



**Government
of South Australia**

**SOUTH AUSTRALIAN SUPERANNUATION
BOARD
2018-19 Annual Report**

**SOUTH AUSTRALIAN SUPERANNUATION BOARD
(Super SA Board)**

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Date presented to Treasurer: 30 September 2019

2018-19 ANNUAL REPORT for the South Australian Superannuation Board
(Super SA Board)

To:
Hon Rob Lucas MLC
Treasurer

This annual report will be presented to Parliament to meet the statutory reporting requirements of *section 21 and schedule 3 (section 10) of the Superannuation Act 1988 and section 16 of the Southern State Superannuation Act 2009* and the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

Submitted on behalf of the Super SA Board by:

Gregory Colin Boulton AM
Presiding Member

Date 30/09/19 Signature 

From the Presiding Member and Chief Executive

It is our pleasure to present the Super SA 2018–19 annual report. It has been a remarkably busy year for the Fund, a year of building capability and strong planning for the future. Our vision and mission is to be truly member focussed and improve member outcomes – doing what is right and striving to exceed member expectations.

Member Focus

To deliver the three year corporate strategy Super SA has appointed new Executive Managers – Director, Brand and Member Engagement (Caroline Patrick); Director, Strategy People and Culture (Amanda Spiers) and Director, Finance and Business Transformation (Erin Fitzgerald).

As the leadership team looks ahead, the key focus is to connect with and empower Super SA members to take control of their superannuation.

Investments and product

Investment returns were positive for 2018–19 financial year, with the Triple S Balanced option returning 8.2 per cent for the year to 30 June and a return of 9.6 per cent per annum over 10 years. These results comfortably outperformed the Balanced option's investment objective of CPI + 3.5 per cent per annum.

At Super SA, we regularly review investment strategies and options available to members to ensure important shifts in investment markets and the superannuation sector are considered.

The review we conducted this year in conjunction with Funds SA has resulted in significant updates to the Balanced option (the default option) with flow-on effects to some of the other options. The new Balanced option design looks to increase the strategic level of growth assets and reduce investment fees over time.

Additionally we reviewed the fee model at Super SA to ensure each scheme is sustainable into the future and that we remain competitive within the \$2.8 trillion Australian superannuation market.

What comes next?

The Fund continues to build capability to deliver new features such as an upgraded call centre which will be functional in early 2020. This will include a new look member service model which will be introduced to members during 2020.

Acknowledgements

Finally, we would like to thank all Super SA staff for their support and hard work through the year. To all of our members, thank you for supporting us, asking us the tough questions and trusting us to take care of your super and financial future.

We look forward to assisting our members in the coming year and beyond.



Gregory Boulton AM
Presiding Member
Super SA Board



Dascia Bennett
Chief Executive

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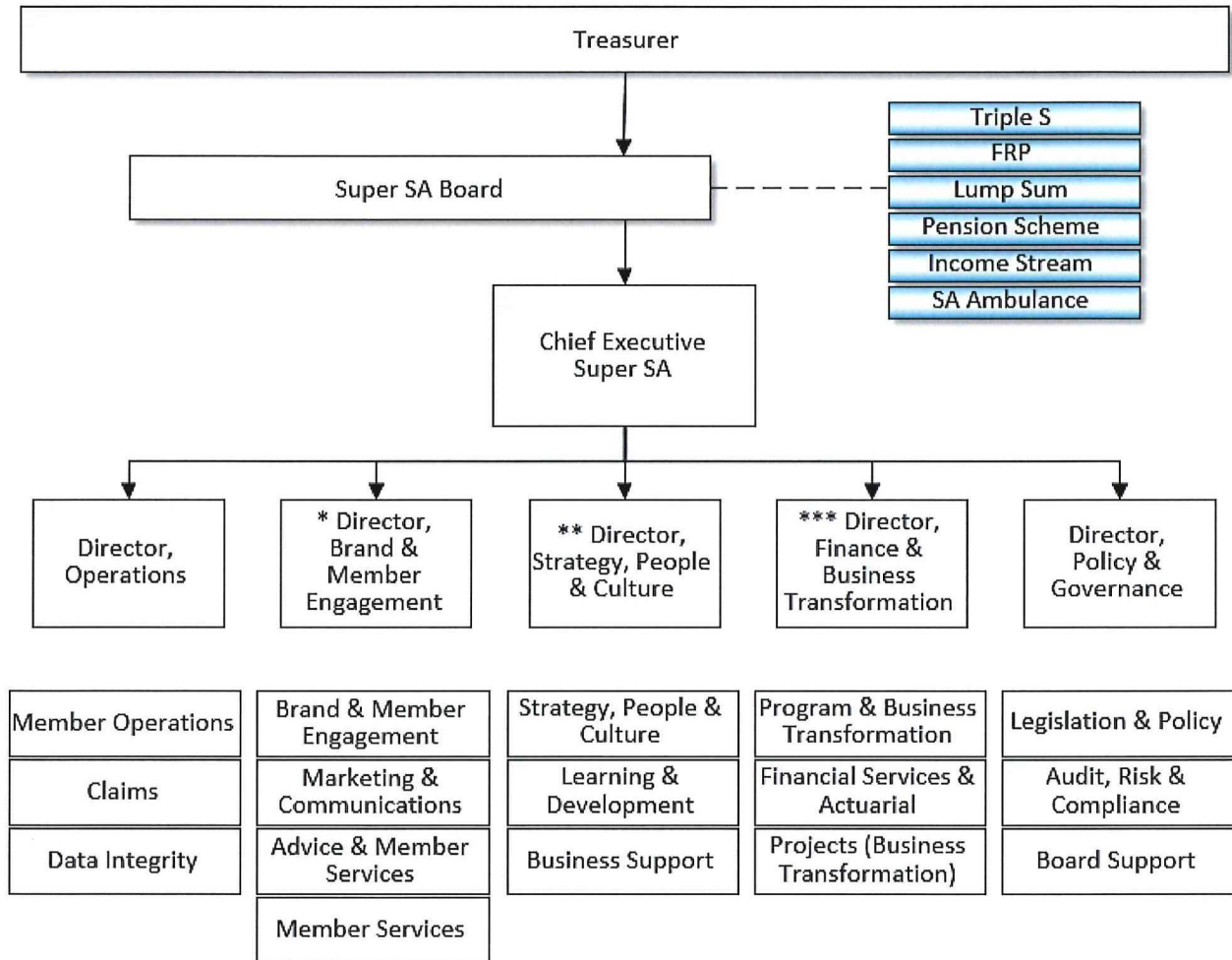
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Overview: about the Board

Our strategic focus

<p>Our Purpose</p>	<p>The Board is responsible for the administration of:</p> <ul style="list-style-type: none"> • Triple S Scheme • Pension Scheme • Lump Sum Scheme • Income Stream • Flexible Rollover Product • SA Ambulance Service Superannuation Scheme.
<p>Our Vision</p>	<p>We are uniquely positioned to deliver for all South Australians.</p>
<p>Our functions, objectives and deliverables</p>	<p>Our strategy is to excel and improve member experience whilst being competitive on fees and returns</p> <p>We have four strategic themes to ensure Super SA will continue to be a viable and dynamic superannuation fund for South Australia.</p> <p>They are:</p> <ul style="list-style-type: none"> • Member Engagement – evolve the Fund to become truly member-centric • Future Proofing - Transform the Fund for long-term success • Competitive Product – Deliver positive investment returns for members and broaden investment options, and review and define products for a future competitive market • Brand and People Strategy – Align vision, brand and people.

Our organisational structure



* New position from Feb 2019.

** New position from Aug 2018.

*** New position from Jun 2019. Previous position – Director of Projects and Business Transformation.

The Board is responsible to the Treasurer for all aspects of the administration of the *Superannuation Act 1988* (Pension and Lump Sum Schemes), and the *Southern State Superannuation Act 1994* (Triple S Scheme), except for the management and investment of the funds.

The Board comprises five members:

- A presiding member (who is not an employee) appointed by the Governor
- Two members who are appointed by the Governor on the Minister's nomination
- Two members who are elected by scheme members.

Each Board member's term is for three years. As at 30 June 2019, the Super SA Board was comprised as follows:

Mr Greg Boulton AM

Presiding Member (Chairman), Super SA Board
Appointed by the Governor until 8 September 2019.

