

# Super SA Retirement Investment Fund

Financial report  
for the year ended  
30 June 2018



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**To the Chair Audit Risk and Finance Committee  
South Australian Superannuation Board  
Super SA Retirement Investment Fund**

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 Super SA Retirement Investment Fund for the financial year ended 30 June 2018.

## Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Super SA Retirement Investment Fund as at 30 June 2018, 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 2018
- an Income Statement for the year ended 30 June 2018
- a Statement of Changes in Member Benefits for the year ended 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from a Board Member of the South Australian Superannuation Board, Chief Executive, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

## Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Super SA Retirement Investment Fund. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants 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 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 those charged with governance 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**

20 September 2018

## Super SA Retirement Investment Fund

### Statement of Financial Position

As at 30 June 2018

	Note	2018 \$000	2017 \$000
<b>Assets</b>			
Cash and cash equivalents	12	27 049	18 370
Receivables	4	239	544
Investments	5	4 363 204	3 757 833
<b>Total Assets</b>		<b>4 390 492</b>	<b>3 776 747</b>
<b>Liabilities</b>			
Benefits payable		15 162	11 426
Payables	7	718	460
Insurance liabilities		325	305
Provision for PAYG withholding tax		108	96
Income tax payable	11(b)	4 766	3 210
Deferred tax liabilities	11(c)	16 843	10 305
<b>Total liabilities excluding member benefits</b>		<b>37 922</b>	<b>25 802</b>
<b>Net assets available for member benefits</b>		<b>4 352 570</b>	<b>3 750 945</b>
<b>Member benefits</b>			
Income Stream (IS) member benefit liabilities	3	3 179 310	2 754 637
Flexible Rollover Product (FRP) member benefit liabilities	3	1 154 283	985 084
<b>Total member benefits</b>		<b>4 333 593</b>	<b>3 739 721</b>
<b>Total net assets</b>		<b>18 977</b>	<b>11 224</b>
<b>Equity</b>			
Administration Fee Reserve	13	15 098	11 955
Insurance Reserve	14	2 464	1 936
Operational Risk Reserve	15	8 359	5 824
Investment allocation (under)		(6 944)	(8 491)
<b>Total equity</b>		<b>18 977</b>	<b>11 224</b>

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

### Income Statement

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Change in investments measured at fair value		330 981	310 830
Interest		360	300
Other income		5 474	4 911
<b>Total revenue</b>		<b>336 815</b>	<b>316 041</b>
Investment expenses	8	25 260	19 534
Administration expenses	9	3 643	2 353
<b>Total expenses</b>		<b>28 903</b>	<b>21 887</b>
<b>Result from superannuation activities</b>		<b>307 912</b>	<b>294 154</b>
Net result from insurance activities		508	437
<b>Result from operating activities</b>		<b>308 420</b>	<b>294 591</b>
Net benefits allocated to IS members accounts		(225 117)	(229 592)
Net benefits allocated to FRP members accounts		(74 738)	(69 452)
<b>Operating result before income tax</b>		<b>8 565</b>	<b>(4 453)</b>
Income tax expense (benefit)	11(a)	774	(1 102)
<b>Net operating result</b>		<b>7 791</b>	<b>(3 351)</b>

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

## Super SA Retirement Investment Fund

### Statement of Changes in Member Benefits

For the year ended 30 June 2018

	Note	Flexible Rollover Product	Income Stream	Totals
		\$000	\$000	\$000
<b>Opening Balance as at 1 July 2017</b>		<b>985 084</b>	<b>2 754 637</b>	<b>3 739 721</b>
Member contributions		55 164	-	55 164
Government co-contributions		58	-	58
Spouse contributions		1 034	-	1 034
Rollovers from other schemes		385 672	759 097	1 144 769
Income tax on rollovers		(33 161)	(49 518)	(82 679)
<b>Net contributions</b>		<b>408 767</b>	<b>709 579</b>	<b>1 118 346</b>
Benefits to members		(314 001)	(510 023)	(824 024)
Insurance premiums charged to members		(305)	-	(305)
Net benefits comprising:				
Net investment income		75 624	231 633	307 257
Administration fees		(886)	(6 516)	(7 402)
<b>Closing Balance as at 30 June 2018</b>	3	<b>1 154 283</b>	<b>3 179 310</b>	<b>4 333 593</b>

