

Southern State Superannuation Scheme

Financial report
for the year ended
30 June 2019



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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 15(3) of the *Southern State Superannuation Act 2009*, I have audited the financial report of the Southern State Superannuation Scheme for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Southern State Superannuation Scheme as at 30 June 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 Reserves 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 Southern State Superannuation Scheme. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

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

Responsibilities of the 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 Southern State Superannuation Scheme's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, State Superannuation Office

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

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

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



Andrew Richardson

Auditor-General

18 September 2019

Southern State Superannuation Scheme

Statement of Financial Position

as at 30 June 2019

	Note	2019 \$000	2018 \$000
Assets			
Cash and cash equivalents	17	28 878	21 288
Receivables	6	2 054	1 357
Contributions receivable	7	33 152	40 313
Investments	4	18 983 247	17 242 415
Total assets		19 047 331	17 305 373
Liabilities			
Benefits payable		96 164	86 737
Payables	8	178	1 700
Insurance liabilities		19 185	23 723
Total liabilities excluding member benefits		115 527	112 160
Net assets available for member benefits		18 931 804	17 193 213
Member benefit liabilities	3	18 725 165	16 991 695
Total net assets		206 639	201 518
Equity			
Death, invalidity and income protection insurance reserve	9	165 063	155 347
Administration fee reserve	10	1 970	4 027
Operational risk reserve	11	35 485	32 873
Investment allocation over/(under)	13	4 121	9 271
Total equity		206 639	201 518

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

Income Statement

for the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
Net changes in investments measured at fair value		1 497 306	1 593 304
Interest revenue		349	326
Other revenue		-	13
Total revenue		1 497 655	1 593 643
Investment expenses	14	105 050	111 245
Administration expenses	15	14 042	16 526
Total expenses		119 092	127 771
Result from superannuation activities		1 378 563	1 465 872
Insurance expenses		(2 065)	9 989
Result from operating activities		1 380 628	1 455 883
Net benefits allocated to members accounts		(1 375 009)	(1 434 996)
Net operating result		5 619	20 887

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 2019

	2019 \$000	2018 \$000
Opening balance as at 1 July	16 991 695	15 187 504
Employer contributions	1 187 715	1 156 697
Member contributions	116 268	109 250
Transfers from other super entities	489 766	371 518
Government co-contributions	1 625	1 291
Net contributions	1 795 374	1 638 756
Benefits to members	(1 430 714)	(1 272 857)
Insurance premiums charged to members	(43 071)	(27 281)
Insurance benefits credited to members	36 872	30 577
Net benefits allocated to members, comprising:		
Net investment income	1 386 751	1 447 212
Net administration expenses	(11 742)	(12 216)
Closing balance as at 30 June	18 725 165	16 991 695

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

Statement of Changes in Reserves

for the year ended 30 June 2019

	Administration Fee Reserve	Death, Invalidity and Income Protection Insurance Reserve	Operational Risk Reserve	Over/(under) allocated benefits	Total equity
2019	\$000	\$000	\$000	\$000	\$000
Opening balance	4 027	155 347	32 873	9 271	201 518
Net operating result	(2 057)	9 716	2 612	(4 652)	5 619
Net transfers from reserves/equity	-	-	-	(498)	(498)
Closing balance	1 970	165 063	35 485	4 121	206 639
2018	\$000	\$000	\$000	\$000	\$000
Opening balance	7 518	149 835	30 050	(6 721)	180 682
Net operating result	(3 491)	5 512	2 823	16 043	20 887
Net transfers from reserves/equity	-	-	-	(51)	(51)
Closing balance	4 027	155 347	32 873	9 271	201 518