Significant Superannuation and Investment experience as a Trustee Director of Statewide Super for 11 years. Thirty years' experience as Managing Director, Director and Chairman of Public and Private Companies. Fellow of Australian Institute of Company Directors and Institute of Chartered Accountants. Currently Chairman of Southern Gold Limited, Deputy Chairman of Cancer Council of SA and Director of Kangaroo Island Plantation Timbers Ltd and Kogi Iron Limited and Presiding Member, Southern Select Super Corporation.

Ms Virginia Deegan

Appointed by the Governor until 22 July 2021.
Executive Director Infrastructure, University of Adelaide.
A Fellow of CPA Australia (FCPA).

Presiding Member, Central Adelaide Local Health Network Advisory Council,
Director, Life Care Board, Board Member of the Southern Select Super Corporation.

Ms Alison Kimber

Member elected representative until 1 October 2021.

A qualified actuary and senior executive with over 30 years' experience in the finance, government and not-for-profit sectors where she has successfully led major reform. In 2016 Alison founded her consultancy firm, ak advisory, which provides expert advice on strategy and planning, commercial direction, governance, change leadership and risk management. Director, Horizon Housing Company and Horizon Housing Solutions; Chair, Uniting Care Wesley Bowden; and Councillor, Australian Institute of Company Directors SA/NT and Board Member, Southern Select Super Corporation.

Associate Professor William Griggs AM ASM

Member elected representative until 1 October 2021.

Bill Griggs brings to the Board significant leadership and board experience; with expertise in corporate governance, people and culture, superannuation, investment, and insurance. He has a particular interest in managing/coping during times of uncertainty, and in evidence-based decision making.

Current Directorships or equivalent: Director, Funds SA, Investment Committee Member Funds SA, Chair, Motor Accident Commission (to 30 June 2019); Director, Return to Work SA; and Board Member, Southern Select Super Corporation.

Mr Richard Dennis AM PSM

Appointed by the Governor until 22 July 2021.

Legal practitioner and consultant; South Australian Parliamentary Counsel 2006-2015; Member, Board of Governors, Walford Anglican School for Girls. Governor of the Wyatt Trust, and Board Member, Southern Select Super Corporation.

With effect from 29 November 2018, Mr Boulton was appointed by the Governor until 8 September 2019 to fill the vacancy left by the resignation of Ms Annette Hurley. On 1 October 2018, the elected terms of Ms Jan McMahon and Dr William Griggs expired. Dr Griggs was re-elected, and Ms Alison Kimber elected, from 2 October 2018 for a term of three years.

Each member, except the Presiding Member, has a deputy appointed by the Governor, who attends meetings in their absence. As at 30 June 2019, the deputy members were:

- Ms Elizabeth Hlipala, Deputy to Ms Virginia Deegan (appointed until 22 July 2021)
- Ms Leah York, Deputy to Dr William Griggs (appointed until 1 October 2021)
- Mr John Wright, Deputy to Richard Dennis (appointed until 22 July 2021)
- Ms Amanda Heyworth, deputy to Alison Kimber (appointed until 1 October 2021).

All members and deputy members serve in a part-time capacity.

Board members can attend a variety of national conferences and education seminars. During the 2018-19 year, Board members attended the Association of Superannuation Funds of Australia (ASFA) Conference and the Conference of Major Superannuation Funds (CMSF). The Presiding Member attended a Governance Summit organised by the Australian Institute of Company Directors.

Our Minister

The Hon Rob Lucas MLC, Treasurer, oversees the administration of the superannuation legislation for which the Super SA Board is responsible.

Legislation administered by Super SA on behalf of the Board

The Super SA Board is responsible to the Treasurer for all aspects of the administration of the *Southern State Superannuation Act 2009* (Triple S, Flexible Rollover Product and Income Stream) and *Superannuation Act 1988* (Lump Sum and Pension Schemes), except for the management and investment of the funds. The Board acts as trustee of the SA Ambulance Service Superannuation Scheme and is responsible for administering the Trust Deed and Rules.

The South Australian and Commonwealth Governments have entered into a Heads of Government Agreement to enable certain public sector schemes to be exempt from the Commonwealth's *Superannuation Industry (Supervision) (SIS) Act 1993*. Each scheme is, however, deemed to be a complying fund in terms of the SIS Act, for superannuation guarantee purposes under the *Superannuation Guarantee (Administration) Act 1992* and for income tax purposes under the *Income Tax Assessment Act 1936*. In terms of the Agreement, the South Australian Government has made a commitment to use best endeavours to ensure that the exempt public sector schemes conform to the principles of the Commonwealth's retirement income policy objectives.

Other related agencies (within the Minister's area/s of responsibility)

Super SA

On behalf of the Super SA Board, the State Superannuation Office (Super SA) is responsible for managing SA Public Sector superannuation schemes in line with relevant acts and legislation.

This arises from section 10(3) of the *Superannuation Act 1988*, which enables the Board to make use of the staff or facilities of an administrative unit of the SA Public Sector, with the approval of the Minister of that administrative unit. Super SA, a branch of the Department of Treasury and Finance, provides administrative services to the Board.

The annual budget for the operation of Super SA is presented to the Board for its approval.

The Board's service level contract with the Chief Executive of the Department of Treasury and Finance sets out specific performance standards. The contract expires on 30 June 2019. The service level contract has now been renewed to 30 June 2021.

The use of consultants, contractors, WHS reporting and executive employment statistics are included in the Department of Treasury and Finance's Annual Report.

Funds SA

Funds are managed by specialist investment manager, Superannuation Funds Management Corporation of South Australia (Funds SA). Funds SA manages the investments for each scheme in accordance with sections 17 and 19 of the *Superannuation Act 1988*, sections 10 and 11 of the *Southern State Superannuation Act 2009*, and the provisions of the *Superannuation Funds Management Corporation of South Australian Act 1995*.

The current Memorandum of Agreement between Funds SA and the Office was executed in May 2019. Funds SA provides this service under legislation. The agreement is reviewed on a three yearly basis or when a significant change occurs.

The agency's performance

Performance at a glance

Super SA performance is assessed continuously against the agency's key objectives at every quarter. This will ensure the projects and initiatives carried out through the year are aligned to meet the key objectives.

During the 2018-19 financial year, we have observed:

- The number of Triple S members making an additional contribution (pre and post-tax contributions) to their super was 3.9 per cent, which did not meet the target of 6.5 per cent
- An increase in the number of members underwritten for extra insurance cover by 14.7 per cent.

Under the Brand and Member Engagement Directorate, Super SA has conducted several initiatives and marketing campaigns to increase our members' awareness of Super SA products, member communications and improve our product offering against what is offered in the industry.

At the end of the financial year, we have achieved:

- Increased the number of new worksite visits and seminars conducted to members by 58.3 per cent than the target set at the beginning of the year
- Super SA has been benchmarked to remain in the most efficient quartile in administrative costs with industry standards (Chant West Super Fund Fee Survey December 2018)
- Super SA's biggest product, Triple S has achieved 'Above industry benchmark status' on all six assessed categories (Investment, Fee and Charges, Insurance Covers and Costs, Member Servicing, Administration and Governance) (SuperRatings Triple S, June 2019)

Performance indicators

	2017-18 Actual	2018-19 Target	2018-19 Estimated Result	2019-20 Target
<p>Achievement of approved service level standards by 30 June each year</p> <p><i>The 2017-18 Actual of 81% is based on data to March 2018 quarter due to the unavailability of data from transition to the new administration system on 7 May 2018.</i></p> <p><i>The estimated result of 75% for 2018-19 is below target due to the issues with the Fund's new administration system.</i></p> <p><i>Service level standards for 2019-20 have been revised to align with updated industry administration standards. It should be noted that a number of measures are no longer reported due to straight- through processing.</i></p>	81%	95%	75%	90%
<p>Issue member statements by 31 October to align with industry norms</p> <p><i>For the years prior to 2018-19, the target date for the distribution of member statements was 31 August.</i></p>	n.a.	98%	85%	85%
<p>No. of days to issue superannuant payment summaries from 1 July</p>	14	14	14	14
<p>Benchmarking of administrative costs with industry standards — remain in the most cost efficient quartile of industry standards while providing additional services to members</p> <p><i>Reported by Chant West Super Fund Fee Survey December 2018</i></p>	Remain in the most cost efficient quartile	Remain in the most cost efficient quartile	Remain in the most cost efficient quartile	Remain in the most cost efficient quartile

