

Southern State Superannuation Scheme

Financial report
for the year ended
30 June 2021



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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 2021.

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 2021, 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 for the year ended 30 June 2021
- an Income Statement for the year ended 30 June 2021
- a Statement of Changes in Member Benefits for the year ended 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- 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, 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 the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive, State Superannuation Office is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy decisions the government has made which affect the continued existence of the entity. The Chief Executive, State Superannuation Office is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

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 the Southern State Superannuation Scheme for the financial year ended 30 June 2021.

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:

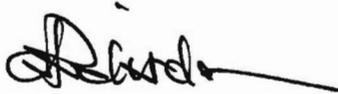
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material 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
- conclude on the appropriateness of the Chief Executive, State Superannuation Office's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- 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 2021

Southern State Superannuation Scheme

Statement of Financial Position as at 30 June 2021

	Note	2021 \$000	2020 \$000
Assets			
Cash and cash equivalents	17	22 037	7 171
Receivables	6	11 883	3 881
Contributions receivable	7	50 821	28 380
Investments	4	23 396 050	19 114 102
Total assets		23 480 791	19 153 534
Liabilities			
Benefits payable		42 069	41 629
Payables	8	7 437	192
Provision for PAYG withholding tax		205	491
Insurance liabilities		19 772	21 126
Total liabilities excluding member benefits		69 483	63 438
Net assets available for member benefits		23 411 308	19 090 096
Member benefit liabilities	3	23 100 589	18 935 303
Total net assets		310 719	154 793
Equity			
Death, invalidity and income protection insurance reserve	9	142 943	161 746
Administration fee reserve	10	25 196	405
Operational risk reserve	11	22 439	36 702
Investment allocation under/(over)	13	120 141	(44 060)
Total equity		310 719	154 793

The statement of financial position should be read in conjunction with the accompanying notes.

Income Statement for the year ended 30 June 2021

	Note	2021 \$000	2020 \$000
Net changes in investments measured at fair value		4 115 463	(20 257)
Interest revenue		8	119
Other revenue		478	20
Total revenue		4 115 949	(20 118)
Investment expenses	14	(72 669)	(99 297)
Administration expenses	15	(19 621)	(17 629)
Transfers to other schemes		(9 083)	-
Total expenses		(101 373)	(116 926)
Result from superannuation activities		4 014 576	(137 044)
Net insurance activities		1 046	(3 376)
Result from operating activities		4 015 622	(140 420)
Net benefits allocated to members accounts	12	(3 858 110)	88 574
Net operating result		157 512	(51 846)

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 2021

	2021 \$000	2020 \$000
Opening balance as at 1 July	18 935 303	18 725 165
Employer contributions	1 257 092	1 203 833
Member contributions	105 374	108 998
Transfers from other super entities	466 468	549 105
Government co-contributions	811	801
Net contributions	1 829 745	1 862 737
Benefits to members	(1 517 223)	(1 561 073)
Insurance premiums charged to members	(49 214)	(48 412)
Insurance benefits credited to members	42 968	45 460
Amounts allocated to members from reserves	900	-
Net benefits allocated to members, comprising:		
Net investment income	3 879 480	(72 406)
Administration fees	(21 370)	(16 168)
Closing balance as at 30 June	23 100 589	18 935 303

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 2021

	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
Opening Balance	405	161 746	36 702	(44 060)	154 793
Net operating result	3 629	31 466	6 042	116 375	157 512
Net transfers to/(from) reserves/equity	21 162	(50 269)	(20 305)	47 826	(1 586)
Closing Balance	25 196	142 943	22 439	120 141	310 719

	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
Opening Balance	1 970	165 063	35 485	4 121	206 639
Net operating result	(1 565)	(1 817)	(283)	(48 181)	(51 846)
Net transfers (from)/to reserves/equity	-	(1 500)	1 500	-	-
Closing Balance	405	161 746	36 702	(44 060)	154 793

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 2021

	Note	2021 \$000	2020 \$000
GST Recoup		2 302	1 353
Other income		64	166
Insurance administration expenses paid		(6 764)	(4 677)
Administration expenses paid		(14 118)	(19 143)
Net cash flows from operating activities	17	<u>(18 516)</u>	<u>(22 301)</u>
Receipts from the sale of investments from Funds SA		1 885 742	769 307
Payments to Funds SA for the purchase of investments		(2 133 297)	(1 019 716)
Net cash flows from investing activities		<u>(247 555)</u>	<u>(250 409)</u>
Employer contributions		1 233 171	1 208 493
Member contributions		104 948	109 064
Government co-contributions		811	801
Transfers from other superannuation entities		466 851	547 396
Benefit payments to members		(1 515 738)	(1 614 638)
Transfer from Insurance Reserve		(9 083)	-
Payments from Operational Risk Reserve		(23)	(113)
Net cash flows from financing activities		<u>280 937</u>	<u>251 003</u>
Net change in cash		14 866	(21 707)
Cash at beginning of the financial period		7 171	28 878
Cash at end of the financial period	17	<u>22 037</u>	<u>7 171</u>

The statement of cash flows should be read in conjunction with the accompanying notes.