	Note	Flexible Rollover Product	Income Stream	Totals
		\$000	\$000	\$000
<b>Opening Balance as at 1 July 2016</b>		<b>773 264</b>	<b>2 394 058</b>	<b>3 167 322</b>
Member contributions		92 369	-	92 369
Government co-contributions		68	-	68
Spouse contributions		1 844	-	1 844
Rollovers from other schemes		382 148	742 359	1 124 507
Income tax on rollovers		(25 542)	(51 544)	(77 086)
<b>Net contributions</b>		<b>450 887</b>	<b>690 815</b>	<b>1 141 702</b>
Benefits to members		(308 192)	(559 828)	(868 020)
Insurance premiums charged to members		(327)	-	(327)
Net benefits comprising:				
Net investment income		70 187	235 419	305 606
Administration fees		(735)	(5 827)	(6 562)
<b>Closing Balance as at 30 June 2017</b>	3	<b>985 084</b>	<b>2 754 637</b>	<b>3 739 721</b>

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

## Super SA Retirement Investment Fund

### Statement of Changes in Equity

For the year ended 30 June 2018

	Administration Fee Reserve	Insurance Reserve	Operational Risk Reserve	(Under)/over allocated benefits	Total Equity
2018	\$000 Note 13	\$000 Note 14	\$000 Note 15	\$000	\$000
<b>Opening Balance</b>	<b>11 955</b>	<b>1 936</b>	<b>5 824</b>	<b>(8 491)</b>	<b>11 224</b>
Net operating result	3 143	528	2 535	1 585	7 791
Net transfers to/from reserves/equity	-	-	-	( 38)	( 38)
<b>Closing Balance</b>	<b>15 098</b>	<b>2 464</b>	<b>8 359</b>	<b>(6 944)</b>	<b>18 977</b>

  

	Administration Fee Reserve	Insurance Reserve	Operational Risk Reserve	(Under)/over allocated benefits	Total Equity
2017	\$000 Note 13	\$000 Note 14	\$000 Note 15		\$000
<b>Opening Balance</b>	<b>8 305</b>	<b>1 456</b>	<b>3 727</b>	<b>1 037</b>	<b>14 525</b>
Net operating result	3 650	480	2 097	(9 578)	(3 351)
Net transfers to/from reserves/equity	-	-	-	50	50
<b>Closing Balance</b>	<b>11 955</b>	<b>1 936</b>	<b>5 824</b>	<b>(8 491)</b>	<b>11 224</b>

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

### Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
GST recoup		202	162
Other income		353	313
Administration expenses paid		(3 880)	(2 522)
Income tax paid		(7 357)	(18 831)
<b>Net cash flows from operating activities</b>	12	<b>(10 682)</b>	<b>(20 878)</b>
Payments to Funds SA for the purchase of investments		(706 360)	(683 701)
Receipts from the sale of investments from Funds SA		412 357	409 321
<b>Net cash flows from investing activities</b>		<b>(294 003)</b>	<b>(274 380)</b>
Member contributions		54 923	92 609
Spouse contributions		1 034	1 844
Government co-contributions		57	68
Net transfers from other superannuation entities		1 145 620	820 158
Payments from the Operational Risk Reserve		-	(23)
Income Stream payments		(511 347)	(415 816)
Flexible Rollover Product payments		(308 920)	(143 591)
Contributions tax paid		(68 003)	(66 377)
<b>Net cash flows from financing activities</b>		<b>313 364</b>	<b>288 872</b>
<b>Net change in cash</b>		<b>8 679</b>	<b>(6 386)</b>
Cash at beginning of the financial period		18 370	24 756
<b>Cash at end of the financial period</b>	12	<b>27 049</b>	<b>18 370</b>

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

## Super SA Retirement Investment Fund

### Notes to the Financial Statements

#### 1. Objectives and funding

##### (a) *Super SA Retirement Investment Fund (the Fund)*

The Flexible Rollover Product and the Super SA Income Stream Product were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994*. The Fund was established under Section 47(B) of the repealed Act. The Fund is now continued under Part 3 Division 4 of the *Southern State Superannuation Regulations 2009* (the Regulations).

