paid or payable	25	25
	25	25

Audit fees paid (or payable), \$24 900 GST exclusive (2019: \$24 500), 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**

	2020	2019
	\$000	\$000
Employer contributions	9 015	9 530
Insurance premiums	397	393
Administration charges	397	393
	9 809	10 316

**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:

	2020	2019
	\$000	\$000
Cash and cash equivalents	493	363

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

Net operating result	(5 099)	3 760
Adjustments for:		
Change in investments measured at fair value	(24)	(22 378)
Investment expenses	1 610	1 655
Insurance recognition	74	(142)
Decrease/(increase) in receivables	595	(594)
Increase in payables	611	1 397
Allocation to members' accounts	3 360	14 921
<b>Net cash outflows from operating activities</b>	<b>1 127</b>	<b>(1 381)</b>

**14. Income tax**

	2020	2019
	\$000	\$000
<b>Major components of income tax benefit/(expense)</b>		
<b>(a) Current income tax benefit/(expense)</b>		
Current tax charge	(1 139)	136
Adjustment to current tax for prior periods	128	(143)
Relating to the originating and reversal of temporary differences	1 705	(1 400)
Adjustment to deferred tax for prior periods	-	(39)
<b>Income tax benefit/(expense)</b>	<b>694</b>	<b>(1 446)</b>
Reconciliation between income tax expenses and the accounting profit before income tax		
Net operating result before tax	(5 793)	5 206
Tax applicable at the rate of 15% (2019: 15%)	869	(781)
Tax effect of income that are not assessable/or deductible in determining taxable income:		
Investment revenue	(716)	(2 005)
Tax effect of other adjustments:		
Imputation and foreign tax credits	708	1 106
Self-insurance deduction	66	-
Under/(over) provision prior period	128	(182)
Net benefit allocated to members	(361)	416
<b>Income tax benefit/(expense)</b>	<b>694</b>	<b>(1 446)</b>

**South Australian Ambulance Service Superannuation Scheme**

	2020	2019
	\$000	\$000
<b>(b) Current tax liabilities (asset)</b>		
Current years income tax provision	1 831	(594)
<b>Current tax liability (asset)</b>	1 831	(594)

**(c) Deferred tax liability**

The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date comprises:

Accrued expenses	(4)	(4)
Unrealised capital losses carried forward	5 122	6 827
<b>Deferred tax liability</b>	5 118	6 823

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

**15. Insurance Reserve**

The Scheme self insures and provides to Contributory Members in Service a benefit on death or total and permanent disablement (TPD) equal to the normal retirement benefit that would be payable if the member had continued in service to age 60. An income protection equal to 75 per cent of salary is payable for a maximum period of 24 months where a member becomes temporarily disabled before age 60. A member is also entitled to a benefit on Serious Ill Health equal to the greater of the early retirement benefit plus 5 per cent of salary for each year of service, and three times the member's salary. The Serious Ill Health benefit cannot exceed the benefit payable on TPD. The amount of salary is adjusted, if applicable, by the salary adjustment factor.

Members may purchase voluntary death and TPD insurance by applying for up to four units of insurance. The premium for each unit is \$1.35 per week per unit. The amount of cover for each unit is \$75 000 for ages up to 34 last birthday reducing to \$5 000 at age 64 last birthday.

	2020	2019
	\$000	\$000
<b>Opening balance</b>	3 406	3 047
Investment (loss)/earnings <sup>(i)</sup>	(7)	223
Premiums and charges	438	435
Benefit payments	(539)	(294)
Consultancy expenses	(3)	(5)
<b>Operating result</b>	(111)	359
<b>Closing balance</b>	3 295	3 406

(i) The Insurance Reserve is notionally invested in the Balanced option. The rate of return on earnings was (0.48) per cent.

**16. Operational Risk Reserve**

The Operational Risk Reserve is to be accumulated to 0.6 per cent of funds under management following a decision of the Board and in line with Prudential Standard SPS114.

	2020	2019
	\$000	\$000
<b>Opening balance</b>	697	651
Investment (loss)/earnings <sup>(i)</sup>	(3)	46
<b>Operating result</b>	(3)	46
<b>Closing balance</b>	694	697

(i) The Operational Risk Reserve is notionally invested in the Balanced option. The rate of return on earnings was (0.48) per cent.

**17. 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

## South Australian Ambulance Service Superannuation Scheme

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 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

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.

#### (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 Scheme'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 fair value with changes in fair value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

The Scheme'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 option. The following tables show the standard deviation around expected nominal returns for each investment option.

## South Australian Ambulance Service Superannuation Scheme

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 per cent tax rate applied and includes franking credits.

	Average Return %	Market Risk %	Average Funds Under Management \$000	Potential impact of market risk on Income Statement (+/-) \$000
2020				
<b>Investment Option</b>				
Balanced B	6.5	10.2	281 203	28 683
2019				
<b>Investment Option</b>				
Balanced B	6.2	8.4	277 849	23 339

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 fair 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. Funds SA is the Scheme's only 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.

	Less than 3 Months	Total Contractual Cash Flows	Carrying Amount Liabilities
2020			
Benefits payable	\$000	\$000	\$000
Payables <sup>(i)</sup>	789	789	789
Vested benefits <sup>(ii)</sup>	283	283	283
<b>Total</b>	246 943	246 943	246 943
	<b>248 015</b>	<b>248 015</b>	<b>248 015</b>

## South Australian Ambulance Service Superannuation Scheme

2019	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	3	3	3
Vested benefits <sup>(ii)</sup>	259 063	259 063	259 063
<b>Total</b>	<b>259 066</b>	<b>259 066</b>	<b>259 066</b>

- (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.

