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

### Opinion

I have audited the financial report of the Southern State Superannuation Scheme for the financial year ended 30 June 2023.

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 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2023
- an Income Statement for the year ended 30 June 2023
- a Statement of Changes in Member Benefits for the year ended 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Acting Chief Executive, State Superannuation Office, and the Director, Finance, State Superannuation Office.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Southern State Superannuation Scheme. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

### **Responsibilities of the Acting Chief Executive, State Superannuation Office and members of the South Australian Superannuation Board for the financial report**

The Acting Chief Executive, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

The members of the South Australian Superannuation Board are responsible for overseeing the entity's financial reporting process.

### **Auditor's responsibilities for the audit of the financial report**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* 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 2023.

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 Acting Chief Executive, State Superannuation Office
- conclude on the appropriateness of the Acting Chief Executive, State Superannuation Office's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with Acting Chief Executive, State Superannuation Office and members 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.



Daniel O'Donohue  
**Assistant Auditor-General (Financial Audit)**

22 September 2023

## Southern State Superannuation Scheme

### Statement of Financial Position

as at 30 June 2023

	Note	2023 \$000	2022 \$000
<b>Assets</b>			
Cash and cash equivalents	17	41 237	37 673
Receivables	6	6 245	11 045
Contributions receivable	7	48 704	27 373
Investments	4	23 926 822	21 991 553
<b>Total assets</b>		<b>24 023 008</b>	<b>22 067 644</b>
<b>Liabilities</b>			
Benefits payable		29 412	67 994
Payables	8	7 939	4 824
Provision for PAYG withholding tax		674	33
Insurance liabilities		31 394	20 806
<b>Total liabilities excluding member benefits</b>		<b>69 419</b>	<b>93 657</b>
<b>Net assets available for member benefits</b>		<b>23 953 589</b>	<b>21 973 987</b>
Member benefits liabilities	3	23 842 590	21 764 387
<b>Total net assets</b>		<b>110 999</b>	<b>209 600</b>
<b>Equity</b>			
Death, invalidity and income protection insurance reserve	9	160 451	149 294
Administrative fee reserve	10	20 837	16 238
Operational risk reserve	11	30 810	20 870
Investment allocation (under)/over	13	(101 099)	23 198
<b>Total equity</b>		<b>110 999</b>	<b>209 600</b>

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

### Income Statement

for the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
Net changes in investments measured at fair value		2 153 910	(1 393 952)
Interest revenue		962	-
<b>Total revenue</b>		<b>2 154 872</b>	<b>(1 393 952)</b>
Investment expenses	14	(66 490)	(74 768)
Administration expenses	15	(19 306)	(21 585)
Transfer to other schemes		-	9 083
<b>Total expenses</b>		<b>(85 796)</b>	<b>(87 270)</b>
<b>Results from superannuation activities</b>		<b>2 069 076</b>	<b>(1 481 222)</b>
Net insurance activities		(14 687)	12
<b>Results from operating activities</b>		<b>2 054 389</b>	<b>(1 481 210)</b>
Net benefits allocated to member accounts	12	(2 149 526)	1 392 127
<b>Net operating result</b>		<b>(95 137)</b>	<b>(89 083)</b>

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 2023

	2023 \$000	2022 \$000
<b>Opening balance as at 1 July</b>	<b>21 764 387</b>	<b>23 100 589</b>
Employer contributions	1 412 235	1 326 900
Member contributions	76 297	111 904
Transfers from other super entities	516 276	523 080
Transfers from other schemes	54	57
Government co-contributions	921	864
<b>Net contributions</b>	<b>2 005 783</b>	<b>1 962 805</b>
Benefits to members	(2 070 335)	(1 899 343)
Insurance premiums charged to members	(57 246)	(52 787)
Insurance benefits credited to members	50 295	45 080
Amounts allocated to members from reserves	180	170
Net benefits allocated to members, comprising:		
Net investment income	2 171 496	(1 370 599)
Administration fees	(21 970)	(21 528)
<b>Closing balance as at 30 June</b>	<b>23 842 590</b>	<b>21 764 387</b>