Part 3 Division 4 provides that the South Australian Superannuation Board (the Board) may provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Regulation 45 provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

The Fund comprises of two different products: the Flexible Rollover Product, and the Income Stream.

The Flexible Rollover Product may receive after-tax investor contributions and rollovers from investors.

The Income Stream may only receive rollovers from investors.

The Fund offers investors the opportunity to reinvest funds, providing them with tax advantages, low fees and choice of investment options.

The Fund is only available to investors who have retired, are reaching retirement age, or have terminated employment with the SA public sector. The Fund allows investors in the Flexible Rollover Product to maintain their current insurance through the Triple S Scheme, and provides access to non-preserved benefit amounts.

Benefits, represented by the balances of investors' accounts, are available to investors. The balance of individual investor entitlements is provided on annual statements forwarded to each investor.

Investor contributions are deposited by the Treasurer into the Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

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

##### (b) *South Australian Superannuation Board*

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and Section 45 of the Regulations, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and Income Stream.

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

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

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

##### (d) *Funding arrangements*

Investments by investors in one or more of the products available in the Fund are paid to the Board, and invested by Funds SA. All investments are the personal property of the investor who makes the investment, and, as such, are subject to tax on investment earnings where applicable.

#### 2. Significant accounting policies

##### (a) *Basis of accounting*

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

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

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

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

## Super SA Retirement Investment Fund

### (b) *New accounting standards*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

#### *AASB 9 Financial Instruments (AASB 9)*

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is first applicable to the Fund for the year ending 30 June 2019. The new standard includes a model for classification and measurement, a single, forward looking 'expected loss' impairment model and a substantially-performed approach to hedge accounting.

All of the Fund's financial assets are currently measured at fair value through profit or loss and will continue to be measured on that basis under AASB 9. Super SA has conducted an assessment on behalf of the Fund and has determined there will be no material impact of the standard on the Fund's accounting for financial instruments.

#### *AASB 15 Revenue from Contracts with Customers (AASB 15)*

The principle of AASB 15 is that revenue is recognised when control of a good or service transfers to a customer, so that the notion of control replaces the existing notion of risks and rewards. AASB 15 is first applicable to the Fund for the year ending 30 June 2019. Super SA has assessed the impact of the new rules on behalf of the Fund and determined that there will be no material impact on the financial statements.

#### *AASB 16 Leases (AASB 16)*

AASB 16 is first applicable for the year ending 30 June 2020. Assets and Liabilities will be reported on the balance sheet for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

The Fund has no operating leases, and while Super SA is in the process of analysing the impact of the new standard on the Fund, it expects there will be no material impact on the Fund's financial statements.

There are no other "not yet effective" accounting standards that are expected to have a material impact on the Fund in the current or future reporting periods.

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

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

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

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

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Fund, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Fund.

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

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

#### *Other financial liabilities*

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

#### (b) **Recognition**

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

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

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

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

Receivables and 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 Fund recognises the difference in the income statement, unless specified otherwise.

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

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

## Super SA Retirement Investment Fund

### **(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 to by the Fund.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to financial statement note 5.

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

Cash and short-term deposits in the statement of financial position comprise cash at bank and 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 Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services.

### **(h) Benefits payable**

Benefits payable are valued at fair value and relate to members who are eligible to receive payment and provided the Fund with appropriate notification on or prior to 30 June 2018 but paid after 30 June 2018.

