

# South Australian Superannuation Scheme

Financial report  
for the year ended  
30 June 2019



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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 20AB(2) of the *Superannuation Act 1998*, I have audited the financial report of the South Australian Superannuation Scheme for the financial year ended 30 June 2019.

## Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Superannuation Scheme as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the 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 2019
- an Income Statement for the year ended 30 June 2019
- a Statement of Changes in Member Benefits for the year ended 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- 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 South Australian Superannuation Scheme. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

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

### **Responsibilities of the 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 the 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**

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**

18 September 2019

## South Australian Superannuation Scheme

### Statement of Financial Position

as at 30 June 2019

		2019	2018
	Note	\$000	\$000
<b>Assets</b>			
Cash and cash equivalents	16	6 407	8 800
Contributions receivable	5	886	979
Receivables	6	5 778	6 278
Investments	7	5 100 537	5 115 588
<b>Total Assets</b>		5 113 608	5 131 645
<b>Liabilities</b>			
Benefits Payable		31 696	18 284
Payables	9	391	105
<b>Total liabilities excluding member benefits</b>		32 087	18 389
<b>Net assets available for member benefits</b>		5 081 521	5 113 256
<b>Member benefits</b>			
Defined benefit member liabilities		8 818 519	9 058 646
Defined contribution member liabilities		624 520	652 682
<b>Total member benefits</b>	4	9 443 039	9 711 328
<b>Total net assets/(liabilities)</b>		(4 361 518)	(4 598 072)
<b>Equity</b>			
Defined benefits that are (under) funded		(4 361 518)	(4 598 072)
<b>Total Equity</b>		(4 361 518)	(4 598 072)

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

### Income Statement

for the year ended 30 June 2019

		2019	2018
	Note	\$000	\$000
Changes in investments measured at fair value		431 477	583 534
Interest		100	112
<b>Total revenue</b>		431 577	583 646
Investment expenses	10	38 667	44 315
Higher education expense	13	8 712	8 912
Administration expenses	11	3 969	2 954
<b>Total expenses</b>		51 348	56 181
<b>Result from superannuation activities</b>		380 229	527 465
Net change in defined benefit member liabilities		44 798	(44 878)
Allocation to defined contribution members accounts		(188 473)	(203 256)
<b>Net operating result</b>		236 554	279 331

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 2019

2019	Note	Defined Benefit Component \$000	Defined Contribution Component \$000	Total \$000
<b>Opening balance as at 1 July 2018</b>		<b>9 058 646</b>	<b>652 682</b>	<b>9 711 328</b>
Contributions for Past Service Liability	14	384 278	-	384 278
Employer contributions	15	36 480	-	36 480
Public Authority employer contributions		36 596	-	36 596
Member contributions		673	13 048	13 721
Transfers from other super entities		10	1 976	1 986
<b>Net contributions</b>		<b>458 037</b>	<b>15 024</b>	<b>473 061</b>
Benefits to members		(653 366)	(231 659)	(885 025)
Net benefits allocated, comprising:				
Net investment income		-	188 791	188 791
Net administration expenses		-	(318)	(318)
Net change in member liabilities		(44 798)	-	(44 798)
<b>Closing balance as at 30 June 2019</b>		<b>8 818 519</b>	<b>624 520</b>	<b>9 443 039</b>
2018	Note	Defined Benefit Component \$000	Defined Contribution Component \$000	Total \$000
<b>Opening balance as at 1 July 2017</b>		<b>9 204 894</b>	<b>656 776</b>	<b>9 861 670</b>
Contributions for Past Service Liability	14	371 819	-	371 819
Employer contributions	15	42 516	-	42 516
Public Authority employer contributions		35 922	-	35 922
Member contributions		1 210	14 306	15 516
Transfers from other super entities		-	531	531
<b>Net contributions</b>		<b>451 467</b>	<b>14 837</b>	<b>466 304</b>
Benefits to members		(642 593)	(222 187)	(864 780)
Net benefits allocated, comprising:				
Net investment income		-	203 580	203 580
Net administration expenses		-	(324)	(324)
Net change in member liabilities		44 878	-	44 878
<b>Closing balance as at 30 June 2018</b>		<b>9 058 646</b>	<b>652 682</b>	<b>9 711 328</b>

