

South Australian Superannuation Scheme

Financial report
for the year ended
30 June 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.

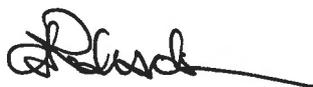
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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
Assets			
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
Total Assets		4 647 070	5 113 608
Liabilities			
Benefits Payable		27 262	31 696
Payables	9	105	391
Total liabilities excluding member benefits		27 367	32 087
Net assets available for member benefits	18	4 619 703	5 081 521
Member benefits			
Defined benefit member liabilities		8 424 560	8 818 519
Defined contribution member liabilities		554 488	624 520
Total member benefits	4	8 979 048	9 443 039
Total net assets/(liabilities)		(4 359 345)	(4 361 518)
Equity			
Defined benefits that are (under) funded		(4 359 345)	(4 361 518)
Total Equity		(4 359 345)	(4 361 518)

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
Total revenue		(22 019)	431 577
Investment expenses	10	(33 787)	(38 667)
Higher education expense	13	(8 971)	(8 712)
Administration expenses	11	(4 308)	(3 969)
Total expenses		(47 066)	(51 348)
Result from superannuation activities		(69 085)	380 229
Net change in defined benefit member liabilities		67 007	(99 003)
Allocation to/(from) defined contribution members accounts		4 251	(44 672)
Net operating result		2 173	236 554

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
Opening balance as at 1 July 2019		8 818 519	624 520	9 443 039
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
Net contributions		451 810	12 094	463 904
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)
Closing balance as at 30 June 2020		8 424 560	554 488	8 979 048

2019	Note	Defined Benefit Component \$000	Defined Contribution Component \$000	Totals \$000
Opening balance as at 1 July 2018		9 058 646	652 682	9 711 328
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
Net contributions		458 037	15 024	473 061
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
Closing balance as at 30 June 2019		8 818 519	624 520	9 443 039

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
(Under) funded benefits opening balance 1 July		(4 361 518)	(4 598 072)
Net operating result		2 173	236 554
(Under) funded benefits closing balance 30 June		(4 359 345)	(4 361 518)

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)
Net cash flows from operating activities	16	(13 300)	(12 596)
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)
Net cash flows from investing activities		432 244	407 860
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)
Net cash flows from financing activities		(396 387)	(397 657)
Net change in cash		22 557	(2 393)
Cash at the beginning of the financial period		6 407	8 800
Cash at the end of the financial period	16	28 964	6 407

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
SA Superannuation Scheme contribution account:						
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^(a).

Scenario	Member liability result ^(a) \$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
SA Superannuation Scheme contribution account:						
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	
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	4 612 448	5 100 537	
Funds SA	<u>4 612 448</u>	<u>5 100 537</u>	
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
Investments at 30 June	<u>4 612 448</u>	<u>(488 089)</u>	<u>5 100 537</u>
9. Payables			
	2020	2019	
	\$000	\$000	
Audit fees	84	84	
Returned benefit payments	21	18	
PAYG Tax payable	-	26	
Rollovers payable	-	263	
	<u>105</u>	<u>391</u>	
10. Investment expenses			
	2020	2019	
	\$000	\$000	
Investment expenses	33 787	38 667	
	<u>33 787</u>	<u>38 667</u>	
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 ⁽ⁱ⁾	4 164	3 863	
Other expenses ⁽ⁱⁱ⁾	144	106	
	<u>4 308</u>	<u>3 969</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. In addition the total for the year ended 30 June 2020 includes the Scheme's share of the Strategic Projects costs of \$137 000 (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
Reconciliation of operating result to net cash from operating activities		
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
Net flows from operating activities	(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

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
	\$000	\$000	\$000
2020			
Benefits payable	27 262	27 262	27 262
Payables ⁽ⁱ⁾	21	21	21
Vested benefits ⁽ⁱⁱ⁾	9 114 575	9 114 575	9 114 575
Total	9 141 858	9 141 858	9 141 858
2019			
Benefits payable	31 696	31 696	31 696
Payables ⁽ⁱ⁾	281	281	281
Vested benefits ⁽ⁱⁱ⁾	9 564 982	9 564 982	9 564 982
Total	9 596 959	9 596 959	9 596 959

(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. 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	New Scheme	Total	Total
	\$000	\$000	\$000	\$000
SA Superannuation Fund Account (employee component)				
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
Funds held at 30 June	1 490 069	541 014	2 031 083	2 214 099

South Australian Superannuation Scheme

	2020	2019
SA Superannuation Scheme Contribution Account (employer component)	\$000	\$000
Funds held at 1 July	2 867 422	2 886 508
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
Funds held at 30 June	2 588 620	2 867 422
Net assets available for member benefits	4 619 703	5 081 521

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:

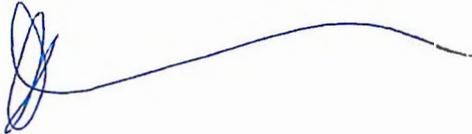
- Financial statements of the South Australian Superannuation Scheme:
 - are in accordance with the accounts and records of the Scheme; and comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of 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