Southern State Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) *Southern State Superannuation Scheme*

The Southern State Superannuation Scheme (the Scheme/the Triple S Scheme) is both a contributory and non contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 2009* (the Act). The Scheme commenced on 1 July 1995 pursuant to the *Southern State Superannuation Act 1994* and is continued under the 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 (2020: 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 Fund 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 2021 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 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

The standard applies to reporting periods beginning on or after 1 July 2021. Early adoption is permitted. The standard replaces the reduced disclosure requirements previously included in all Australian Accounting Standards with simplified disclosure requirements which will apply to Tier 2 entities.

AASB 1053 Application of Tiers of Australian Accounting Standards will still apply in conjunction with AASB 1060. Application of AASB 1060 will significantly amend the content of Tier 2 financial reports.

The Scheme is not a Tier 2 financial reporting entity. The Board has assessed the impact of the amendments of AASB 1060, and has determined there will be no impact on the Scheme's financial statements.

AASB 2020-2 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities

The standard applies to reporting periods beginning on or after 1 July 2021. The standard removes the ability for certain for-profit private sector entities to self-assess their financial reporting requirements and prepare special purpose financial statements (SPFS) when they are required to prepare financial statements that comply with Australian Accounting Standards (AAS).

The Scheme is an exempt public sector superannuation scheme and operates on a not-for-profit basis. The Board has assessed the impact of the new standard on the Scheme, and has determined there will be no impact on the Scheme's financial statements.

AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts

The standard applies to reporting periods beginning on or after 1 January 2021. The standard amends AASB 4 Insurance Contracts (August 2015) and AASB 17 Insurance Contracts (July 2017) as a result of the issuance of International Financial Reporting Standards Amendments to IFRS 17 and extension of the temporary exemption from applying IFRS 9.

The insurance disclosures for superannuation entities are contained in AASB 1056, therefore AASB 4 and AASB 17 do not apply. 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.

AASB 2021-1 Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities

The standard applies to reporting periods beginning on or after 1 July 2021. Earlier application is permitted, provided that AASB 1060 is also applied to the same period. The Standard amends new elements of AASB 1053 and amends AASB 1060 for first-time application to provide not-for-profit entities with optional relief from presenting comparative information in the notes to the financial statements where the entity did not disclose the comparable information in its most recent previous general purpose financial statements. This relief is only applicable where AASB 1060 is early adopted.

Amendments to AASB 1053 highlight that the relief set out in Appendix E of AASB 1053 is available only to for-profit private sector entities.

The Scheme operates on a not-for-profit basis and is not adopting AASB 1060. The Board has assessed the impact of the new standard on the Scheme, and has determined there will be no impact on the Scheme's financial statements.

Southern State 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 investments 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 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, and for which the Scheme is obliged to make future payments in respect of the purchase of these goods or services.

Southern State 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 2021 but paid after 30 June 2021. These also include income protection payments payable on or prior to 30 June 2021 but paid after 30 June 2021.

(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 a dedicated insurance reserve 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

	2021 \$000	2020 \$000
Insurance contract revenue	49 214	48 412
Insurance contract claims expenses	(42 968)	(45 460)
Decrease/(Increase) in insurance liabilities	1 354	(1 941)
Net result from insurance activities	7 600	1 011

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.

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

The specific recognition criteria described below must 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.

Southern State Superannuation Scheme

(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.

(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 are 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. The Coronavirus Special Valuations Guidance March 2020 have been applied in this financial year.

(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.

Southern State Superannuation Scheme

(ix) Socially Responsible Investment

The Socially Responsible Investment option actively incorporates the consideration of environmental, social and governance factors in their investment decisions and also avoids investing in companies operating in areas of high negative social impact. Previously the Socially Responsible investment option was externally managed by the product provider AMP Capital. As of February 2021, the Socially Responsible Investment is being managed by Funds SA.

(o) **Operation of investment portfolio**

Funds SA is responsible for the investment and management of the Fund 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 2021, Funds SA managed eight distinct investment options for the Scheme which were available to investors, each differing by strategic asset allocation:

- High Growth
- Growth (closed 3 February 2021)
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash
- Socially Responsible Investment

Growth to High Growth transition

In August 2020, Super SA and Funds SA undertook a review into the default option. A key change was to increase the Long-Term Strategic Asset Allocation (LTSAA) levels of growth assets within the default Balanced option from 65 per cent to 75 per cent. This change included altering the LTSAA and range for the Growth investment option by increasing the exposure to growth assets. While originally expecting this change to be implemented over multiple years, recent shifts within investment markets have meant the Growth option LTSAA change occurred more quickly than anticipated and resulted in the Growth investment option having growth asset allocations resembling those of the High Growth investment option. The Growth investment option ceased to be available to investors with all Growth option investments transitioned into the High Growth investment option on 3 February 2021.