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

## South Australian Superannuation Scheme

### Statement of Changes in Equity for the year ended 30 June 2019

	2019	2018
	\$000	\$000
<b>(Under) funded benefits opening balance 1 July</b>	(4 598 072)	(4 877 403)
Net operating result	236 554	279 331
<b>(Under) funded benefits closing balance 30 June</b>	(4 361 518)	(4 598 072)

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 2019

	Note	2019	2018
		\$000	\$000
Bank interest received		100	110
GST recoup		270	209
Higher education expenses		(8 712)	(8 912)
Administration expenses paid		(4 254)	(3 165)
<b>Net cash flows from operating activities</b>	16	(12 596)	(11 758)
Receipts from the sale of investments from Funds SA		811 505	824 496
Payments to Funds SA for the purchase of investments		(403 645)	(409 580)
<b>Net cash flows from investing activities</b>		407 860	414 916
Employer contributions		36 550	42 557
Past service liability contributions		384 235	370 744
Commonwealth and Public Authorities contributions		37 342	33 829
Member contributions		13 745	15 554
Transfers from other superannuation entities		2 250	531
Pension benefits to members		(635 250)	(626 570)
Benefit payments to members		(236 529)	(236 728)
<b>Net cash flows from financing activities</b>		(397 657)	(400 083)
<b>Net change in cash</b>		(2 393)	3 075
Cash at the beginning of the financial period		8 800	5 725
<b>Cash at the end of the financial period</b>		6 407	8 800

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*. 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 2019 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 (2018: 26 per cent) for old scheme contributors and 14.75 per cent (2018: 14.75 per cent) for new scheme contributors.

## South Australian Superannuation Scheme

### *Funding arrangements (cont.)*

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

#### (i) *State government departments*

State government departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities 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 2018-19 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*, 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 2019 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

## South Australian Superannuation Scheme

Super SA 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 15 – Revenue from Contracts with Customers*

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. *AASB 15 – Revenue from Contracts* replaces *AASB 111 – Construction Contracts* and *AASB 118 – Revenue*.

### *AASB 1058 – Income of Not for Profit Entities*

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of *AASB 1004 – Contributions*.

Super SA has assessed the impact of the new rules on behalf of the Scheme and determined that there will be no material impact on the financial statements as a result of *AASB 15 – Revenue from Contracts with Customers* and *AASB 1058 – Income of Not for Profit Entities*.

### *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.

The Scheme has no operating leases, and Super SA has assessed the impact of the new standard on the Scheme, and has determined there will be no material impact on the Scheme's financial statements.

## (c) *Financial assets and liabilities*

### (a) **Classification**

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

#### *Financial assets and liabilities held for trading*

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme, if any, do not meet the hedge accounting criteria as defined by AASB 9. Consequently hedge accounting is not applied by the Scheme.

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

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

#### *Other financial liabilities*

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

### (b) **Recognition**

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

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

### (c) **Initial recognition**

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

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

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

### (d) **Subsequent measurement**

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

## South Australian Superannuation Scheme

### (e) Fair value measurement

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to financial instruments note 7.

### (f) Cash and cash equivalents

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

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

### (g) Receivables and payables

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

### (h) Benefits payable

Benefits payable are valued at fair value and relate to members who have ceased employment and provided the Scheme with appropriate notification on or prior to 30 June 2019 but paid after 30 June 2019. These also include pension payments payable on or prior to 30 June 2019 but paid after 30 June 2019.

### (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.

## South Australian Superannuation Scheme

### (l) Foreign currency

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

### (m) Investments

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

#### (i) Inflation Linked Securities A

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

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

#### (ii) Property A

The Property A portfolio comprises two sub-sectors:

##### *Listed property trusts*

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

##### *Unlisted property vehicles*

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

#### (iii) Australian Equities A

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

#### (iv) International Equities A

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

#### (v) Short Term and Long Term Fixed Interest

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

#### (vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 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.

## South Australian Superannuation Scheme

### (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 2019, 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.

### **(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.

The Scheme implemented a change in presentation of the Statement of Changes in Member Benefits in 2018-19 to more clearly represent the movement in member benefits. The change in presentation did not affect the 2017-18 comparative closing balance (as at 30 June).