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

### Statement of Changes in Equity

for the year ended 30 June 2023

		Admin Fee Reserve	Insurance Reserve	Operational Risk Reserve	(Under)/over allocated benefits	Total Equity
<b>2023</b>		\$000	\$000	\$000	\$000	\$000
	Note	10	9	11		
<b>Opening Balance</b>		<b>16 238</b>	<b>149 294</b>	<b>20 870</b>	<b>23 198</b>	<b>209 600</b>
Net operating result		4 599	11 157	9 940	(120 833)	(95 137)
Net transfer to/(from) reserves/equity					(3 464)	(3 464)
<b>Closing Balance</b>		<b>20 837</b>	<b>160 451</b>	<b>30 810</b>	<b>(101 099)</b>	<b>110 999</b>
<b>2022</b>		\$000	\$000	\$000	\$000	\$000
	Note	10	9	11		
<b>Opening Balance</b>		<b>25 196</b>	<b>142 943</b>	<b>22 439</b>	<b>120 141</b>	<b>310 719</b>
Net operating result		(986)	(10 761)	(1 569)	(75 767)	(89 083)
Net transfer to/(from) reserves/equity		(7 972)	17 112	-	(21 176)	(12 036)
<b>Closing Balance</b>		<b>16 238</b>	<b>149 294</b>	<b>20 870</b>	<b>23 198</b>	<b>209 600</b>

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

## Southern State Superannuation Scheme

### Statement of Cash Flows

for the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
GST recoup		5 635	4 367
Other income		859	424
Insurance administration expenses paid		(9 792)	(7 121)
Administration expenses paid		(22 922)	(27 993)
<b>Net cash flows from operating activities</b>	17	<b>(26 220)</b>	<b>(30 323)</b>
Receipts from the sale of investments from Funds SA		1 786 504	1 732 372
Payments to Funds SA for the purchase of investments		(1 629 456)	(1 797 952)
<b>Net cash flows from investing activities</b>		<b>157 048</b>	<b>(65 580)</b>
Employer contributions		1 388 408	1 347 006
Member contributions		75 947	112 849
Government co-contribution		921	864
Transfers from other superannuation entities		516 135	524 505
Benefit payments to members		(2 108 711)	(1 882 759)
Transfer from Insurance Reserve		54	9 083
Payments from Operational Risk Reserve		(18)	(9)
<b>Net cash flows from financing activities</b>		<b>(127 264)</b>	<b>111 539</b>
<b>Net change in cash</b>		3 564	15 636
Cash at the beginning of the financial period		37 673	22 037
<b>Cash at the end of the financial period</b>	17	<b>41 237</b>	<b>37 673</b>

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

# Southern State Superannuation Scheme

## Notes to the Financial Statements

### 1) Objectives and funding

#### a) *Southern State Superannuation Scheme*

The Southern State Superannuation Scheme (the Scheme/the Triple S Scheme) is both a contributory and non contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 2009* (the Act). The Scheme commenced on 1 July 1995 pursuant to the *Southern State Superannuation Act 1994* and is continued under the Act and the *Southern State Superannuation Regulations 2009*.

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1 per cent, under Regulation 17. A member of the police force, an operations employee of the South Australian Ambulance Service who commenced employment after 1 July 2008 or a former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme must contribute at a rate of at least 4.5 per cent of salary. A separate contribution account is maintained for each member. Member and employer contributions and any rollover amounts and co contribution amounts are deposited by the Treasurer into the Southern State Superannuation Fund (the Fund) that is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 10.5 per cent of salary from 1 July 2022 and 11 per cent of salary from 1 July 2023.

Benefits are represented by the balances of all member accounts that are available for employees who meet certain conditions. These conditions may include the following:

- Retirement
- Resignation and meet a condition of release
- Retrenchment
- Election of Transition to Retirement or Early Access to Super while still an employee of the SA Public Sector
- Death or becoming terminally ill
- Termination of their employment due to 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 statement 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.

## Southern State Superannuation 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*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Scheme's funds, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expenses contained in this financial statement are related 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 held with the Department of Treasury and Finance (DTF) established for that purpose. During the current reporting period, contributions were made to the Special Deposit Account. 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 the Special Deposit Account established for that purpose. During the current reporting period payments were made from the Special Deposit Account.

### **e) *Fund Selection, New Transfer and Withdrawal Arrangements***

As of 30 November 2022, eligible Triple S members have more options and flexibility with the introduction of Fund Selection, new transfer and withdrawal arrangements. Fund Selection gives eligible Triple S members, as well as new SA Government employees, the option to choose a superannuation fund for their employer and personal super contributions that suits their needs.