### **(i) Insurance liabilities**

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

### **(j) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

#### *Changes in fair values*

Changes in the fair value of investments invested with Funds SA are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

#### *Interest*

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and recognised in the income statement.

### **(k) Taxation**

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* and accordingly the concessional tax rate of 15% has been applied.

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 percent.

#### Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

## Super SA Retirement Investment Fund

### Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

### **(l) Goods and services tax (GST)**

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

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

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

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

### **(m) Foreign currency**

The functional and presentation currency of the Fund is Australian dollars, which is the currency of the primary economic environment the Fund operates. The Fund's performance is evaluated and its liquidity managed in Australian dollars.

Therefore, the Australian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

### **(n) Investments**

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

#### (i) Inflation Linked Securities B

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

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

#### (ii) Property B

The Property B portfolio comprises two sub-sectors:

##### *Listed Property Trusts*

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

##### *Unlisted property vehicles*

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

#### (iii) Australian Equities B

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

## Super SA Retirement Investment Fund

### (iv) International Equities B

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

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

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

### (vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

### (vii) Diversified Strategies Income

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

### (viii) Cash

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

### (ix) Socially Responsible Investment

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

### **(o) Operation of investment portfolio**

Funds SA is responsible for the investment and management of the Fund's funds pursuant to strategies formulated by Funds SA (refer Note I (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 2018, 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

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) Member liabilities**

Member liabilities are measured at the amount of accrued benefits. As defined contribution member liabilities, they are measured as the amount of member account balances as at the reporting date.

### **(q) Significant accounting judgements, estimates and assumptions**

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

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

## Super SA Retirement Investment Fund

### *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.

### 3. Member benefit liabilities

Members are defined contribution members and bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Member account balances are determined by unit prices that are determined based on the underlying investment movements. Unit prices are updated daily.

	Flexible Rollover Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
Member benefits	1 154 283	985 084	3 179 310	2 754 637	4 333 593	3 739 721
As compared to net assets	1 159 742	989 491	3 192 828	2 761 454	4 352 570	3 750 945

### 4. Receivables

	Flexible Rollover Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
Refund from ATO for GST	17	15	72	31	89	46
Interest	10	9	20	15	30	24
Contributions receivable	-	140	-	-	-	140
Rollovers receivable	-	-	120	334	120	334
	27	164	212	380	239	544

### 5. Fair value of financial instruments

#### *Classification of financial Instruments under the fair value hierarchy*

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Valuations are the responsibility of the Board. The valuation of investments is performed daily and are subject to quality assurance procedures.

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

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

#### *Valuation technique*

The Fund's investments are not quoted in an active market. The Fund's investment manager, Funds SA considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the underlying funds and fund managers. In measuring fair value, consideration is also paid to any transactions of a fund. The Fund classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

## Super SA Retirement Investment Fund

	Flexible Rollover Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$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 Fund						
Unlisted managed investment schemes						
Funds SA	1 175 119	995 694	3 188 085	2 762 139	4 363 204	3 757 833
	<u>1 175 119</u>	<u>995 694</u>	<u>3 188 085</u>	<u>2 762 139</u>	<u>4 363 204</u>	<u>3 757 833</u>

### 6. Movement in the value of investments

	Flexible Rollover Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Investments at 1 July</b>	995 694	787 706	2 762 139	2 399 387	3 757 833	3 187 093
High Growth	6 683	12 537	19 918	7 634	26 601	20 171
Growth	26 414	27 494	48 746	37 139	75 160	64 633
Balanced	111 227	121 746	250 159	263 430	361 386	385 176
Moderate	27 419	28 299	70 950	81 186	98 369	109 485
Conservative	21 474	12 132	31 148	17 994	52 622	30 126
Capital Defensive	8 148	8 889	13 682	(9 459)	21 830	(570)
Cash	(24 024)	(783)	(11 706)	(32 297)	(35 730)	(33 080)
Socially Responsible	2 084	(2 326)	3 049	(2 875)	5 133	(5 201)
<b>Change in investments</b>	179 425	207 988	425 946	362 752	605 371	570 740
<b>Investments at 30 June</b>	1 175 119	995 694	3 188 085	2 762 139	4 363 204	3 757 833