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

Southern State Superannuation Scheme

Statement of Cash Flows

for the year ended 30 June 2019

	Note	2019	2018
		\$000	\$000
GST Recoup		1 773	1 235
Other income		348	335
Insurance administration expenses paid		(9 128)	(5 506)
Administration expenses paid		(15 056)	(17 730)
Net cash flows from operating activities	17	(22 063)	(21 666)
Receipts from the sale of investments from Funds SA		374 402	267 854
Payments to Funds SA for the purchase of investments		(722 979)	(622 022)
Net cash flows from investing activities		(348 577)	(354 168)
Employer contributions		1 194 142	1 140 309
Member contributions		115 924	108 620
Government co-contributions		1 625	1 170
Transfers from other superannuation entities		489 875	371 262
Benefit payments to members		(1 423 296)	(1 240 190)
Payments from Operational Risk Reserve		(40)	(45)
Net cash flows from financing activities		378 230	381 126
Net change in cash		7 590	5 292
Cash at beginning of the financial period		21 288	15 996
Cash at end of the financial period		28 878	21 288

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

Southern State Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) *Southern State Superannuation Scheme*

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

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1 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 (2018: 9.50 per cent) of salary where the member has elected to contribute less than 4.5 per cent of salary. Where the member has elected to contribute 4.5 per cent or more of salary, the employer must contribute at a rate of 10 per cent.

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

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

(b) *South Australian Superannuation Board*

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

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

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

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

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

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

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

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

(d) *Funding arrangements*

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

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

Southern State Superannuation Scheme

2. Significant accounting policies

(a) *Basis of accounting*

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

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

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

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

(b) *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.

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.

Southern State Superannuation Scheme

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

(c) Initial recognition

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

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

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

(d) Subsequent measurement

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

(e) Fair value measurement

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

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

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

The principal or the most advantageous market must be accessible 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.

(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 income protection payments payable on or prior to 30 June 2019 but paid after 30 June 2019.

(i) Insurance liabilities

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

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the 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:

Southern State Superannuation Scheme

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.

(l) Goods and services tax (GST)

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

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

(m) Foreign currency

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

(n) Investments

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

(i) Inflation Linked Securities 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.

Southern State Superannuation Scheme

(v) Short Term and Long Term Fixed Interest

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

(vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

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

(viii) Cash

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

(ix) Socially Responsible Investment

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

(o) **Operation of investment portfolio**

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2019, Funds SA managed eight distinct investment options for the Scheme which were available to members, each differing by strategic asset allocation:

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

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

(p) **Significant accounting judgements, estimates and assumptions**

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

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

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 2018.

Fair value of investments

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

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

Southern State Superannuation Scheme

3. Member benefit liabilities

Triple S members are defined contribution members and bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Member account balances are determined by unit prices that are determined based on the underlying investment movements. Unit prices are updated daily. Refer to Note 18 for the Scheme's management of the investment risks.

	2019	2018
	\$000	\$000
Members liability at the end of financial year	18 725 165	16 991 695
As compared to net assets available to pay benefits	18 931 804	17 193 213

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.

	2019	2018
	\$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	18 983 247	17 242 415
Funds SA	18 983 247	17 242 415

Southern State Superannuation Scheme

5. Value of investments by option

	2019	2018
	\$000	\$000
High Growth A	1 460 675	1 293 826
Growth A	733 028	629 327
Balanced A	15 578 966	14 281 365
Moderate A	345 796	273 455
Conservative A	354 219	338 323
Capital Defensive A	217 411	175 893
Cash A	226 170	195 286
Socially Responsible	66 982	54 940
Investments at 30 June	18 983 247	17 242 415

6. Receivables

	2019	2018
	\$000	\$000
ATO GST recoup	257	558
Interest	29	28
Other receivables	1 632	511
Rollovers receivable	136	260
	2 054	1 357

7. Contributions receivables

	2019	2018
	\$000	\$000
Member contributions	1 180	1 666
Employer contributions	31 972	38 647
	33 152	40 313

8. Payables

	2019	2018
	\$000	\$000
Audit fees	94	80
Other payables	84	1 620
	178	1 700

9. Death, Invalidation and Income Protection Insurance Reserve

The Scheme self-insures and provides an insurance benefit based on units of cover, subject to certain limitations, in the event of death or permanent invalidity before age 70. An Income Protection Insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 65.