The new transfer arrangements allow eligible Triple S members, who have made a Fund Selection, the option to transfer all or part of their accumulated account balance to a complying superannuation fund of their choice, without needing to terminate SA Government employment. Between 30 November 2022 and 30 June 2023, 431 Triple S members made a full transfer under the new arrangements, totalling \$16.04 million. Additionally, 280 Triple S members made a partial transfer under the new arrangements, totalling \$91.54 million. Triple S members aged 65 and over are also able to access the new withdrawal arrangement, which includes withdrawal payments even while still employed by SA Government (subject to tax). Between 30 November 2022 and 30 June 2023, 352 Triple S members made a withdrawal under the new arrangements, totalling \$17.74 million.

## Southern State Superannuation Scheme

As falling accumulation membership impacts scheme sustainability, the Board's strategic plan is focussed on enhancing Super SA's service and product offering in order to retain and attract members in the competitive environment in which it now operates.

### 2) Significant accounting policies

#### a) *Basis of accounting*

The financial statements have been prepared in accordance with relevant Australian Accounting Standards, including AASB 1056 Superannuation Entities 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.

These financial statements have been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

These financial statements are prepared on a 12-month reporting period, 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) *New and amended accounting standards*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 financial year and have not been early adopted by the Scheme other than AASB 2021-2 which was adopted from 1 July 2021. These standards and interpretations are not expected to have a material impact on the Scheme.

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

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

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

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

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme 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.

## Southern State Superannuation Scheme

### *Other financial liabilities*

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

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

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

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, that is, 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 economic best interest.

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

## Southern State Superannuation Scheme

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to financial statement Note 4.

### (f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash and deposits in the Scheme's Special Deposit Account held with DTF, 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 2023 but paid after 30 June 2023. These also include income protection payments payable on or prior to 30 June 2023 but paid after 30 June 2023.

### (i) Insurance liabilities

The Scheme provides death and disability benefits to its defined contribution members. Premiums are deducted from insured members' accounts and are paid into a dedicated insurance reserve in order to meet claims as they arise. The Scheme ultimately self-insures this risk as it is appropriate given the Scheme's present membership and reserve levels. The table below outlines the net results of the Scheme's insurance activities during the year:

#### Insurance activities

	2023	2022
	\$000	\$000
Insurance contract revenue	57 246	52 787
Insurance contract claims expenses	(50 295)	(45 080)
Decrease/(Increase) in insurance liabilities	(10 588)	(1 034)
<b>Net result from insurance activities</b>	<b>(3 637)</b>	<b>6 673</b>

#### *Significant estimates made in measuring insurance contract asset and liabilities*

The Scheme uses the services of an actuary to determine its insurance contract assets and liabilities. An actuarial valuation involves making various assumptions about the future. Actual events in the future may differ from these assumptions. The most recent actuarial valuation was performed for the triennium ending 30 June 2022. A shorthand approach has been adopted to determine the value of insurance liabilities between actuarial valuation dates. It is expected that the liability amount determined using the shorthand method will not be materially different had the liabilities been determined in full.

## Southern State Superannuation Scheme

The key assumptions used in measuring the insurance contract liabilities are:

- mortality and disability rates reflecting the Scheme's own claim experience,
- the number and amount of insurance claims yet to be reported to the Scheme, relating to the period prior to the reporting year end, and
- the level of additional payments expected for income protection claims in the course of payment.

The key factors or uncertainties that impact the key assumptions above are:

- if mortality and/or disability rates increase, it will result in an increase in insurance liabilities as a result of higher claims and will lead to a decline in the net assets of the Scheme,
- higher than expected claims reported to the Scheme will result in an increase in insurance liabilities and will lead to a decline in the net assets of the Scheme, and
- a better than expected claims experience will result in lower liabilities and an increase in net assets of the Scheme.

The impact of uncertainties around the key assumptions is largely met from the insurance reserves in the Scheme. The adequacy of the insurance reserves are considered as part of the actuarial valuation.

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

The specific recognition criteria described below must be met before revenue is recognised:

#### *Changes in fair values*

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

#### *Interest*

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

### **(k) Taxation**

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax. Therefore, no income tax has been brought to account in these financial statements.