### 7. Payables

	Flexible Rollover Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
Audit fees payable	15	15	32	31	47	46
Contributions refundable	100	380	-	-	100	380
Rollovers refundable	365	-	206	34	571	34
	<u>480</u>	<u>395</u>	<u>238</u>	<u>65</u>	<u>718</u>	<u>460</u>

### 8. Investment expenses

	Flexible Rollover Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
Investment expenses	6 778	4 772	18 482	14 762	25 260	19 534
	<u>6 778</u>	<u>4 772</u>	<u>18 482</u>	<u>14 762</u>	<u>25 260</u>	<u>19 534</u>

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. Current year investment expenses increased due to higher total investments and investment performance for the financial year.

**Super SA Retirement Investment Fund**

**9. Administration expenses**

	Flexible Rollover		Income Stream		Totals	
	Product					
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
Administration expenses	826	769	2 768	1 535	3 594	2 304
Other expenses <sup>(i)</sup>	15	16	34	33	49	49
	<u>841</u>	<u>785</u>	<u>2 802</u>	<u>1 568</u>	<u>3 643</u>	<u>2 353</u>

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

**10. Auditors' remuneration**

	2018	2017
	\$000	\$000
Audit fees paid or payable	43	42
	<u>43</u>	<u>42</u>

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

**11. Income tax**

	Flexible Rollover		Income Stream		Totals	
	Product					
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$0
<b>Major components of tax expense</b>						
<b>(a) Current income tax expense</b>						
Current tax charge	1 875	1 507	(7 012)	(6 827)	(5 137)	(5 320)
Adjustment to current tax for prior periods	403	(112)	(1 029)	177	(626)	65
Relating to the originating and reversal of temporary differences	5 083	4 037	1 765	-	6 848	4 037
Adjustment to deferred tax for prior periods	(311)	116	-	-	(311)	116
<b>Income tax expense</b>	<u>7 050</u>	<u>5 548</u>	<u>(6 276)</u>	<u>(6 650)</u>	<u>774</u>	<u>(1 102)</u>
The prima facie income tax expense on the benefits accrued as a result of operations before income tax reconciles to the income tax expense in the Income Statement as follows:						
Net operating result before tax	8 144	1 537	421	(5 990)	8 565	(4 453)
Tax applicable at the rate of 15% (2017: 15%)	1 222	231	63	(899)	1 285	(668)
Tax effect of expenses that are not assessable/or deductible in determining taxable income:						
Non deductible expenses	-	-	46	24	46	24
Tax effect of income /(losses) that are not assessable/or deductible in determining taxable income:						
Investment revenue	(2 209)	(1 496)	(4 390)	-	(6 599)	(1 496)
Exempt pension income	-	-	(26 641)	(33 786)	(26 641)	(33 786)
Tax effect of other adjustments:						
Imputation and foreign tax credits	(3 076)	(3 459)	(7 764)	(6 481)	(10 840)	(9 940)
(Over)/under provision prior period	92	(37)	(1 029)	177	(937)	140
Self-Insurance deduction	(65)	(60)	-	-	(65)	(60)
Anti-Detriment deductions	-	-	-	(124)	-	(124)
Net benefit allocated to members	11 092	10 418	33 439	34 439	44 531	44 857
Deductible financial planning fees	(6)	(6)	-	-	(6)	(6)
Movement in insurance liabilities	-	(43)	-	-	-	(43)
<b>Income tax expense</b>	<u>7 050</u>	<u>5 548</u>	<u>(6 276)</u>	<u>(6 650)</u>	<u>774</u>	<u>(1 102)</u>