#### *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.

## South Australian Superannuation Scheme

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 Scheme has no information that would lead to adjustments to the assumptions, and which are all unchanged from the previous reporting period.

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2019.

The expected future benefit payments have been determined using the 2016 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, 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): 7.0 per cent per annum (2018: 7.0 per cent);
- The future rate of salary growth: 4.0 per cent per annum (2018: 4.0 per cent); and
- Long term inflation (CPI): 2.5 per cent per annum (2018: 2.5 per cent).

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.

	2019			2018		
	Defined Benefit \$000	Defined Contribution \$000	Total \$000	Defined Benefit \$000	Defined Contribution \$000	Total \$000
Member liabilities	8 818 519	624 520	9 443 039	9 058 646	652 682	9 711 328
	8 818 519	624 520	9 443 039	9 058 646	652 682	9 711 328

	2019			2018		
	Old Scheme \$000	New Scheme \$000	Total \$000	Old Scheme \$000	New Scheme \$000	Total \$000
SA Superannuation Fund	1 109 476	624 520	1 733 996	1 133 116	652 682	1 785 798
<b>SA Superannuation Scheme contribution account:</b>						
Employer contribution accounts	1 162 633	323 637	1 486 270	1 192 474	338 517	1 530 991
SA Government employer account	5 322 879	612 642	5 935 521	5 438 170	659 639	6 097 809
Public authorities	279 364	7 888	287 252	288 699	8 031	296 730
	7 874 352	1 568 687	9 443 039	8 052 459	1 658 869	9 711 328

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

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

## South Australian Superannuation Scheme

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

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

Scenario	Member liability result <sup>(a)</sup>	Change in member benefit liability	Change in member benefit liability
	\$M	\$M	%
Base Case	8 819	-	-
Discount rate plus 0.5%	8 468	(351)	(4.0)
Discount rate less 0.5%	9 196	378	4.3
Salary increase rate plus 0.5%	8 845	26	0.3
Salary increase rate less 0.5%	8 793	(25)	(0.3)
Pension increase rate plus 0.5%	9 186	367	4.2
Pension increase rate less 0.5%	8 476	(343)	(3.9)

<sup>(a)</sup> Excludes Lump Sum Scheme accumulation liabilities

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

### Vested benefits

	2019			2018		
	Old	New	Total	Old	New	Total
	Scheme Division	Scheme Division		Scheme Division	Scheme Division	
	\$000	\$000	\$000	\$000	\$000	\$000
SA Superannuation Fund	1 110 896	624 520	1 735 416	1 134 440	652 682	1 787 122
<b>SA Superannuation Scheme contribution a/c:</b>						
Employer contribution accounts	1 166 228	354 981	1 521 209	1 196 081	372 328	1 568 409
SA Government employer account	5 327 619	692 639	6 020 258	5 442 007	743 754	6 185 761
Public Authorities	279 637	8 462	288 099	288 971	8 668	297 639
	<b>7 884 380</b>	<b>1 680 602</b>	<b>9 564 982</b>	<b>8 061 499</b>	<b>1 777 432</b>	<b>9 838 931</b>

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

### 5. Contributions receivable

	2019	2018
	\$000	\$000
Member contributions receivable	194	217
Employer contributions receivable	692	762
	<b>886</b>	<b>979</b>

**South Australian Superannuation Scheme**

**6. Receivables**

	2019	2018
	\$000	\$000
Interest receivable	9	8
Benefit repayments	500	400
GST recoup from ATO	74	57
Overpaid pensions	6	7
Prepaid benefits	149	61
Past service receivable	1 117	1 074
Public authorities	3 859	4 620
Temporary disability	64	51
	5 778	6 278

**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 on a twice weekly basis and are subject to quality assurance procedures.