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.

(q) **Climate change financial risks**

The Board acknowledges the likelihood of upcoming climate risk disclosure requirements, such as those that may be recommended by the draft Australian Prudential Regulation Authority (APRA) Prudential Practice Guide CPG229 Climate Change Financial Risks. The Board will work towards appropriate disclosures in the 2021-22 financial year.

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.

	2021	2020
	\$000	\$000
Member benefits	23 100 589	18 935 303
As compared to net assets available for member benefits	23 411 308	19 090 096

Southern State Superannuation Scheme

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.

	2021	2020
	\$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	23 396 050	19 114 102
Funds SA	<u>23 396 050</u>	<u>19 114 102</u>

5. Value and movement of investments by investment option

	2021	Movement	2020
	\$000	\$000	\$000
High Growth A	2 890 431	1 454 976	1 435 455
Growth A (closed 3 February 2021)	-	(713 320)	713 320
Balanced A	18 739 091	3 630 993	15 108 098
Moderate A	574 516	129 939	444 577
Conservative A	489 397	69 857	419 540
Capital Defensive A	248 881	(28 884)	277 765
Cash A	329 619	(310 347)	639 966
Socially Responsible	124 115	48 734	75 381
Investments at 30 June	<u>23 396 050</u>	<u>4 281 948</u>	<u>19 114 102</u>

6. Receivables

	2021	2020
	\$000	\$000
Refund from ATO for GST	550	438
Interest	-	2
Funds SA receivables	8 402	-
Benefit repayments	837	654
Other receivables	426	1 800
Rollovers receivable	1 668	987
	<u>11 883</u>	<u>3 881</u>

7. Contributions receivable

	2021	2020
	\$000	\$000
Member contributions	1 539	1 069
Employer contributions	49 282	27 311
	<u>50 821</u>	<u>28 380</u>

Southern State Superannuation Scheme

8. Payables

	2021	2020
	\$000	\$000
Audit fees	94	94
Administration expenses	7 343	-
Other payables	-	98
	7 437	192

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 members 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, with premium increases from age 35 to age 70 when cover ceases. The previously offered 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.

	2021	2020
	\$000	\$000
Opening Balance of Insurance Reserve	161 746	165 063
Investment earnings on Insurance Reserve ⁽ⁱ⁾	31 718	(326)
Premiums and charges	49 214	48 412
Benefit payments	(42 968)	(45 460)
Administration expenses ⁽ⁱⁱ⁾	(6 498)	(4 443)
Operating Result	31 466	(1 817)
Transfer (from) Reserve ⁽ⁱⁱⁱ⁾	(50 269)	(1 500)
Closing balance of Reserve	142 943	161 746

(i) The Insurance Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2021 was 21.63 per cent (2020: (0.3) per cent).

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

(iii) The amount relates to the Board approved transfers out of accumulated investment earnings to the Scheme's Administration Fee Reserve (\$41.2 million), Flexible Rollover Product (\$1.1 million), Income Stream (\$7.9 million), Parliamentary Superannuation Scheme (\$81 000) and Super SA Select (\$26 000).

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.

	2021	2020
	\$000	\$000
Opening Balance of Administration Fee Reserve	405	1 970
Investment earnings on Administration Fee Reserve ⁽ⁱ⁾	1 568	(20)
Administration fees	21 370	16 168
Administration expenses ⁽ⁱⁱ⁾	<u>(19 309)</u>	<u>(17 713)</u>
Operating Result	3 629	(1 565)
Transfer to Reserve ⁽ⁱⁱⁱ⁾	21 162	-
Closing balance of Reserve	<u>25 196</u>	<u>405</u>

(i) The Administration Fee Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2021 was 21.63 per cent (2020: (0.3) per cent).

(ii) The amount relates to the annual service level agreement paid for administering the Scheme (refer Note 15).

(iii) The amount relates to the Board approved transfers in of accumulated investment earnings from the Scheme's Insurance Reserve (\$41.2 million) less a transfer out to offset the Scheme's historical over investment allocation (\$21.6 million). In addition a surplus attributable to sundry interest and fees was recognised as a transfer in to the Reserve (\$1.6 million).

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 0.10 per cent of funds under management.