### **(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.

## Southern State Superannuation Scheme

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, the currency of the primary economic environment in which 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 Tax-Exempt**

The Inflation Linked Securities Tax-Exempt 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 Tax-Exempt**

The Property Tax-Exempt 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 Tax-Exempt**

The Australian Equities Tax-Exempt 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.

## Southern State Superannuation Scheme

(iv) International Equities Tax-Exempt

The International Equities Tax-Exempt 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. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

(v) Fixed Interest

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 Tax-Exempt

The Diversified Strategies Growth Tax-Exempt asset class incorporates two sub sectors:

*Private Markets Tax-Exempt*

The Private Markets Tax-Exempt portfolio comprises investments in Australian and international private equity 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 Investments and the pooled funds have been valued in accordance with the valuations supplied by the managers. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

*Core Infrastructure Tax-Exempt*

The Core Infrastructure Tax-Exempt portfolio comprises investments in Australian and international infrastructure pooled funds, which are invested and managed by external managers. The valuation of these 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. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

(vii) Diversified Strategies Income

The Diversified Strategies Income asset class incorporates four sub sectors:

*Defensive Alternatives*

The Defensive Alternatives portfolio comprises investments in Australian and international pooled funds and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

## Southern State Superannuation Scheme

### *Credit*

The Credit 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. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

### *Investment Grade Credit*

The Investment Grade Credit portfolio comprises investments in discretely managed investments 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. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

### *Growth Alternatives*

The Growth Alternatives 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. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

### (viii) Cash

The Cash portfolio comprises investments in a discretely managed investment, which is managed by an external manager and is valued by the custodian appointed to hold the assets using market prices applicable at balance date. Deposits at call have been valued on the basis of principal plus accrued interest.

### (ix) Socially Responsible

The Socially Responsible portfolio actively incorporates the consideration of environmental, social and governance factors in their investment decisions and avoids investing in companies operating in areas of high negative social impact. The portfolio comprises investments in equities listed on Australian and international share markets and is invested and managed by external managers along with a number of international and domestic pooled fund investments.

Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled vehicles have been valued in accordance with the valuations supplied by the managers. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

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

Funds SA is responsible for the investment and management of the Fund pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds.

## Southern State Superannuation Scheme

For the year ending 30 June 2023, Funds SA managed seven (2022: seven) distinct investment options for the Scheme available to investors, each differing by strategic asset allocation:

- High Growth
- Balanced
- Moderate
- Stable (previously known as Conservative)
- Capital Defensive
- Cash
- Socially Responsible

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

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

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

#### *Fair value of investments*

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

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

It is also important to note that fair values are accepted directly from Funds SA.

### **(q) Climate change financial risks**

In November 2021, Australian Prudential Regulation Authority (APRA) released Prudential Practice Guide CPG 229 Climate Change Financial Risks. CPG 229 does not impose new requirements in relation to climate risks, rather, it supports compliance with APRA's existing risk management and governance requirements and guidance. The Board and Super SA consider financial risks of climate change, including physical climate risks, transition climate risks, and liability risks as part of the overall Super SA Risk Management Strategy.

Additionally, as identified in Note 1 above, the investments of the scheme are managed by Funds SA. Funds SA, in turn, is committed to risk management and maintains a rigorous and proactive approach to identifying and managing investment risk, including the risks associated with climate change. Funds SA has developed a Climate Change Position Statement and Climate Risk Response Plan to support its approach in this area. Please refer to the Funds SA website for further detail.

## 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.

	2023	2022
	\$000	\$000
Member benefits	23 842 590	21 764 387
As compared to net assets available for member benefits	23 953 589	21 973 987

### 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.

	2023	2022
	\$000	\$000
<b>Financial assets at fair value through profit or loss – Level 2</b>		
Level 1 and level 3 are not relevant to the Scheme		
Unlisted managed investment schemes	23 926 822	21 991 553
Funds SA	<b>23 926 822</b>	<b>21 991 553</b>