### 18. Coronavirus (COVID-19) impact

**Background**

COVID-19, which is a respiratory illness caused by a new virus, was declared a world wide pandemic by the World Health Organisation in March 2020. COVID-19 has had a significant impact on the domestic and global economy and equity, debt and commodity markets.

Super SA has considered the impact of COVID-19 and provided advice to the Board in preparing its financial statements. Given the dynamic and evolving nature of COVID-19 as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Scheme's assets and liabilities may arise in the future. Any such impacts will be accounted for in future accounting periods.

The impact of COVID-19 on the macroeconomic outlook, including an explanation of the matters considered in determining the Scheme's assumptions in the valuation of defined benefit member liabilities, is outlined in Note 3 to the financial statements. Given the relative uncertainty of the impact of COVID-19 and its social and economic consequences, these assumptions represent reasonable and supportable forward looking views as at the reporting date.

*COVID-19 Early Release of Superannuation Scheme*

On 22 March 2020 the Australian Government announced the COVID-19 Early Release of Superannuation Scheme ('ERS') as a temporary measure to stimulate the Australian economy. This scheme allowed eligible members to access up to \$10 000 of their superannuation in both financial years 2019-20 and 2020-21.

For the year ended 30 June 2020 the Scheme paid \$131 000 in member benefits under the ERS. Super SA expects a similar amount of benefits to be paid to members over the financial year ended 30 June 2021 under the ERS.

**Processes applied**

In preparing these financial statements the Board considered the impact of COVID-19 in the:

- evaluation of any areas of judgment or estimation uncertainty in addition to those disclosed above;
- adoption of significant assumptions and market inputs used in:
  - valuing the Scheme's investment (in particular, unlisted investments);
  - valuing the Scheme's defined benefit member liabilities; and
  - preparing disclosures for the fair value of financial assets and liabilities and financial risk management;
- review of external market communications to identify other COVID-19 related impacts;
- review of public forecasts and experience from previous economic downturns;
- assessment of the fair value of the Scheme's assets and liabilities;
- stress testing scenarios, which are an integral component of the Board's risk management framework, to assess the potential impacts of the COVID-19 pandemic on the Scheme's portfolio valuation and liquidity; and
- determination of the completeness and appropriateness of financial statement disclosures.

## South Australian Ambulance Service Superannuation Scheme

### Consideration of the Statement of Financial Position and further disclosures

Key items within the Statement of Financial Position and related disclosures impacted by COVID-19 are as follows:

#### *Financial instruments at fair value through profit and loss*

Given recent market volatility, Funds SA as the Scheme's investment manager reviewed the appropriateness of inputs to its valuation of financial instruments as well as performing out of cycle valuations. The impact of changes in valuation inputs has also been considered in terms of the classification of financial instruments in the fair value hierarchy, transfers within the fair value hierarchy and the sensitivity analysis. The Scheme's investments include a portfolio of unlisted equity investments which, in accordance with the Scheme's accounting policies, are measured at fair value. The determination of investments carrying value included a consideration of the impact of COVID-19.

#### *Defined benefit member liabilities*

Given recent market volatility, the Board on the advice of consulting actuaries reviewed the appropriateness of the significant assumptions used in its valuation of defined benefit member liabilities and disclosures of changes in these assumptions and the impact these may have on the Scheme's defined benefit surplus.

The likely main financial impact of the COVID-19 pandemic on the Scheme is if future investment returns were to be significantly reduced. The assumed salary inflation rate has been reduced to allow for the likely impact of the COVID-19 pandemic and a reduction to the assumed investment return both in the long term and for the year ending 30 June 2020 has been made. While the assumed CPI inflation rate has been reduced, the assumed investment return has also been reduced by the same amount, offsetting the impact of the reduced CPI inflation rate. Refer to Note 3 for more information.

#### *Risk management*

The Board's risk management framework continues to be applied across the Scheme's operations. The Board continues to monitor the impact of COVID-19 on the Scheme's risk profile. Non financial risks emerging from global movement restrictions, and remote working by our staff, counterparties and service providers have been identified, assessed, managed and governed through timely application of the Board's risk management framework.

The Board is focused on the effects of the global COVID-19 pandemic and is monitoring it as it unfolds, specifically:

- The Board manages the Scheme's cash flow on a daily basis, and prepares for events that may affect the liquidity position;
- The Investment Manager, Funds SA, actively manages investments in line with the long-term investment strategy, and monitors and responds to movements in global investment markets; and
- Funds SA stress-test liquidity for a range of possible scenarios.

### 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 manager Funds SA, has investment exposures in different countries and across different industries. Revenue derived from interest and the realised and unrealised changes from the different segments is reflected in the value of investments.

### 20. Related parties

#### *(a) Key management personnel*

The key management personnel of the Scheme includes the Treasurer, Board members and the Chief Executive and the five members of the Executive Group, State Superannuation Office who have responsibility for the strategic direction and management of the Scheme.

#### *(b) 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.

#### *(c) Transactions with key management personnel and other related parties*

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

#### *(d) 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:

- Financial statements of the South Australian Ambulance Service Superannuation Scheme:
  - are in accordance with the accounts and records of the Scheme; and comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the Scheme at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Scheme over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Gregory Boulton AM  
PRESIDING MEMBER  
SA SUPERANNUATION BOARD



Dascia Bennett  
CHIEF EXECUTIVE  
STATE SUPERANNUATION OFFICE



Erin Fitzgerald  
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION  
STATE SUPERANNUATION OFFICE

Date 17 September 2020