2018-19 ANNUAL REPORT for the South Australian Superannuation Board
(Super SA Board)

Activity indicators

No. of contributors/ members in state schemes:	2018-19 Forecast	2018-19 Actuals	2019-20 Forecast	Comments
Members	214,444	216,457	212,853	
<ul style="list-style-type: none"> • Triple S (total) 	178,548	180,913	177,167	
<ul style="list-style-type: none"> ○ Preserved (inactive) > \$6000 account balance 	n.a.	30,325	30,605	
<ul style="list-style-type: none"> ○ Preserved (inactive) < \$6000 account balance 	n.a.	26,676	2,676	The Super SA Board have agreed to opt into the Commonwealth's Inactive Low Balance Account regime for Triple S and Super SA Select. The Fund forecasts that up to 20,000 members will be transferred to the ATO by 30 June 2020.
<ul style="list-style-type: none"> • Flexible Rollover Product 	5,689	5,820	6,349	
<ul style="list-style-type: none"> • Income Stream 	10,784	10,688	11,574	
<ul style="list-style-type: none"> • Superannuants 	14,778	14,512	14,165	
<ul style="list-style-type: none"> • Other retirement schemes (Pension, Lump Sum, SA Ambulance) 	4,645	4,524	3,598	
Triple S Scheme contributors (total)	30,028	29,289	31,024	
<ul style="list-style-type: none"> • Salary Sacrifice (only) 	n.a.	15,606	15,913	
<ul style="list-style-type: none"> • After Tax Contributions (only) 	n.a.	10,430	11,027	
<ul style="list-style-type: none"> • Both After Tax and Salary Sacrifice 	n.a.	3,253	4,084	

Agency specific objectives and performance

Agency objectives 2018-19	Indicators	Performance
Superannuation Services	Introduce new insurance products including death and total permanent disablement (TPD) and income protection (IP).	The revised arrangements were introduced on 3 September 2018 to better meet members' needs (in terms of levels of cover and flexibility) and respond to analysis on the sustainability of the insurance reserves. These changes included increasing the availability of income protection insurance from age 60 to age 65 and charging age based premiums for that cover. Changes were also made to death and TPD insurance, including increasing the default amount of units, extending the eligibility from age 65 to age 70, and introducing more options for members to balance the level and cost of cover.
Introduce the early release of superannuation on compassionate and hardship grounds.	Introduce the early release of superannuation on compassionate and hardship grounds.	A facility to permit Triple S members and post retirement investors to access their superannuation early on financial hardship or compassionate grounds was introduced on 3 September 2018. This was a welcomed feature of the scheme and aligns Triple S with other state government superannuation schemes. A membership exclusion for certain categories of persons earning less than \$450 per month was also removed from Triple S rules.

Targets 2019-20

- Implement a default investment option review in conjunction with Funds SA.
- Perform a review of insurance services to align with insurance code of conduct.
- Conduct a review of the contact centre and modernise the telephony system.

Financial performance

Financial performance at a glance

The following is a brief summary of the main activities that transpired across the schemes administered by the Super SA Board. Full audited financial statements for 2018-19 are attached to this report. (Refer Appendix)

The total number of members at 215,419, is consistent with the prior year membership. This figure includes Triple S, Pension and Lump Sum Schemes, Superannuants, the SA Ambulance Service Superannuation Scheme, the Super SA Income Stream and the Flexible Rollover Product. The value of total assets under management at 30 June 2019 was \$29.3 billion.

Since 30 June 2018, funds under management across the schemes and products administered by the Board increased by \$2.3 billion (8.6 per cent). This consists of increases in funds under management across the financial year within the Triple S Scheme from \$17.2 billion to \$18.9 billion, the Flexible Rollover Product from \$1.2 billion to \$1.3 billion, the Income Stream from \$3.2 billion to \$3.6 billion, the SA Ambulance Service Superannuation Scheme from \$267 million to \$288 million and the Lump Sum and Pension Schemes remained unchanged at \$5.1 billion.

Preserved (inactive) memberships declined by 2,043 members to 57,871. This reduction in preserved memberships comprises Triple S preserved members down by 1,430 to 57,001, Lump Sum down 430 members to 682, Pension down members 182 to 114 and Ambulance down one to 74.

Other financial information

The State Government has a strategy to fund both its accruing and accrued past service superannuation liabilities by 30 June 2034.

During the 2018-19 financial year, the State Government transferred \$384.3m into the Employer Account to meet its past service superannuation liabilities in respect of the Lump Sum and Pension Schemes.

An actuarial review of the South Australian Superannuation Fund (Pension and Lump Sum Schemes) as at 30 June 2016 was completed in June 2017. The review looked comparatively at the cost of the Pension and Lump Sum Schemes against the proportion of benefits that can be met from the South Australian Superannuation Fund. Actuarial reviews are undertaken every three years as required by section 21 of the *Superannuation Act 1988*.

The following recommendations made by the actuary to the funding status of the Pension Scheme were adopted by the Board:

- The employer contribution rate for the employer share of the future service cost of the Pension Scheme be maintained at 26.0 per cent of contributors' salaries
- The Prescribed Proportion of the future Pension Scheme benefits that can be met from the Fund be maintained at 14.0 per cent.

The following recommendation made by the actuary to the funding status of the Lump Sum Scheme was adopted by the Treasurer:

- The employer contribution rate for the employer share of the future service cost of the Lump Sum Scheme be maintained at 14.75 per cent of contributors' salaries.

The next actuarial review of the South Australian Superannuation Fund (Pension and Lump Sum Schemes) will be performed as at 30 June 2019.

The SA Ambulance Service Superannuation Scheme is actuarially reviewed at least every three years. The most recent actuarial review of the fund supporting the scheme was performed as at 30 June 2017. The following recommendations made by the actuary to the funding status of the scheme were adopted by the Board:

- The employer contribution rate be reduced from 12 per cent to 9.5 per cent effective from 1 July 2018
- The financing objective in respect of defined benefits be maintained at 105 per cent of the liability for vested defined benefits.

The next actuarial review will be undertaken in 2020.

Risk management

Risk and audit at a glance

The Super SA Governance and Risk Team are responsible for oversight of risk management, compliance, anti-money laundering and counter-terrorism financing program, incident management and business continuity management. The Team also manage Internal Audit reviews conducted by an external provider.

Fraud detected in the agency

Category/nature of fraud	Number of instances	Financial Impact to Super SA (\$)
Fraudulent Financial Advisor Authority request from an external party	1	\$ Nil
Fraudulent transactions attempted by an external party on a purchase card	1	\$ Nil

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

Strategies implemented to control and prevent fraud

To ensure a strong control environment exists to prevent the occurrence of fraud, the Super SA Office has implemented strong monitoring and validation controls over benefit payments, including verification with members of large benefit payment requests, validation of proof of identity prior to payment, and independent review and authorisation of all benefit payments.

Regular information is provided to the Super SA Board from internal and external audit, the Audit, Risk and Finance Committee and the Chief Executive.

The Super SA Office maintains a Risk management Strategy and Plan; a Business Continuity Framework and Plan; an Internal Audit Plan; a Compliance Framework and an Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Program.

Whistle-blowers disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the *Whistleblowers Protection Act 1993*:

Nil

Reporting required under any other act or regulation

Act or Regulation	Requirement
<i>Freedom of Information Act 1991</i>	During 2018–19, no formal applications were received requesting access to information under this Act. All other requests to access copies of documentation were informal.