## Southern State Superannuation Scheme

### 5) Value and movement of investments by investment option

	2023 \$000	Movement \$000	2022 \$000
High Growth Tax-Exempt	3 047 900	363 292	2 684 608
Balanced Tax-Exempt	18 889 255	1 538 883	17 350 372
Moderate Tax-Exempt	592 763	13 545	579 218
Stable Tax-Exempt	437 625	(12 239)	449 864
Capital Defensive Tax-Exempt	200 205	(20 933)	221 138
Cash Tax-Exempt	553 040	346	552 694
Socially Responsible	206 034	52 375	153 659
Investments at 30 June	<b>23 926 822</b>	<b>1 935 269</b>	<b>21 991 553</b>

### 6) Receivables

	2023 \$000	2022 \$000
Refund from ATO for GST	196	359
Interest	103	-
Funds SA receivables	4 860	9 760
Benefit repayments	1 084	924
Other receivables	2	2
	<b>6 245</b>	<b>11 045</b>

### 7) Contributions receivable

	2023 \$000	2022 \$000
Member contributions	945	594
Employer contributions	47 759	26 779
	<b>48 704</b>	<b>27 373</b>

### 8) Payables

	2023 \$000	2022 \$000
Audit fees	86	84
Administration expenses	7 853	4 740
	<b>7 939</b>	<b>4 824</b>

## Southern State Superannuation Scheme

### 9) Insurance Reserve

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

Most members of the Scheme are provided with three Standard Death and Total and Permanent Disablement (TPD) units of cover as a default costing \$2.25 per week and can reduce or cancel this at any time. Police Officers and operations employees of the SA Ambulance Service, who commenced employment after 1 July 2008 or are former standard contributory members of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme before age 60, are required to have at least 6 units of Standard Insurance cover and are only able to reduce below this level or cancel on reaching age 65. The value of a unit of Standard Insurance for members up to age 34 years is \$75 000. The value of a unit declines from age 35. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to \$1.5 million and casual employees up to \$750 000. Members can switch their cover to Fixed Benefit Insurance and purchase additional units (subject to medical evidence). Each Fixed Benefit Insurance unit has a value of \$10 000, with premium increases from age 35 to age 70 when cover ceases. The previously offered Fixed Insurance closed to new applications in November 2014.

As required by Section 17 of the Act, a report is obtained from an actuary appointed by the Treasurer on the costs and liabilities of the insurance arrangements of the Scheme (refer Note 2(i)).

To be eligible for the Income Protection Insurance benefit, a member must be an active member, working full-time or part-time and receiving an employer contribution. Casual employees not automatically provided with Income Protection Insurance but can apply for cover subject to medical evidence. Income Protection payments can continue for up to 24 months for members employed full or part time. Casual employees can be paid for up to 12 months.

	2023	2022
	\$000	\$000
<b>Opening Balance of Insurance Reserve</b>	<b>149 294</b>	<b>142 943</b>
Investment earnings on Insurance Reserve <sup>(i)</sup>	15 256	(10 039)
Premiums and charges	57 246	52 787
Benefit payments	(50 295)	(45 080)
Administration expenses <sup>(ii)</sup>	(11 050)	(8 429)
<b>Operating Result</b>	<b>11 157</b>	<b>(10 761)</b>
Transfer (from) Reserve <sup>(iii)</sup>	-	17 112
<b>Closing balance of Reserve</b>	<b>160 451</b>	<b>149 294</b>

*(i)* The Insurance Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2023 was 9.6 per cent (2022: -6.39 per cent).

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

*(iii)* The prior year amount relates to the Board approved reversal of the transfers of accumulated investment earnings to the Scheme's Administration Fee Reserve (2022: \$7.9 million), Flexible Rollover Product (2022: \$1.1 million), Income Stream (2022: \$7.9 million), Parliamentary Superannuation Scheme (2022: \$81 000) and Super SA Select (2022: \$26 000).

## Southern State Superannuation Scheme

### 10) Administration Fee Reserve

This reserve has been set aside for future Scheme requirements. The movement in the reserve reflects the difference between administration fees collected from members and the cost of administering the Scheme during the year.