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

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

*Valuation technique*

The Scheme's investments are not quoted in an active market. 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.

	2019	2018
	\$000	\$000
<b>Financial assets at fair value through profit or loss - Level 2</b>		
Level 1 and level 3 are not relevant to the Scheme		
Unlisted managed investment schemes		
Funds SA	5 100 537	5 115 588
	5 100 537	5 115 588

**South Australian Superannuation Scheme**

**8. Movement in the value of investments**

	2019	2018
	\$000	\$000
<b>Investments as at 1 July</b>	<b>5 115 588</b>	<b>4 991 287</b>
High Growth A	(1 092)	1 895
Growth A	(27 338)	(9 339)
Balanced A	6 665	7 726
Moderate A	2 877	2 748
Conservative A	(495)	(278)
Capital Defensive A	560	(1 923)
Cash A	(831)	(2 816)
Socially Responsible Investment	(101)	(180)
Defined Benefit High Growth	4 704	126 468
<b>Change in investments</b>	<b>(15 051)</b>	<b>124 301</b>
<b>Investments at 30 June</b>	<b>5 100 537</b>	<b>5 115 588</b>

**9. Payables**

	2019	2018
	\$000	\$000
Audit fees	84	82
Returned benefit payments	18	23
PAYG Tax payable	26	-
Rollovers payable	263	-
	<u>391</u>	<u>105</u>

**10. Investment expenses**

	2019	2018
	\$000	\$000
Investment expenses	<u>38 667</u>	<u>44 315</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**

	2019	2018
	\$000	\$000
Administration expenses <sup>(i)</sup>	3 863	2 819
Other expenses <sup>(ii)</sup>	106	135
	<u>3 969</u>	<u>2 954</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 2019 includes the Scheme's share of the ICT Solution Project costs of \$588 000.

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

## South Australian Superannuation Scheme

### 12. Auditors' remuneration

	2019	2018
	\$000	\$000
Audit fees	78	76

Audit fees paid (or payable), \$78 000 GST exclusive (2018 \$76 400), 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

	2019	2018
	\$000	\$000
Higher education superannuation costs	8 712	8 912

These amounts are paid to the Commonwealth Government that related to the South Australian share of the 2019 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

	2019	2018
	\$000	\$000
SA Government	379 809	366 600
SA Water	4 230	4 067
ReturnToWorkSA	-	922
Forestry SA	239	230
	384 278	371 819

### 15. Employer contributions

	2019	2018
	\$000	\$000
State government departments	25 046	29 548
Statutory authorities – state government entities	11 286	12 811
Statutory authorities – non-state government entities	148	157
	36 480	42 516

### 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:

	2019	2018
	\$000	\$000
Cash and cash equivalents	6 407	8 800
<b>Reconciliation of operating result to net cash flows from operating activities</b>		
Net operating result	236 554	279 331
Adjustments for:		
Changes in investments measured at fair value	(431 477)	(583 534)
Investment expenses	38 667	44 315
(Increase) in receivables	(15)	(6)
Increase in payables	-	2
Allocation to members' accounts	143 675	248 134
<b>Net flows from operating activities</b>	<b>(12 596)</b>	<b>(11 758)</b>

## South Australian Superannuation Scheme

### 17. Financial risk management objectives and policies

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

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

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

- market risk
- credit risk
- liquidity risk

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, by Funds SA.

##### II. Interest rate risk

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

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

Funds SA manages interest rate risk through:

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

##### III. Other market price risk

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

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

## South Australian Superannuation Scheme

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

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

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

### IV. Investments sensitivity analysis

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

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2019				
<b>Investment Option</b>	%	%	\$000	\$000
High Growth A	8.3	11.1	29 677	3 294
Growth A	7.4	9.5	485 906	46 161
Balanced A	6.8	8.4	60 427	5 076
Moderate A	6.0	6.6	22 808	1 505
Conservative A	5.2	5.3	22 654	1 201
Capital Defensive A	4.3	3.7	8 528	316
Cash A	2.7	1.0	5 310	53
Socially Responsible	5.8	9.9	1 839	182
DB High Growth Strategy	7.9	9.9	4 470 915	442 621