## Super SA Retirement Investment Fund

### (b) Current tax liabilities

Balance at beginning of year	1 042	3 984	2 168	12 676	3 210	16 660
Income tax paid - current period	(33 251)	(26 007)	(39 524)	(42 549)	(72 775)	(68 556)
Income tax paid - prior periods	(1 445)	(3 825)	(1 139)	(12 826)	(2 584)	(16 651)
Current years income tax provision	35 036	27 048	42 505	44 717	77 541	71 765
(Over)/under provision prior period	403	(158)	(1 029)	150	(626)	(8)
<b>Current tax liability</b>	<b>1 785</b>	<b>1 042</b>	<b>2 981</b>	<b>2 168</b>	<b>4 766</b>	<b>3 210</b>

### (c) Deferred tax liability

The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date is made up as follows:

Accrued expenses	(2)	(2)	(1)	-	(3)	(2)
Realised capital losses carried forward (discounted)	(1 232)	(979)	(92)	-	(1 324)	(979)
Unrealised capital losses/(gains) carried forward (discounted)	16 312	11 286	1 858	-	18 170	11 286
<b>Deferred tax liability</b>	<b>15 078</b>	<b>10 305</b>	<b>1 765</b>	<b>-</b>	<b>16 843</b>	<b>10 305</b>

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

## 12. Reconciliation of cash and cash equivalents

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

	Flexible Rollover Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	10 989	9 337	16 060	9 033	27 049	18 370

### Reconciliation of net operating result to net cash flows from operating activities

Net operating result	1 094	7 085	6 697	(12 640)	7 791	(5 555)
Adjustments for:						
Change in investments measured at fair value	(89 417)	(75 600)	(241 564)	(235 230)	(330 981)	(310 830)
Investment expenses	6 778	4 772	18 482	14 762	25 260	19 534
Administration fee received	(452)	(395)	(5 022)	(4 516)	(5 474)	(4 911)
Net insurance movement	(508)	(437)	-	-	(508)	(437)
Income tax	7 050	5 548	(7 092)	(6 650)	(42)	(1 102)
(Increase) / decrease in receivables	(3)	1	(46)	(4)	(49)	(3)
(decrease) / increase in payables	(5 536)	(19 911)	(2 546)	3 293	(8 082)	(16 618)
Allocation to members accounts	74 738	69 452	225 117	229 592	299 855	299 044
<b>Net cash outflows from operating activities</b>	<b>(6 256)</b>	<b>(9 485)</b>	<b>(5 974)</b>	<b>(11 393)</b>	<b>(12 230)</b>	<b>(20 878)</b>

## Super SA Retirement Investment Fund

### 13. Administration Fee Reserve

The surplus attributable to administration fees for both Income Stream and Flexible Rollover Product included in funds under management were initially recognised in March 2014 as Administration Reserves. The reserves are credited with administration fees deducted from member accounts and debited with the costs incurred in administering the funds.

	Flexible Rollover Product		Income Stream		Totals	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Opening balance</b>	(153)	212	12 108	8 093	11 955	8 305
Investment earnings <sup>(i)</sup>	-	9	1 262	1 035	1 262	1 044
Premiums and charges	452	395	5 022	4 516	5 474	4 911
Administration fees	(825)	(769)	(2 768)	(1 536)	(3 593)	(2 305)
<b>Operating result</b>	<b>(373)</b>	<b>(365)</b>	<b>3 516</b>	<b>4 015</b>	<b>3 143</b>	<b>3 650</b>
<b>Closing balance</b>	<b>(526)</b>	<b>(153)</b>	<b>15 624</b>	<b>12 108</b>	<b>15 098</b>	<b>11 955</b>

(i) The Administration Reserves are notionally invested in the Balanced Option. The annual earning rates were 8.18 percent (FRP), 9.40 percent (IS) and 8.16 percent (TRIS).

### 14. Insurance Reserve

The surplus attributable to the insurance pool for the Flexible Rollover Product was initially recognised in March 2014 as an Insurance Reserve and operates on a self-insurance basis. This reserve is credited with insurance deductions from member accounts and debited with the value of benefits paid to members. Insurance is not available to Income Stream investors.