	2023	2022
	\$000	\$000
<b>Opening Balance of Administration Reserve</b>	<b>16 238</b>	<b>25 196</b>
Investment earnings on Administration Fee Reserve <sup>(i)</sup>	1 845	(1 020)
Administration fees	21 970	21 528
Administration expenses <sup>(ii)</sup>	(19 216)	(21 494)
<b>Operating Result</b>	<b>4 599</b>	<b>(986)</b>
Transfer (from) Reserve <sup>(iii)</sup>	-	(7 972)
<b>Closing balance of Reserve</b>	<b>20 837</b>	<b>16 238</b>

- (i)* The Administration Fee Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2023 was 9.6 per cent (2022: -6.39 per cent).
- (ii)* The amount relates to the annual service level agreement paid for administering the Scheme (refer Note 15).
- (iii)* The prior year amount relates to the Board approved reversal of the transfers of accumulated investment earnings from the Scheme's Insurance Reserve (2022: \$7.9 million).

### 11) Operational Risk Reserve

The Operational Risk Reserve is to be accumulated to 0.25 per cent of funds under management in line with Prudential Standard SPS114. The reserve is currently 0.13 per cent of funds under management.

	2023	2022
	\$000	\$000
<b>Opening balance of Operational Risk Reserve</b>	<b>20 870</b>	<b>22 439</b>
Investment revenue on Operational Risk Reserve <sup>(i)</sup>	2 420	(1 399)
Operational Risk Reserve charge <sup>(ii)</sup>	7 700	-
Payments from Reserve	(180)	(170)
<b>Operating Result</b>	<b>9 940</b>	<b>(1 569)</b>
<b>Closing balance of Operational Risk Reserve</b>	<b>30 810</b>	<b>20 870</b>

- (i)* The Operational Risk Reserve is notionally invested in the Balanced Option. The rate of return on earnings in 2023 was 9.6 per cent (2022: -6.39 per cent).
- (ii)* The Operational Risk Reserve charge was introduced in the 2022-23 financial year by deducting 5 basis points across all members' accounts to fund the Operational Risk Reserve.

### 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 2022-23 financial year.

## Southern State Superannuation Scheme

### 13) Unallocated to members' accounts

Defined contribution schemes carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial statement of the Scheme is prepared on an accrual basis while monies are allocated to members on a cash basis.

The Scheme also values the investments reported in the financial statements at fair value (refer Notes 2(c)(e) and 4), while the unit prices used to determine the member benefit liabilities are based on soft close unit prices. This difference in valuation is reflected in the investment allocation amount in the statement of financial position.

### 14) Investment expenses

	2023 \$000	2022 \$000
Investment expenses	<b>66 490</b>	<b>74 768</b>

Direct Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's funds under management.

### 15) Administration expenses

	2023 \$000	2022 \$000
Administration expenses <sup>(i)</sup>	19 216	21 494
Other expenses <sup>(ii)</sup>	90	91
	<b>19 306</b>	<b>21 585</b>

<sup>(i)</sup> Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act provides that administration costs will be paid from the Fund. The purpose of the administration charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2023 the amount charged to members' employer contribution accounts was \$19.3 million (2022: \$21.5 million).

<sup>(ii)</sup> Other expenses include Auditors' remuneration. Refer Note 16.

### 16) Auditors' remuneration

	2023 \$000	2022 \$000
Audit fees paid or payable	<b>82</b>	<b>80</b>

Audit fees paid or payable to the Auditor-General's Department relating to work performed under the PFAA were \$81 900, GST exclusive (2022: \$80 000). The Auditor General's Department uses the services of Ernst and Young for the audit. No other services were provided by the Auditor-General's Department.

## Southern State Superannuation Scheme

### 17) Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash and deposits in the Scheme's Special Deposit Account held with DTF. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows. 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:

	2023 \$000	2022 \$000
Cash and cash equivalents	41 237	37 673
<b>Reconciliation of net cash from operating activities</b>		
Net operating result	(95 137)	(89 083)
Adjustments for:		
Change in investments measured at fair value	(2 153 910)	1 393 952
Investment expenses	66 490	74 768
Insurance recognition	3 637	(6 673)
Transfers from other schemes	54	-
Transfer from Insurance Reserve	-	(9 083)
(Increase)/Decrease in receivables	9	528
Increase/(Decrease) in payables	3 111	(2 605)
Allocation to/(from) members' accounts	2 149 526	(1 392 127)
<b>Net cash flows from operating activities</b>	<b>(26 220)</b>	<b>(30 323)</b>

### 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.

## Southern State Superannuation Scheme

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 Scheme receives regular reports from Funds SA concerning compliance with investment objectives.