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2018				
<b>Investment Option</b>	%	%	\$000	\$000
High Growth A	8.5	12.1	29 240	3 538
Growth A	7.8	10.2	503 763	51 384
Balanced A	7.2	8.9	53 182	4 733
Moderate A	6.4	7.0	19 981	1 399
Conservative A	5.6	5.2	23 028	1 197
Capital Defensive A	4.7	3.3	9 207	304
Cash A	3.2	1.4	7 133	100
Socially Responsible	6.4	10.5	1 979	208
DB High Growth Strategy	8.4	11.3	4 400 645	497 273

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

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.

## South Australian Superannuation Scheme

### (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. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

### (c) Liquidity risk

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

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

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

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

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

30 June 2019	Less than 3	Total	Carrying
	Months	Contractual	Amount of
	\$000	Cash Flows	liabilities
Benefits payable	31 696	31 696	31 696
Payables <sup>(i)</sup>	281	281	281
Vested benefits <sup>(ii)</sup>	9 564 982	9 564 982	9 564 982
<b>Total</b>	<b>9 596 959</b>	<b>9 596 959</b>	<b>9 596 959</b>

30 June 2018	Less than 3	Total	Carrying
	Months	Contractual	Amount of
	\$000	Cash Flows	liabilities
Benefits payable	18 284	18 284	18 284
Payables <sup>(i)</sup>	23	23	23
Vested benefits <sup>(ii)</sup>	9 838 931	9 838 931	9 838 931
<b>Total</b>	<b>9 857 238</b>	<b>9 857 238</b>	<b>9 857 238</b>

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

### (d) Derivative financial instruments

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

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

## South Australian Superannuation Scheme

### 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:

	Old Scheme Division	New Scheme Division	Total 2019	Total 2018
<b>SA Superannuation Fund Account (employee component)</b>	\$000	\$000	\$000	\$000
<b>Funds held at 1 July</b>	1 589 469	637 279	2 226 748	2 153 284
Contributions	673	13 048	13 721	15 516
Rollovers from other schemes	10	1 976	1 986	531
Changes in investments measured at fair value	136 455	51 531	187 986	250 743
Bank interest and other revenue	17	14	31	33
	137 155	66 569	203 724	266 823
Benefits Paid and Payable	110 974	87 858	198 832	173 853
Investment expenses	12 410	3 936	16 346	18 616
Administration expenses	661	533	1 194	890
	124 045	92 327	216 372	193 359
<b>Funds held at 30 June</b>	1 602 579	611 521	2 214 100	2 226 748
			2019	2018
<b>SA Superannuation Scheme Contribution Account (employer component)</b>			\$000	\$000
<b>Funds held at 1 July</b>			2 886 508	2 830 983
Employer contributions:				
State Government departments			25 046	29 548
Statutory Authorities			11 434	12 968
Contribution for past service liability			384 278	371 819
			420 758	414 335
Changes in investments measured at fair value			243 490	332 791
Bank interest and other revenue:				
Public authorities			36 545	35 900
Interest received			70	78
Temporary disability			51	23
			700 914	783 127
Benefits paid and payable:				
Old scheme contributors			542 392	551 971
New scheme contributors			143 801	138 956
			686 193	690 927
Investment expenses			22 321	25 699
Higher education superannuation costs			8 712	8 912
Administration expenses			2 774	2 064
			720 000	727 602
<b>Funds held at 30 June</b>			2 867 422	2 886 508
<b>Net assets available for member benefits</b>			5 081 522	5 113 256

### 19. Segment information

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

## South Australian Superannuation Scheme

### 20. Related parties

#### **Key management personnel**

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

#### **Compensation**

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

#### **Transactions with key management personnel and other related parties**

There were no transactions with key management personnel or related parties.

#### **Transactions with other government entities**

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

### 21. Events after the reporting period

There were no significant events after the reporting period.

South Australian Superannuation Scheme

Certification of the financial report

We certify that the:

- 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 13.9.19 .....