	2021	2020
	\$000	\$000
Opening Balance of Operational Risk Reserve	36 702	35 485
Investment Revenue on Operational Risk Reserve ⁽ⁱ⁾	6 942	(129)
Payments from Reserve	<u>(900)</u>	<u>(154)</u>
Operating Result	6 042	(283)
Transfer (from)/to Reserve ⁽ⁱⁱ⁾	<u>(20 305)</u>	<u>1 500</u>
Closing balance of Reserve	<u>22 439</u>	<u>36 702</u>

(i) The Operational Risk Reserve is notionally invested in the Balanced Option. The rate of return on earnings in 2021 was 21.63 per cent (2020: (0.3) per cent).

(ii) The amount relates to the Board approved transfer out to offset the Scheme's historical over investment allocation.

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 2020-21 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.

14. Investment expenses

	2021	2020
	\$000	\$000
Investment expenses	<u>72 669</u>	<u>99 297</u>

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. As a result of a Funds SA accounting policy change, effective in the current period, 2020-21 results report direct investment expenses, and exclude any indirect costs of performance and imputed fees. Prior year results are not directly comparable.

Southern State Superannuation Scheme

15. Administration expenses

	2021	2020
	\$000	\$000
Administration expenses ⁽ⁱ⁾	19 523	17 497
Other expenses ⁽ⁱⁱ⁾	98	132
	19 621	17 629

(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 2021, the charge was \$1.35 per week per member for all members, active and non-active. In addition, an asset based fee of 0.05 per cent of members' account balances 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 2021 the amount charged to members' employer contribution accounts was \$21.4 million (2020: \$16.2 million).

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

16. Auditors' remuneration

	2021	2020
	\$000	\$000
Audit fees paid or payable	79	78

Audit fees paid (or payable), \$78 700 GST exclusive (2020: \$78 300), 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 and deposits in the Scheme's Special Deposit Account held 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:

	2021	2020
	\$000	\$000
Cash and cash equivalents	22 037	7 171
Reconciliation of operating result to net cash from operating activities		
Net operating result	157 512	(51 846)
Adjustments for:		
Change in investments measured at fair value	(4 115 463)	20 257
Investment expenses	72 669	99 297
Insurance recognition	(7 600)	(1 011)
Transfer from Insurance Reserve	9 083	-
(Increase) in receivables	(170)	(424)
Increase in payables	7 343	-
Allocation to/(from) members' accounts	3 858 110	(88 574)
Net cash outflows from operating activities	(18 516)	(22 301)

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 Tax-Exempt, Diversified Strategies Income and Long Term Fixed Interest asset classes are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the International Equities Tax-Exempt and International Equities Passive Tax-Exempt asset classes are 30 per cent hedged to Australian dollars.

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

(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.

2021	Expected Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk (+/-) on Income Statement
Investment Option	%	%	\$000	\$000
High Growth A	7.6	10.9	2 162 943	235 761
Growth A (closed 3 February 2021)	7.6	10.9	356 660	38 876
Balanced A	7.0	10.0	16 923 595	1 692 359
Moderate A	5.6	7.2	509 547	36 687
Conservative A	4.5	5.1	454 469	23 178
Capital Defensive A	3.3	3.6	263 323	9 480
Cash A	0.3	1.0	484 793	4 848
Socially Responsible	6.0	10.3	99 748	10 274

2020	Expected Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk (+/-) on Income Statement
Investment Option	%	%	\$000	\$000
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

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 other than Funds SA.

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
2021	\$000	\$000	\$000
Benefits payable	42 069	42 069	42 069
Payables ⁽ⁱ⁾	-	-	-
Vested benefits ⁽ⁱⁱ⁾	23 100 589	23 100 589	23 100 589
Total	23 142 658	23 142 658	23 142 658
2020	\$000	\$000	\$000
Benefits payable	41 629	41 629	41 629
Payables ⁽ⁱ⁾	98	98	98
Vested benefits ⁽ⁱⁱ⁾	18 935 303	18 935 303	18 935 303
Total	18 977 030	18 977 030	18 977 030

- (i) Payable amounts disclosed here exclude amounts relating to constructive obligations and 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 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 2021 the Scheme paid \$59.4 million (2020: \$45.2 million) in member benefits 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

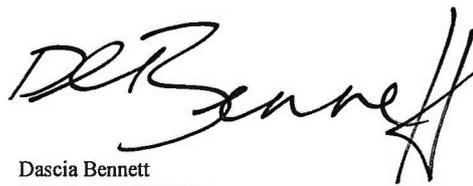
Certification of the financial report

We certify that the:

- Financial statements of the Triple S Scheme:
 - are in accordance with the accounts and records of the Scheme;
 - comply with relevant Treasurer's instructions;
 - 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 for the financial year over its financial reporting and its preparation of financial statements have been effective.



Gregory Boulton AM
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Mark Hordacre
DIRECTOR FINANCE
STATE SUPERANNUATION OFFICE

Date 19/9/21