Act or Regulation	Requirement
Section 29 of the <i>Southern State Superannuation Act 2009</i>	<p>There were 26 appeals directly considered by the Super SA Board. This included five requests to waive a procedural step (all of which were approved) and 10 requests to extend a time limit (of which nine were approved), pursuant to section 29 of the <i>Southern State Superannuation Act 2009</i>. Section 29 requires that the use of this section of the legislation must be reported to the Treasurer in the Annual Report.</p> <p>A number of appeals were also considered by a delegate(s) of the Board under section 29 of the <i>Southern State Superannuation Act 2009</i>, pursuant to a delegation given by the Board. Operational reports related to the extension of insurance time limits are currently being scoped with the aim to be implemented in the 2019-20 financial year. The reports were not made available in the original Bluedoor administration platform migration and any new reporting additions via Bluedoor are considered enhancements, which are being prioritised for implementation from September 2019.</p>

Act or Regulation	Requirement
<i>Superannuation (Unclaimed Money and Lost Members) Act 1999 (Cwth Act)</i>	<p>The Super SA Board is required to report and pay unclaimed money entitlements to the ATO twice per year in accordance with this Commonwealth legislation.</p> <p>No Payments were required for Pension or Lump Sum schemes or SA Ambulance Service Superannuation Scheme (31 October 2018 reporting and 30 April 2019 reporting).</p>

Act or Regulation	Requirement
	<p>Payments for Triple S, Flexible Rollover Product and Income Stream were not made for reporting periods ending 31 October 2018 and 30 April 2019, as there is a system defect preventing this ability. We have advised the ATO of this issue, and as these schemes are not prescribed Public Sector Schemes for the purpose of Unclaimed Money legislation, we are not in breach of the legislation.</p>

Act or Regulation	Requirement
<p>Section 25 of the <i>Superannuation Act 1988</i></p>	<p>The Treasurer may, in appropriate cases attribute additional contribution points, or additional contribution months to a contributor.</p> <p>Attributions have been used as part of the negotiations for senior appointments to the public service and statutory appointments, or to resolve inconsistencies that may occur in the administration entitlements. Section 25 requires that the use of this section of legislation must be reported in the Annual Report.</p> <p>There were no special attributions during 2018-19.</p>

Public complaints

Number of public complaints reported

Complaint categories	Sub-categories	Example	Number of Complaints 2018-19
Professional behaviour	Staff attitude	Failure to demonstrate values such as empathy, respect, fairness, courtesy, extra mile; cultural competency	0
Professional behaviour	Staff competency	Failure to action service request; poorly informed decisions; incorrect or incomplete service provided	0
Professional behaviour	Staff knowledge	Lack of service specific knowledge; incomplete or out-of-date knowledge	0
Communication	Communication quality	Inadequate, delayed or absent communication with customer	62
Communication	Confidentiality	Customer's confidentiality or privacy not respected; information shared incorrectly	0
Service delivery	Systems/technology	System offline; inaccessible to customer; incorrect result/information provided; poor system design	0
Service delivery	Access to services	Service difficult to find; location poor; facilities/ environment poor standard; not accessible to customers with disabilities	0
Service delivery	Process	Processing error; incorrect process used; delay in processing application; process not customer responsive	231
Policy	Policy application	Incorrect policy interpretation; incorrect policy applied; conflicting policy advice given	0
Policy	Policy content	Policy content difficult to understand; policy unreasonable or disadvantages customer	32
Service quality	Information	Incorrect, incomplete, outdated or inadequate information; not fit for purpose	0
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	0

Complaint categories	Sub-categories	Example	Number of Complaints 2018-19
Service quality	Timeliness	Lack of staff punctuality; excessive waiting times (outside of service standard); timelines not met	0
Service quality	Safety	Maintenance; personal or family safety; duty of care not shown; poor security service/ premises; poor cleanliness	0
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	0
No case to answer	No case to answer	Third party; customer misunderstanding; redirected to another agency; insufficient information to investigate	1
Entitlements	Entitlements	Incorrect or perceived incorrect entitlement held or paid	14
Investments	Investments	Investment fees; dissatisfaction with investment of assets	10
		Total	350

Additional Metrics	Total
Number of positive feedback comments	20
% complaints resolved within Super SA Board's policy timeframes (45 days)	88%
% complaints resolved within DTF's policy timeframes (28 days)	76%

Service improvements for period

Service improvements that responded to customer complaints or feedback

- Changes to the insurance offerings were made, as outlined in the agency specific objectives and performance above
- Introduction of early release of super on the grounds of financial hardship or compassionate grounds, as outlined in the agency specific objectives and performance above
- Continuous enhancements to the administration system
- Forms and fact sheets updated in response to customer feedback
- A Board policy was updated to allow the office more ability to approve the payment of low balances in respect to deceased accounts, without the need for provision of Probate or Letters of Administration
- Increase in communication to members via the Super SA website regarding updates, online portal access, changes to insurance etc.
- An option was added to the call centre telephone queue to enable members calling regarding the online portal to be directed to staff specifically assigned to assist
- A number of additional staff were appointed to the Insurance Claims Management team to assist with processing claims
- A number of additional staff were appointed to the Member Services team to assist with member enquiries
- An additional staff member was appointed to the Policy and Complaints team.

Appendix: Audited financial statements 2018-19



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To the Presiding Member South Australian Superannuation Board

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

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Superannuation Board as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, State Superannuation Office.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

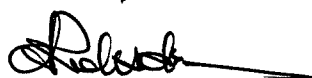
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Superannuation Board'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 Presiding Member of the South Australian Superannuation Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

18 September 2019

South Australian Superannuation Board

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019	2018
		\$'000	\$'000
Expenses			
Administration expenses	4	29 085	28 353
Other expenses	5	301	31
Total expenses		29 386	28 384
Income			
Fees and charges	6	29 612	27 566
Interest revenues	7	24	27
Total income		29 636	27 593
Total comprehensive result	11	250	(791)

The above statement should be read in conjunction with the accompanying notes

f

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019	2018
		\$'000	\$'000
Current assets			
Cash and cash equivalents	8	2 187	1 782
Receivables	9	19	20
Non current assets			
Loan Receivable	9, 17	556	548
Total assets		2 762	2 350
Current liabilities			
Payables	10	983	821
Total liabilities		983	821
Net assets		1 779	1 529
Equity			
Retained earnings	11	556	548
Reserves	11	1 223	981
Total Equity		1 779	1 529

The above statement should be read in conjunction with the accompanying notes

South Australian Superannuation Board

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Note	Retained earnings	Reserves	Total
		\$'000	\$'000	\$'000
Balance at 30 June 2017		541	1 779	2 320
Total comprehensive result for 2017-18		(791)	-	(791)
Transferred from reserves		798	(798)	-
Balance at 30 June 2018		548	981	1 529
Total comprehensive result for 2018-19		250	-	250
Transferred (to) reserves		(242)	242	-
Balance at 30 June 2019	11	556	1 223	1 779

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019	2018
		\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Administration expenses paid		(31 950)	(29 627)
Other expenses		(314)	(33)
Cash (used in) operations		(32 264)	(29 660)
Cash inflows			
Interest received		17	21
Fees and charges paid		32 572	30 390
GST recovered from the ATO		80	299
Cash generated from operations		32 669	30 710
Net cash provided by operating activities	13	405	1 050
Net increase in cash and cash equivalents		405	1 050
Cash and cash equivalents at the beginning of the period		1 782	732
Cash and cash equivalents at the end of the period	8, 13	2 187	1 782

The above statement should be read in conjunction with the accompanying notes

South Australian Superannuation Board

Note 1 Objectives and funding

Objectives of the South Australian Superannuation Board

The South Australian Superannuation Board (the Board) was established under Section 6 of the *Superannuation Act 1988* (the Act) and is responsible to the Treasurer (formerly the Minister for Finance) for all aspects of the administration of the Act (Pension and Lump Sum schemes), and the *Southern State Superannuation Act 2009* (Triple S Scheme, Flexible Rollover Product and Income Stream), except for investment matters relating to the schemes and products. Under clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared that the Board act as Trustee of the SA Ambulance Service Superannuation Scheme and be responsible for administering the Trust Deed and Rules.

The Act provides that the Board may make use of the staff or facilities of an administrative unit of the SA Public Sector. The State Superannuation Office, a branch of the Department of Treasury and Finance, provides administrative services to the Board. The State Superannuation Office adopts the "Super SA" name as administrator of the Board schemes and products. The superannuation legislation also provides for the Board to charge administration costs.

The Board is responsible for payment of the Service Level Agreement (SLA) Fee to the Department of Treasury and Finance for costs incurred in the administration of the schemes and products. This amount is then recouped from the various schemes and products as per the SLA.

The Board has carefully considered anticipated future expenditure and sets aside money to cover expected future specific costs.

Note 2 Summary of significant accounting policies

a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987* (PFAA).

The Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Board is a not-for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2019. Refer to Note 3.

b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency, the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention except as otherwise noted.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2019, and comparative information presented.

c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements required a change.

South Australian Superannuation Board

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

d) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

e) Taxation

The Board is not subject to income tax. The Board is registered for Goods and Services Tax (GST) and GST is recoverable and payable to the Australian Taxation Office (ATO).

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.
- receivables and payables, which 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.

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.

f) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2019 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2019.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

g) Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured.

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Income

Fees and charges are derived from the recovery of administration fees from the superannuation schemes and products which the Board administers. Revenue is recognised when earned.

Interest comprises of the interest received on the loan to the Treasurer (formerly the Minister for Finance) and cash held in the Board's Deposit Account, with the Treasurer, which receives interest at the applicable SA Government rate. Interest is recognised when earned.

Expenses

Administration expenses are the payment of the administration fees to the Department of Treasury and Finance for the provision of services to the Board. This expense is recognised upon delivery of the service.

h) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes deposits held in a Deposit Account held with the Treasurer.

South Australian Superannuation Board

For the purpose of the Statement of Cash Flows, cash and cash equivalents consists of cash and cash equivalents as outlined above.

Cash is measured at nominal value.

j) Receivables

Receivables include amounts owing from services provided prior to the end of the reporting period that are unpaid at the end of the reporting period. Receivables include all amounts not received relating to the normal operations of the Board.

Refer to note 16 regarding the Loan Receivable.

k) Payables

Payables include creditors and accrued expenses.

Creditors represent the amounts owing for services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid amounts due relating to the normal operations of the Board.

Accrued expenses represent services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received, as per Treasurer's Instruction 11.

Note 3 New accounting standards and policies

The State Superannuation Office (Super SA) has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective. Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective. There are no Accounting Policy Statements that are not yet effective.

The assessment of the impact of these new standards and interpretations is set out below.

Accounting Standards

AASB 15 – Revenue from Contracts with Customers

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

AASB 1058 – Income of Not for Profit Entities

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

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the Board must adopt for the transition to *AASB 15 – Revenue from Contracts with Customers* and *AASB 1058 – Income of Not for Profit Entities*. These requirements include that the Board will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated.
- not apply the AASB 15 and the AASB 1058 to completed contracts as practically expedient.
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

The Treasurer's Instructions (Accounting Policy Statements) 2019 also sets out requirements for on-going application. These requirements include that the Board will:

- apply, where permitted, the short-term licences recognition exemption.
- adopt \$15,000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences.
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

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

South Australian Superannuation Board

New accounting standards and policies – cont.

Accounting Standards

AASB 16 – Leases

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. *AASB 16 Leases* replaces *AASB 117 Leases* and *Interpretation 4 Determining whether an Arrangement contains a Lease*, *Interpretation 115 Operating Leases – Incentives* and *Interpretation*, and *Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

AASB 16 will also impact on the Statement of Comprehensive Income. Operating lease expenses previously included in supplies and services will mostly be replaced with:

- a depreciation expense that represents the use of the right-of-use asset; and
- borrowing costs that represent the cost associated with financing the right-of-use asset.

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

As a result of the above assessments there are no changes to related accounting policies.

Note 4 Administration expenses

	Note	2019	2018
		\$'000	\$'000
Administration fees		22 960	22 991
ICT Projects	17	6 125	5 362
Total administration expenses		29 085	28 353

Note 5 Other expenses

	2019	2018
	\$'000	\$'000
Other expenses ⁽ⁱ⁾	166	31
Election costs	135	-
Total other expenses	301	31

- (i) Other expenses includes amounts paid (or payable) which relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department. Audit fees for the Board were \$16 300 (2018: \$16 100). Also paid in 2018-19 were \$150 000 for DTF ICT capital program costs.

Note 6 Fees and charges

	2019	2018
	\$'000	\$'000
Recovery of administration fees	29 612	27 566
Total fees and charges	29 612	27 566

South Australian Superannuation Board

Note 7 Interest revenues

	2019	2018
	\$'000	\$'000
Deposit Account held with the Treasurer	16	20
Loan to Southern Select Super Corporation ⁽ⁱ⁾	8	7
Total interest revenues	24	27

(i) Refer note 16

Note 8 Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Cash at bank	2 187	1 782
Total cash and cash equivalents	2 187	1 782

Interest Rate Risk

Cash at bank, which represents deposits held with the Treasurer, earns a floating interest rate, based on the daily bank deposit rate. The carrying amount of cash and cash equivalents represents fair value.

Note 9 Receivables

	2019	2018
	\$'000	\$'000
Current receivables		
Sundry debtors	1	2
Audit fee recovery	18	18
Total current receivables	19	20
Non-current receivables		
Loan receivable ⁽ⁱ⁾	556	548
Total non-current receivables	556	548
Total receivables	575	568

All current receivables will be settled within 12 months of the reporting date.

(i) Refer note 16

Note 10 Payables

	2019	2018
	\$'000	\$'000
Audit fee payable	18	18
Administration fees payable	843	803
GST input tax payable	122	-
Total payables	983	821

All payables are normally settled within 30 days from the date of the invoice or date the invoice is first received.

South Australian Superannuation Board

Note 11 Retained earnings and reserves

	Opening Balance \$'000	Total Comprehensive Result \$'000	Transfers (To) Reserve \$'000	2019 \$'000	2018 \$'000
Retained Earnings	548	250	(242)	556	548
	Opening Balance \$'000	Transfers To Reserve \$'000	Transfers From Reserve \$'000	2019 \$'000	2018 \$'000
Reserves					
General Reserve ⁽ⁱ⁾	981	242	-	1 223	981
Total Reserves	981	242	-	1 223	981

- (i) The *General Reserve* was established in December 2013. The Transfers to Reserve amount represents under spend in office expenditure and interest allocated from July 2018 to June 2019 and is partially offset by Board Election costs and the Board's share of DTF IT infrastructure costs.

The purpose of the *General Reserve* is to account for under and over spend in office expenditure, to provide for project expenditure as required from time to time and to provide funding for the triennial Board Election.

Note 12 Related parties

The South Australian Superannuation Board is a statutory authority and is wholly owned and controlled by the Crown.

Related parties of the Board include all key management personnel and their close family members, all Cabinet Ministers and their close family members and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Key management personnel

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

The compensation detailed below excludes salaries and other benefits the Treasurer receives as their remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance). The Chief Executive and Executive Leadership Group, State Superannuation Office, are compensated through the Department of Treasury and Finance so their compensation is also not included below.

The South Australian Superannuation Board

Gregory Boulton (Presiding Member - Appointed 29/11/18)
 Virginia Deegan (Re-appointed 23/07/18)
 Richard Dennis (Appointed 23/07/18)
 Bill Griggs (Re-elected 02/10/18)
 Alison Kimber (Elected 02/10/18)
 Amanda Heyworth (Deputy Member - Appointed 29/11/18)
 Liz Hlipala (Deputy Member - Re-appointed 23/07/18)
 Leah York (Deputy Member - Re-appointed 29/11/18)
 John Wright (Deputy Member - Re-appointed 23/07/18)

The South Australian Superannuation Board Audit, Risk and Finance Committee

Virginia Deegan (Convenor)
 Gregory Boulton (Appointed 19/12/18)
 Richard Dennis (Appointed 19/12/18)
 John Wright

The South Australian Superannuation Board Member Services Committee

Jan McMahon (Convenor - Resigned 01/10/18)

South Australian Superannuation Board

Bill Griggs (Convenor)
Leah York
Gregory Boulton (Appointed 19/12/18)
Alison Kimber (Appointed 19/12/18)
Dascia Bennett

Compensation

	2019	2018
	\$'000	\$'000
Salaries and other short-term employee benefits	210	175
Total	210	175

Transactions with Key Management Personnel and other related parties

There were no transactions to disclose for key management personnel or related parties.