Most members of the Scheme are provided with three Standard Death and Total and Permanent Disablement (TPD) units of cover as a default costing \$2.25 per week and can reduce or cancel this at any time. Police Officers and operations employees of the SA Ambulance Service, who commenced employment after 1 July 2008 or former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme, are required to have at least 6 units of Standard Insurance cover and are only able to reduce below this level or cancel on reaching age 65. The value of a unit of Standard Insurance for members up to age 34 years is \$75 000. The value of a unit declines from age 35. Additional units can be

Southern State Superannuation Scheme

purchased (subject to medical evidence) to provide permanent employees with cover up to \$1.5 million and casual employees up to \$750 000. Members can switch their cover to Fixed Benefit Insurance and purchase additional units (subject to medical evidence). Each Fixed Benefit Insurance unit has a value of \$10 000 (for any age before 70), the premium increases from age 35. Fixed Insurance closed to new applications in November 2014.

As required by Section 17 of the Act, a report is being obtained from an actuary appointed by the Treasurer on the costs and liabilities of the insurance arrangements in existence as at 30 June 2019. Once the report is completed it will be provided to the Board and Treasurer. Following the 30 June 2016 report a number of changes were made to Triple S insurance products effective 3 September 2018 including removing the \$0.25 subsidy for additional voluntary units of insurance, providing additional Death and TPD units and introducing an age based premium for Income Protection to address the losses sustained in previous years.

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.

	2019	2018
	\$000	\$000
Opening Balance of Insurance Reserve	155 347	149 835
Investment earnings on Insurance Reserve ⁽ⁱ⁾	12 191	13 994
Premiums and charges	43 071	27 281
Benefit payments	(36 872)	(30 577)
Administration fees ⁽ⁱⁱ⁾	(8 674)	(5 186)
Operating Result	9 716	5 512
Closing balance of Reserve	165 063	155 347

- (i) The Insurance Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2019 was 8.1 per cent.
(ii) The amount relates to the annual administration fee paid for administering the insurance arrangements.

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.

	2019	2018
	\$000	\$000
Opening Balance of Administration Fee Reserve	4 027	7 518
Investment earnings on Administration Fee Reserve ⁽ⁱ⁾	130	673
Premiums and charges	11 742	12 216
Administration fees ⁽ⁱⁱ⁾	(13 929)	(16 380)
Operating Result	(2 057)	(3 491)
Closing balance of Reserve	1 970	4 027

- (i) The Administration Fee Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2019 was 8.1 per cent.
(ii) The amount relates to the annual service level agreement paid for administering the Scheme (refer Note 15).

Southern State Superannuation Scheme

11. Operational Risk Reserve

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

	2019	2018
	\$000	\$000
Opening Balance of Operational Risk Reserve	32 873	30 050
Investment Revenue on Operational Risk Reserve ⁽ⁱ⁾	2 652	2 868
Payments from Reserve	(40)	(45)
Operating Result	2 612	2 823
Closing balance of Reserve	35 485	32 873

(i) The Operational Risk Reserve is notionally invested in the Balanced Option. The rate of return on earnings 2019 was 8.1 per cent.

12. Allocated to members' accounts

The value of funds which have been formally allocated to investor accounts equals the member benefits. The formal allocation of earnings to investors' accounts has been determined for the 2018-19 financial year.

13. Unallocated to members' accounts

All 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.

14. Investment expenses

	2019	2018
	\$000	\$000
Investment expense	105 050	111 245

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

15. Administration expenses

	2019	2018
	\$000	\$000
Administration fees ⁽ⁱ⁾	13 929	16 379
Other expenses ⁽ⁱⁱ⁾	113	147
	14 042	16 526

(i) Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act requires the amount to be paid from the Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2019, the charge was \$1.35 per week per member for all members, active and non-active. The charge for a member with an aggregate balance of \$1 000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's employer contribution account with a minimum of \$10. This charge is included on member annual statements. For the year ended 30 June 2019 the amount charged to members' employer contribution accounts was \$11.8 million (2018: \$12.2 million).

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly. Based on actual costs, the charge for the year ended 30 June 2019, was \$13.9 million (2018: \$16.4 million).