### **a) Market risk**

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

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, and
- ensuring asset allocations for different investment options are consistent with the time horizon of each.

### *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 Private Markets Tax-Exempt, Private Markets Taxable, Core Infrastructure Tax- Exempt, Core Infrastructure Taxable, Credit, Long Term Fixed Interest and Inflation Linked Securities Taxable asset classes are economically hedged to Australian dollars, and
- foreign currency exposures over the developed markets component of the International Equities Tax-Exempt, International Equities Taxable, International Equities Passive Tax-Exempt and International Equities Passive Taxable asset classes are economically 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.

## Southern State Superannuation Scheme

### *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, and
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

### *iii) Other market price risk*

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

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

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

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

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

## Southern State Superannuation Scheme

### iv) Investments sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in the investment for the year ahead. The following tables show the standard deviation around expected nominal returns for the Scheme's investment options.

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

	Expected Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk (+/-) on Income Statement
<b>2023</b>	%	%	\$000	\$000
<b>Investment Option</b>				
High Growth Tax-Exempt	8.2	10.7	2 866 254	306 689
Balanced Tax-Exempt	7.6	9.0	18 119 814	1 630 783
Moderate Tax-Exempt	6.9	6.8	585 991	39 847
Stable Tax-Exempt <sup>(i)</sup>	6.4	4.8	443 745	21 300
Capital Defensive Tax Exempt	5.8	3.2	210 672	6 742
Cash Tax-Exempt	3.2	0.5	552 867	2 764
Socially Responsible	6.5	8.9	179 847	16 006

	Expected Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk (+/-) on Income Statement
<b>2022</b>	%	%	\$000	\$000
<b>Investment Option</b>				
High Growth Tax-Exempt	6.7	10.3	2 787 520	287 115
Balanced Tax-Exempt	6.1	8.9	18 044 732	1 605 981
Moderate Tax-Exempt	4.7	6.7	576 867	38 650
Stable Tax-Exempt <sup>(i)</sup>	3.9	5.1	469 631	23 951
Capital Defensive Tax-Exempt	3.3	3.9	235 010	9 165
Cash Tax-Exempt	0.0	0.5	441 157	2 206
Socially Responsible	5.2	8.8	138 887	12 222

(i) Stable was previously known as the Conservative option.

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.

## Southern State Superannuation Scheme

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 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,
- reporting and monitoring the liquidity of the fund on a daily basis to ensure prospective client cash outflows and switches can be met,
- by undertaking portfolio management and rebalancing activities, and
- by undertaking regular stress testing on liquidity positions to identify sources of liquidity strain before they are realised.

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 benefit payments, expenses and investing activities.

## Southern State Superannuation Scheme

The following tables summarise the contractual 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.

<b>2023</b>	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	29 412	29 412	29 412
Vested benefits <sup>(i)</sup>	23 842 590	23 842 590	23 842 590
<b>Total</b>	<b>23 872 002</b>	<b>23 872 002</b>	<b>23 872 002</b>

<b>2022</b>	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	67 994	67 994	67 994
Vested benefits <sup>(i)</sup>	21 764 387	21 764 387	21 764 387
<b>Total</b>	<b>21 832 381</b>	<b>21 832 381</b>	<b>21 832 381</b>

(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 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.

## **Southern State Superannuation Scheme**

### **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.

### **20) Related parties**

#### **a) Key management personnel**

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

#### **b) Compensation**

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

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

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

#### **d) Transactions with other government entities**

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

### **21) Events after the reporting period**

There were no significant events after the reporting period.

## Southern State Superannuation Scheme

### Certification of the financial statements

We certify that the:

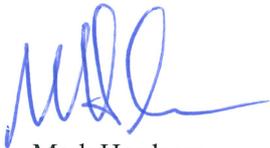
- financial statements of the Southern State Superannuation Scheme:
  - are in accordance with the accounts and records of the Scheme,
  - comply with relevant Treasurer's instructions,
  - comply with relevant accounting standards, and
  - present a true and fair view of the financial position of the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



June Roache  
**Presiding Member**  
**SA Superannuation Board**



Patrick McAvaney  
**A/Chief Executive**  
**State Superannuation Office**



Mark Hordacre  
**Director Finance**  
**State Superannuation Office**

Date ..... 14/9/23 .....