Significant transactions with government related entities

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

Note 13 Cash flow reconciliation

	2019	2018
	\$'000	\$'000

Reconciliation of cash and cash equivalents - at the end of the reporting period

Cash and cash equivalents disclosed in the Statement of Financial Position	2 187	1 782
Balance as per the Statement of Cash Flows	2 187	1 782

Reconciliation of total comprehensive result to net cash provided by operating activities:

Total comprehensive result	250	(791)
Movement in operational assets and liabilities		
(Increase)/Decrease in receivables	(7)	1 037
Increase in payables	162	804
Net cash provided by operating activities	405	1 050

Note 14 Financial instruments

The Board holds all cash in a Deposit Account with the Treasurer which receives interest at the applicable SA Government rate. The Board's current receivables and payables are non-interest bearing, while its Loan Receivable is interest bearing. There are no fair value differences as carrying values approximate fair value and there is minimal exposure to interest rate or market risk due to the nature of the financial assets and liabilities held.

The Board does not have any assets that are past, due or impaired and credit risk is limited to the Southern Select Corporation Loan Arrangement (Refer Note 16).

The Board's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Note 15 Events after the reporting period

South Australian Superannuation Board

There were no significant events after the reporting period.

Note 16 Southern Select Corporation Loan Arrangement

At the 8 June 2012 Board meeting, the Board agreed to provide funding of \$500,000 from its then Capital and Development Reserve account for the purpose of establishing a new fund; Super SA Select (the Fund).

The terms of the loan are set out in Schedule 2 of the *Public Corporations (Southern Select Super Corporation) Regulations 2012* (the Regulations) and the tri-partite Funding Deed between the Board, the Minister for Finance and the Southern Select Super Corporation (the Trustee). The Funding Deed was executed on 28 June 2013 with a drawdown date of 5 July 2013.

The repayment of the loan by the Trustee from the Fund, together with interest, will be in accordance with Schedule 2 of the Regulations. If at the end of the financial year the Fund has a net surplus, defined as Net Assets exceeding Liability for Accrued Benefits Allocated to Members' Accounts, the interest receivable in that year must be received on or before 31 July of the following financial year. If the Fund does not have a net surplus at the end of the financial year, the interest receivable for that year will be capitalised into the principal amount receivable. At the end of 2018-19 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount receivable was \$8,000 (2018 \$7,000).

Principal repayments are required when administration fees charged to members of the Fund for the financial year exceed the cost of the administration of the Fund (other than investment management charges). For 2018-19 there was no principal repayment required (refer to the Fund's Financial Report) (2018: Nil).

Note 17 ICT Solution Project

The ICT Solution Project (the Project) commenced February 2016, with the intention of a two phase implementation. Phase one deployed in May 2018, with core functionality and expected service standards for members attained. Super SA management closed Phase one of the Project as at 31 December 2018.

Deployment of Phase one was impacted by unexpected defects and implementation delays, the resolution and workarounds of which temporarily affected member service levels. As a result of these matters, the Board resolved to continue administration of Phase two members on the legacy platforms.

The Project's funding is apportioned across schemes based on membership and the relative implementation benefits. The Board administered schemes have funded the Project via the General Reserve, Triple S Insurance Reserve, Triple S Administration Reserve and the Retirement Investment Fund Administration Reserve.

The Board's ICT Project expense (Note 4) reflects the reimbursement of Project costs incurred by the Department of Treasury and Finance (DTF). In accordance with the appropriate policies, the Bluedoor ICT asset has been recognised in the DTF asset register as at the 31 December 2018 close off date.

South Australian Superannuation Board

There were no significant events after the reporting period.

Note 16 Southern Select Corporation Loan Arrangement

At the 8 June 2012 Board meeting, the Board agreed to provide funding of \$500,000 from its then Capital and Development Reserve account for the purpose of establishing a new fund; Super SA Select (the Fund).

The terms of the loan are set out in Schedule 2 of the *Public Corporations (Southern Select Super Corporation) Regulations 2012* (the Regulations) and the tri-partite Funding Deed between the Board, the Minister for Finance and the Southern Select Super Corporation (the Trustee). The Funding Deed was executed on 28 June 2013 with a drawdown date of 5 July 2013.

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Principal repayments are required when administration fees charged to members of the Fund for the financial year exceed the cost of the administration of the Fund (other than investment management charges). For 2018-19 there was no principal repayment required (refer to the Fund's Financial Report) (2018: Nil).

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The Board's ICT Project expense (Note 4) reflects the reimbursement of Project costs incurred by the Department of Treasury and Finance (DTF). In accordance with the appropriate policies, the Bluedoor ICT asset has been recognised in the DTF asset register as at the 31 December 2018 close off date.

South Australian Superannuation Board

Certification of the financial statements

We certify that the:

- Financial statements of the Board:
 - are in accordance with the accounts and records of the authority; and comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority 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 Board over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Gregory Boulton AM
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Erin Fitzgerald
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION
STATE SUPERANNUATION OFFICE

Date 13.9.19.....



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

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

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Superannuation Scheme as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2019
- an Income Statement for the year ended 30 June 2019
- a Statement of Changes in Member Benefits for the year ended 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, State Superannuation Office.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

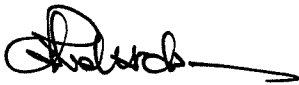
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Superannuation Scheme's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, State Superannuation Office

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

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

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



Andrew Richardson

Auditor-General

18 September 2019

South Australian Superannuation Scheme

Statement of Financial Position

as at 30 June 2019

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

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

Income Statement

for the year ended 30 June 2019

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

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

South Australian Superannuation Scheme

Statement of Changes in Member Benefits

for the year ended 30 June 2019

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

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

South Australian Superannuation Scheme

Statement of Changes in Equity

for the year ended 30 June 2019

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

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

Statement of Cash Flows

for the year ended 30 June 2019

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

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

South Australian Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) *South Australian Superannuation Scheme*

The South Australian Superannuation Scheme (the Scheme) is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the South Australian Government and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5 and 6 per cent. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme (Triple S), to meet the minimum requirements of the Commonwealth legislation. At this point the member will be recognised as a Triple S member and their Scheme account will be maintained to reflect the contribution points previously accrued.

Since October 1989, the Act has required that contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australian Superannuation Fund (the Fund), which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

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

(b) *South Australian Superannuation Board*

The Act charges the South Australian Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board has contracted the Department of Treasury and Finance (DTF) to provide administrative services in accordance with the Act. A portion of the administrative costs are recovered from the Scheme. The Board's financial report provides the total administration cost paid to DTF.

Under the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

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

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

For further information on the investment of the Fund and the South Australian Superannuation Scheme Contribution Account (the Account), reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA.

(d) *Funding arrangements*

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a Special Deposit Account with DTF established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with section 47C and 47D of the Act. During the year ended 30 June 2019 all payments were made from the Special Deposit Account. Employer contributions for the year have been made at the rate determined by the scheme actuary.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government Departments, Statutory Authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 26 per cent (2018: 26 per cent) for old scheme contributors and 14.75 per cent (2018: 14.75 per cent) for new scheme contributors.

South Australian Superannuation Scheme

Funding arrangements (cont.)

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

(i) *State government departments*

State government departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities that are deposited by the Treasurer into the Account. Details on employer contributions from State Government Departments are detailed in Note 15.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. The amounts the Government transferred into the Account are at Note 14. Current Government policy is that it will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

(ii) *Statutory authorities*

Where the employer proportion of a payment relates to Statutory Authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- *State government liability for statutory authorities*
These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in Note 1(d)(i).
- *Employer contribution accounts*
Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment performed every three years. The Treasurer deposits these monies in the Account into what are referred to as the Employer Contribution Accounts. The Treasurer seeks reimbursement from the Employer Contribution Account balances as benefits are paid.

Details on the contributions for past service liabilities are provided at Note 14.

- *Public authorities accounts (universities)*
Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

Details on the employer contributions for the 2018-19 financial year are provided at Note 15.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the Public Authorities Accounts referred to in Note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government Departments and the State Government liability for Statutory Authorities. The net assets figure shown in this report represents the amount available to meet these future benefits.

2. Significant accounting policies

(a) *Basis of accounting*

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

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

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

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

(b) *Impact of standards and statements not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

South Australian Superannuation Scheme

Super SA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Scheme. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Scheme are outlined below.