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

Southern State Superannuation Scheme

16. Auditors' remuneration

	2019	2018
	\$000	\$000
Audit fees	78	89

Audit fees paid (or payable), \$78 000 GST exclusive (2018: \$89 200), relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department.

17. Reconciliation of cash and cash equivalents

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

	2019	2018
	\$000	\$000
Cash and cash equivalents	28 878	21 288

Reconciliation of operating result to net cash from operating activities

Net operating result	5 619	20 887
Adjustments for:		
Changes in investments measured at fair value	(1 497 306)	(1 593 304)
Investment expenses	105 050	111 245
Insurance recognition	(10 749)	4 803
Decrease/(increase) in receivables	300	(294)
Increase in payables	14	1
Allocation to members' accounts	1 375 009	1 434 996
Net cash outflows from operating activities	(22 063)	(21 666)

18. Financial risk management objectives and policies

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

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

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

- market risk
- credit risk
- liquidity risk

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

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

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

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

Southern State Superannuation Scheme

(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 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 value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

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

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

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

(iv) Investments sensitivity analysis

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

2019 Investment Option	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
High Growth A	8.3%	11.1%	1 377 251	152 875
Growth A	7.4%	9.5%	681 178	64 712
Balanced A	6.8%	8.4%	14 930 166	1 254 134
Moderate A	6.0%	6.6%	309 626	20 435
Conservative A	5.2%	5.3%	346 271	18 352
Capital Defensive A	4.3%	3.7%	196 652	7 276
Cash A	2.7%	1.0%	210 728	2 107
Socially Responsible	5.8%	9.9%	60 961	6 035

Southern State Superannuation Scheme

2018	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
Investment Option	%	%	\$000	\$000
High Growth A	8.5%	12.1%	1 191 781	144 205
Growth A	7.8%	10.2%	574 664	58 616
Balanced A	7.2%	8.9%	13 536 607	1 204 758
Moderate A	6.4%	7.0%	259 326	18 153
Conservative A	5.6%	5.2%	332 938	17 313
Capital Defensive A	4.7%	3.3%	173 492	5 725
Cash A	3.2%	1.4%	204 577	2 864
Socially Responsible	6.4%	10.5%	50 919	5 346

The Funds SA statistics shown above are 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.

(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.

Southern State Superannuation Scheme

	Less than 3 Months	Total contractual Cash Flows	Carrying amount liabilities
2019	\$000	\$000	\$000
Benefits payable	96 164	96 164	96 164
Payables ⁽ⁱ⁾	84	84	84
Vested benefits ⁽ⁱⁱ⁾	18 725 165	18 725 165	18 725 165
Total	18 821 413	18 821 413	18 821 413

	Less than 3 Months	Total contractual Cash Flows	Carrying amount liabilities
2018	\$000	\$000	\$000
Benefits payable	86 737	86 737	86 737
Payables ⁽ⁱ⁾	1 620	1 620	1 620
Vested benefits ⁽ⁱⁱ⁾	16 991 695	16 991 695	16 991 695
Total	17 080 052	17 080 052	17 080 052

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

(d) Derivative financial instruments

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

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

19. Segment information

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

20. Related parties

Key management personnel

The key management personnel of the Scheme includes the Treasurer, Board members and the Chief Executive and four executive officers 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 requiring disclosure for key management personnel or related parties.

Transactions with other government entities

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

21. Events after the reporting period

There were no significant events after the reporting period.

Southern State Superannuation Scheme

Certification of the financial report

We certify that the:

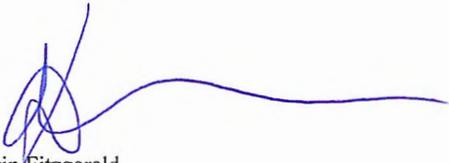
- Financial statements of the Triple S Scheme:
 - are in accordance with the accounts and records of the Scheme; and comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Scheme at the end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



Gregory Boulton AM
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Erin Fitzgerald
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION
STATE SUPERANNUATION OFFICE

Date 13.9.19.....