	Flexible Rollover Product		Income Stream		Totals	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Opening balance</b>	1 936	1 456	-	-	1 936	1 456
Investment earnings <sup>(i)</sup>	172	153	-	-	172	153
Premiums and charges	356	327	-	-	356	327
Benefit payments	-	-	-	-	-	-
<b>Operating result</b>	<b>528</b>	<b>480</b>	<b>-</b>	<b>-</b>	<b>528</b>	<b>480</b>
<b>Closing balance</b>	<b>2 464</b>	<b>1 936</b>	<b>-</b>	<b>-</b>	<b>2 464</b>	<b>1 936</b>

(i) The Insurance Reserve is notionally invested in the Balanced option. The annual earning rate was 8.18 percent.

### 15. Operational Risk Reserve

The Operational Risk Reserves for Income Stream and Flexible Rollover Product were established at 31 December 2012 of 0.20 percent of funds under management. From April 2016, members were charged a fee (0.04 percent FRP, 0.05 percent IS/TRIS) via a reduction to the unit prices in order to build the reserves to 0.25 percent of funds under management. From March 2018, the fee charged to FRP members was increased from 0.04 percent to 0.05 percent, IS/TRIS remained unchanged at 0.05 percent.

	Flexible Rollover Product		Income Stream		Totals	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Opening balance</b>	1 564	1 125	4 260	2 602	5 824	3 727
Investment earnings <sup>(i)</sup>	144	122	464	346	608	468
Premiums and charges	434	340	1 493	1 312	1 927	1 652
Payments from reserve	-	(23)	-	-	-	(23)
<b>Operating result</b>	<b>578</b>	<b>439</b>	<b>1 957</b>	<b>1 658</b>	<b>2 535</b>	<b>2 097</b>
<b>Closing balance</b>	<b>2 142</b>	<b>1 564</b>	<b>6 217</b>	<b>4 260</b>	<b>8 359</b>	<b>5 824</b>

(i) The Operational Risk Reserves are notionally invested in the Balanced option. The annual earning rates were 8.18 percent (FRP), 9.40 percent (IS) and 8.16 percent (TRIS).

## Super SA Retirement Investment Fund

### 16. Financial risk management objectives and policies

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

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

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

- market risk
- credit risk
- liquidity risk

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

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

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

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

#### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### I. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

The Fund's currency risk is managed by Funds SA as investments include assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 50 percent hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, 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 Fund's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

##### III. Other market price risk

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

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

## Super SA Retirement Investment Fund

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 standard deviation around expected nominal returns for each asset class.

#### Income Stream 2018

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

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2018	%	%	\$000	\$000
<b>Investment Option</b>				
High Growth B	8.9%	12.1%	64 566	7 812
Growth B	8.1%	10.2%	173 225	17 669
Balanced B	7.5%	9.0%	1 131 341	101 821
Moderate B	6.6%	7.0%	381 842	26 729
Conservative B	5.7%	5.2%	369 911	19 235
Capital Defensive B	4.8%	3.3%	146 640	4 839
Cash B	3.2%	1.4%	90 411	1 266
Socially Responsible B	6.8%	10.5%	24 198	2 541

#### Income Stream 2017

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2017	%	%	\$000	\$000
<b>Investment Option</b>				
High Growth B	8.7%	12.1%	69 991	8 469
Growth B	8.0%	10.2%	146 943	14 988
Balanced B	7.4%	8.9%	1 048 047	93 276
Moderate B	6.5%	6.9%	349 477	24 114
Conservative B	5.7%	5.1%	369 477	18 843
Capital Defensive B	4.7%	3.4%	150 856	5 129
Cash B	2.9%	1.5%	117 407	1 761
Socially Responsible B	6.6%	10.2%	26 757	2 729

## Super SA Retirement Investment Fund

### Income Stream Transition to Retirement 2018

The statistics shown below are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a 15 percent tax rate applied and includes franking credits.