AASB 15 – Revenue from Contracts with Customers

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

AASB 1058 – Income of Not for Profit Entities

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

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

AASB 16 – Leases

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

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

(c) *Financial assets and liabilities*

(a) **Classification**

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

Financial assets and liabilities held for trading

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

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

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

Other financial liabilities

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

(b) **Recognition**

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

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

(c) **Initial recognition**

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

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

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

(d) **Subsequent measurement**

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

South Australian Superannuation Scheme

(e) Fair value measurement

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Receivables and payables

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

(h) Benefits payable

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

(i) Revenue recognition

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

Changes in fair values

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

Interest

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

(j) Taxation

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

(k) Goods and services tax (GST)

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

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

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

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

South Australian Superannuation Scheme

(l) Foreign currency

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

(m) Investments

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

(i) Inflation Linked Securities A

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

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

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed property trusts

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

Unlisted property vehicles

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

(iii) Australian Equities A

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

(iv) International Equities A

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

(v) Short Term and Long Term Fixed Interest

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

(vi) Diversified Strategies Growth A

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

(vii) Diversified Strategies Income

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

South Australian Superannuation Scheme

(viii) Cash

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

(ix) Socially Responsible Investment

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

(n) Operation of Investment Portfolio

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

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

During the financial year all of the above investment options were available to members for assets invested in the South Australian Superannuation Fund Account (New Scheme Division). The assets of the South Australian Superannuation Fund Account (Old Scheme Division) and the South Australian Superannuation Scheme Contribution Account are invested in the Defined Benefit (DB) High Growth Strategy.

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

(o) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

(p) Significant accounting judgements, estimates and assumptions

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

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

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

Fair value of investments

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

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

Valuation of defined benefits member liabilities

The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions include member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

South Australian Superannuation Scheme

In determining the appropriate discount rate, the actuary considers an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of defined benefit member liabilities.

The mortality assumption is based on publicly available mortality tables. Future salary increases are based on the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

3. Defined contribution member liabilities

The employee funded, defined contribution component for new scheme contributors has an accrued liability that is the balance of the employees' contribution accounts as at the end of the financial year. These accounts are valued using unit prices that are determined by the underlying investment movements.

Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Unit prices are updated twice weekly.

Refer to Note 17 for the Scheme's management of the investment risks.

4. Defined benefit member liabilities

The Scheme engages Mr Geoffrey Keen, Fellow of the Institute of Actuaries of Australia from Brett & Watson Pty Ltd to measure the defined benefits members' liabilities and the employer funded defined benefit component in respect of new scheme contributors. The Scheme has no information that would lead to adjustments to the assumptions, and which are all unchanged from the previous reporting period.

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

The expected future benefit payments have been determined using the 2016 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The actuarial valuation of member liabilities of the South Australian Superannuation Scheme is undertaken annually, at the end of each financial year.

The key assumptions used to determine the values of accrued benefits were:

- The future rate of investment earnings (net of investment taxes and fees): 7.0 per cent per annum (2018: 7.0 per cent);
- The future rate of salary growth: 4.0 per cent per annum (2018: 4.0 per cent); and
- Long term inflation (CPI): 2.5 per cent per annum (2018: 2.5 per cent).

The defined benefit members' liabilities have changed in the current financial year as a result of salary increases and additional service accrual. Note, the defined contribution values are included in the tables below for comparison.

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

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

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

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

South Australian Superannuation Scheme

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

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

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

^(a) Excludes Lump Sum Scheme accumulation liabilities

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

Vested benefits

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

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

5. Contributions receivable

	2019	2018
	\$000	\$000
Member contributions receivable	194	217
Employer contributions receivable	692	762
	886	979

South Australian Superannuation Scheme

6. Receivables

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

7. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

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

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

Valuations are the responsibility of the Board. The valuation of investments is performed on a twice weekly basis and are subject to quality assurance procedures.

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

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

Valuation technique

The Scheme's investments are not quoted in an active market. To ensure fair value can be determined, the Scheme's investment manager, Funds SA, applies due diligence and considers valuation techniques and inputs used in valuing the funds, prior to investing. In measuring fair value, consideration is given to the amounts for which financial assets can be sold, excluding transaction costs. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

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

South Australian Superannuation Scheme

8. Movement in the value of investments

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

9. Payables

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

10. Investment expenses

	2019	2018
	\$000	\$000
Investment expenses	38 667	44 315

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

11. Administration expenses

	2019	2018
	\$000	\$000
Administration expenses ⁽ⁱ⁾	3 863	2 819
Other expenses ⁽ⁱⁱ⁾	106	135
	3 969	2 954

(i) Administration expenses comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a share of the administration cost from the Scheme. In addition the total for the year ended 30 June 2019 includes the Scheme's share of the ICT Solution Project costs of \$588 000.

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

South Australian Superannuation Scheme

12. Auditors' remuneration

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

Audit fees paid (or payable), \$78 000 GST exclusive (2018 \$76 400), relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department.

13. Higher education superannuation costs

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

These amounts are paid to the Commonwealth Government that related to the South Australian share of the 2019 higher education superannuation costs under the Commonwealth – State agreement. This agreement provides that the employer component of the superannuation benefits payable to former employees of South Australian Universities who were members of one of the main State Schemes, be shared.

14. Contributions for past service liability

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

15. Employer contributions

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

16. Reconciliation of cash and cash equivalents

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

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

South Australian Superannuation Scheme

17. Financial risk management objectives and policies

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

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

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

- market risk
- credit risk
- liquidity risk

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

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

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

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

(a) Market risk

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

I. Currency risk

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

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

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

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

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

II. Interest rate risk

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

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

Funds SA manages interest rate risk through:

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

III. Other market price risk

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

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

South Australian Superannuation Scheme

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

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

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

IV. Investments sensitivity analysis

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

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

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

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

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

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

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

South Australian Superannuation Scheme

(b) Credit risk

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

The fair value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

(c) Liquidity risk

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

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

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

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

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

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

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

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

(d) Derivative financial instruments

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

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

South Australian Superannuation Scheme

18. Net assets available for member benefits

AASB 1056 recommends segregation to distinguish between different member accounts based on risk profile. The defined benefit/defined contribution split is a natural disaggregation arising from the different market risk exposures of these member categories. An alternative disaggregation is the segregation into Old Scheme (Pension Scheme) and New Scheme (Lump Sum). The following net assets table shows the splits across these latter accounts and demonstrates net assets available to pay benefits consisting of the combined balances of the South Australian Superannuation Fund and the South Australian Superannuation Scheme Contribution Account. Movements in the balances of these accounts are detailed below:

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

19. Segment information

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

South Australian Superannuation Scheme

20. Related parties

Key management personnel

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

Compensation

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

Transactions with key management personnel and other related parties

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

Transactions with other government entities

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

21. Events after the reporting period

There were no significant events after the reporting period.

South Australian Superannuation Scheme

Certification of the financial report

We certify that the:

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



Gregory Boulton AM
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Erin Fitzgerald
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION
STATE SUPERANNUATION OFFICE

Date 13.9.19.....



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

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

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Southern State Superannuation Scheme as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2019
- an Income Statement for the year ended 30 June 2019
- a Statement of Changes in Member Benefits for the year ended 30 June 2019
- a Statement of Changes in Reserves for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, State Superannuation Office.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

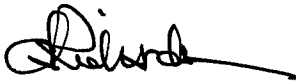
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southern State Superannuation Scheme's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, State Superannuation Office

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

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

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



Andrew Richardson

Auditor-General

18 September 2019

Southern State Superannuation Scheme

Statement of Financial Position as at 30 June 2019

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

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

Income Statement for the year ended 30 June 2019

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

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

Southern State Superannuation Scheme

Statement of Changes in Member Benefits

for the year ended 30 June 2019

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

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

Statement of Changes in Reserves

for the year ended 30 June 2019

2019	Administration Fee Reserve	Death, Invalidity and Income Protection Insurance Reserve	Operational Risk Reserve	Over/(under) allocated benefits	Total equity
	\$000	\$000	\$000	\$000	\$000
Opening balance	4 027	155 347	32 873	9 271	201 518
Net operating result	(2 057)	9 716	2 612	(4 652)	5 619
Net transfers from reserves/equity	-	-	-	(498)	(498)
Closing balance	<u>1 970</u>	<u>165 063</u>	<u>35 485</u>	<u>4 121</u>	<u>206 639</u>

2018	Administration Fee Reserve	Death, Invalidity and Income Protection Insurance Reserve	Operational Risk Reserve	Over/(under) allocated benefits	Total equity
	\$000	\$000	\$000	\$000	\$000
Opening balance	7 518	149 835	30 050	(6 721)	180 682
Net operating result	(3 491)	5 512	2 823	16 043	20 887
Net transfers from reserves/equity	-	-	-	(51)	(51)
Closing balance	<u>4 027</u>	<u>155 347</u>	<u>32 873</u>	<u>9 271</u>	<u>201 518</u>

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

Southern State Superannuation Scheme

Statement of Cash Flows for the year ended 30 June 2019

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

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

Southern State Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) *Southern State Superannuation Scheme*

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

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

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 9.50 per cent (2018: 9.50 per cent) of salary where the member has elected to contribute less than 4.5 per cent of salary. Where the member has elected to contribute 4.5 per cent or more of salary, the employer must contribute at a rate of 10 per cent.