Investment Option	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
High Growth B	7.7%	10.9%	36 818	4 013
Growth B	7.1%	9.2%	32 486	2 989
Balanced B	6.5%	8.1%	346 708	28 083
Moderate B	5.7%	6.2%	91 835	5 694
Conservative B	5.0%	4.6%	52 524	2 416
Capital Defensive B	4.1%	2.9%	13 461	390
Cash B	2.7%	1.2%	12 932	155
Socially Responsible B	5.9%	9.4%	6 000	564

### Income Stream Transition to Retirement 2017

Investment Option	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
High Growth B	7.6%	10.9%	-	-
Growth B	7.0%	9.1%	-	-
Balanced B	6.5%	8.0%	-	-
Moderate B	5.7%	6.2%	-	-
Conservative B	4.9%	4.6%	-	-
Capital Defensive B	4.1%	3.0%	-	-
Cash B	2.5%	1.3%	-	-
Socially Responsible B	5.7%	9.2%	-	-

### Flexible Rollover Product 2018

The statistics shown below are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a 15 percent tax rate applied and includes franking credits.

Investment Option	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
High Growth B	7.7%	10.9%	52 282	5 699
Growth B	7.1%	9.2%	104 898	9 651
Balanced B	6.5%	8.1%	523 463	42 401
Moderate B	5.7%	6.2%	139 427	8 644
Conservative B	5.0%	4.6%	116 335	5 351
Capital Defensive B	4.1%	2.9%	82 465	2 391
Cash B	2.7%	1.2%	52 191	626
Socially Responsible B	5.9%	9.4%	13 940	1 310

## Super SA Retirement Investment Fund

### Flexible Rollover Product 2017

Investment Option	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
High Growth B	7.6%	10.9%	42 701	4 654
Growth B	7.0%	9.1%	77 997	7 098
Balanced B	6.5%	8.0%	407 207	32 577
Moderate B	5.7%	6.2%	111 616	6 920
Conservative B	4.9%	4.6%	99 564	4 580
Capital Defensive B	4.1%	3.0%	73 959	2 219
Cash B	2.5%	1.3%	64 594	840
Socially Responsible B	5.7%	9.2%	14 061	1 294

Market risk is a useful historical measure of the variability of returns earned by an investment portfolio. The market risk shown above represents the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

The dollar value of the potential impact on the Income Statement arising from the market risk is indicative only. The impacts are not additive across investment asset classes, as each asset class operates in different markets and is subject to different conditions.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

#### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The net market value of financial assets, included in the Statement of Financial Position represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund 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 Fund 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 Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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

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

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

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

## Super SA Retirement Investment Fund

	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
<b>30 June 2018</b>			
Benefits payable	15 162	15 162	15 162
Vested benefits <sup>(i)</sup>	4 333 593	4 333 593	4 333 593
<b>Total</b>	4 348 755	4 348 755	4 348 755

	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
<b>30 June 2017</b>			
Benefits payable	11 426	11 426	11 426
Vested benefits <sup>(i)</sup>	3 739 721	3 739 721	3 739 721
<b>Total</b>	3 751 147	3 751 147	3 751 147

- (i) Vested benefits have been included in the “Less than 3 months” column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Fund can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

### (d) Derivative financial instruments

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

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

### 17. Segment information

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

### 18. Related parties

#### Key management personnel

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

#### 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.

### 19. Events after the reporting period

There were no significant events after the reporting period.

**Super SA Retirement Investment Fund**

**Certification of the Financial Report**

We certify that the attached general purpose financial report for the Super SA Retirement Investment Fund:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*;
- is in accordance with the accounts and records of the Fund; and
- presents fairly the financial position of the Fund as at 30 June 2018 and the results of its operation and cash flows for the year then ended on that date, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

We certify that the internal controls employed by the Fund for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



Dascia Bennett  
CHIEF EXECUTIVE  
STATE SUPERANNUATION OFFICE



Virginia Deegan  
BOARD MEMBER  
SA SUPERANNUATION BOARD



Mark Carpinelli  
MANAGER FINANCIAL SERVICES  
STATE SUPERANNUATION OFFICE

Date 17/09/2018.....