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

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

(b) *South Australian Superannuation Board*

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

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

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

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

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

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

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

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

(d) *Funding arrangements*

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

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

Southern State Superannuation Scheme

2. Significant accounting policies

(a) *Basis of accounting*

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

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

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

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

(b) *Impact of standards and statements not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

Super SA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Scheme. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Scheme are outlined below.

AASB 15 – Revenue from Contracts with Customers

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

AASB 1058 – Income of Not for Profit Entities

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

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

AASB 16 – Leases

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

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

(c) *Financial assets and liabilities*

(a) *Classification*

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

Financial assets and liabilities held for trading

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

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

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

Other financial liabilities

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

(b) *Recognition*

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

Southern State Superannuation Scheme

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

(c) Initial recognition

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

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

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

(d) Subsequent measurement

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

(e) Fair value measurement

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Receivables and payables

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

(h) Benefits payable

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

(i) Insurance liabilities

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

(j) Revenue recognition

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

Southern State Superannuation Scheme

Changes in fair values

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

Interest

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

(k) Taxation

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

(l) Goods and services tax (GST)

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

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

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

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

(m) Foreign currency

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

(n) Investments

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

(i) Inflation Linked Securities A

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

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

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed Property Trusts

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

Unlisted property vehicles

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

(iii) Australian Equities A

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

(iv) International Equities A

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

Southern State Superannuation Scheme

(v) Short Term and Long Term Fixed Interest

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

(vi) Diversified Strategies Growth A

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

(vii) Diversified Strategies Income

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

(viii) Cash

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

(ix) Socially Responsible Investment

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

(o) **Operation of investment portfolio**

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

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

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

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

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

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

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

Fair value of investments

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

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

Southern State Superannuation Scheme

3. Member benefit liabilities

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

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

4. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

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

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

Valuations are the responsibility of the Board. The valuation of investments is performed daily and are subject to quality assurance procedures. After the checks above have been performed the Board considers the valuation results, including assumptions used in the valuations.

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

Valuation technique

The Scheme's investments are not quoted in an active market. To ensure fair value can be determined, the Scheme's investment manager, Funds SA, applies due diligence and considers valuation techniques and inputs used in valuing the funds, prior to investing. In measuring fair value, consideration is given to the amounts for which financial assets can be sold, excluding transaction costs. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

	2019	2018
	\$000	\$000
Financial assets at fair value through profit or loss - Level 2		
Level 1 and level 3 are not relevant to the Scheme		
Unlisted managed investment schemes	18 983 247	17 242 415
Funds SA	18 983 247	17 242 415

Southern State Superannuation Scheme

5. Value of investments by option

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

6. Receivables

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

7. Contributions receivables

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

8. Payables

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

9. Death, Invalidation and Income Protection Insurance Reserve

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

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

Southern State Superannuation Scheme

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

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

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

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

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

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

10. Administration Fee Reserve

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

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

(i) The Administration Fee Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2019 was 8.1 per cent.

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

Southern State Superannuation Scheme

11. Operational Risk Reserve

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

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

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

12. Allocated to members' accounts

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

13. Unallocated to members' accounts

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

14. Investment expenses

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

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

15. Administration expenses

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

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

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

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

Southern State Superannuation Scheme

16. Auditors' remuneration

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

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

17. Reconciliation of cash and cash equivalents

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

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

Reconciliation of operating result to net cash from operating activities

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

18. Financial risk management objectives and policies

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

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

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

- market risk
- credit risk
- liquidity risk

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

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

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

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

Southern State Superannuation Scheme

(a) Market risk

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

(i) Currency risk

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

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

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

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

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

(ii) Interest rate risk

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

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

Funds SA manages interest rate risk through:

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

(iii) Other market price risk

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

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

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

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

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

(iv) Investments sensitivity analysis

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

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

Southern State Superannuation Scheme

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

The Funds SA statistics shown above are net of investment management fees and gross of tax. These investment statistics have zero per cent tax rate applied and exclude franking credits.

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

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

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

(b) Credit risk

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

The fair value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

(c) Liquidity risk

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

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

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

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

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

Southern State Superannuation Scheme

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

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

(i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).

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

(d) Derivative financial instruments

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

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

19. Segment information

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

20. Related parties

Key management personnel

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

Compensation

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

Transactions with key management personnel and other related parties

There were no transactions requiring disclosure for key management personnel or related parties.

Transactions with other government entities

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

21. Events after the reporting period

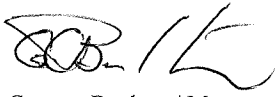
There were no significant events after the reporting period.

Southern State Superannuation Scheme

Certification of the financial report

We certify that the:

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



Gregory Boulton AM
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Erin Fitzgerald
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION
STATE SUPERANNUATION OFFICE

Date 13.9.19.....



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To the Presiding Member 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 2019.

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 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2019
- an Income Statement for the year ended 30 June 2019
- a Statement of Member Benefits for the year ended 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, State Superannuation Office.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of 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.

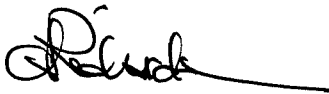
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 Super SA Retirement Investment Fund's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, State Superannuation Office

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

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

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



Andrew Richardson

Auditor-General

18 September 2019

Super SA Retirement Investment Fund

Statement of Financial Position as at 30 June 2019

	Note	2019 \$000	2018 \$000
Assets			
Cash and cash equivalents	12	24 739	27 049
Receivables	4	216	239
Investments	5	4 946 713	4 363 204
Total Assets		4 971 668	4 390 492
Liabilities			
Benefits payable		26 350	15 162
Payables	7	213	718
Insurance liabilities		667	325
Provision for PAYG withholding tax		94	108
Income tax payable	11(b)	6 612	4 766
Deferred tax liabilities	11(c)	21 359	16 843
Total liabilities excluding member benefits		55 295	37 922
Net assets available for member benefits		4 916 373	4 352 570
Member benefits			
Income Stream (IS) member benefit liabilities	3	3 595 496	3 179 310
Flexible Rollover Product (FRP) member benefit liabilities	3	1 298 897	1 154 283
Total member benefits		4 894 393	4 333 593
Total net assets		21 980	18 977
Equity			
Administration Fee Reserve	13	19 111	15 098
Insurance Reserve	14	2 063	2 464
Operational Risk Reserve	15	11 465	8 359
Investment allocation (under)		(10 659)	(6 944)
Total equity		21 980	18 977

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

Income Statement

for the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
Change in investments measured at fair value		341 692	330 981
Interest		438	360
Other income		6 016	5 474
Total revenue		348 146	336 815
Investment expenses	8	24 355	25 260
Administration expenses	9	3 493	3 643
Total expenses		27 848	28 903
Result from superannuation activities		320 298	307 912
Net result from insurance activities		(758)	508
Result from operating activities		319 540	308 420
Net benefits allocated to IS members accounts		(237 947)	(225 117)
Net benefits allocated to FRP members accounts		(74 713)	(74 738)
Operating result before income tax		6 880	8 565
Income tax expense (benefit)	11(a)	3 877	774
Net operating result		3 003	7 791

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

Super SA Retirement Investment Fund

Statement of Member Benefits

as at 30 June 2019

2019	Note	Flexible Rollover		Totals
		Product \$000	Income Stream \$000	
Opening Balance as at 1 July 2018		1 154 283	3 179 310	4 333 593
Member contributions		67 696	-	67 696
Government co-contributions		67	-	67
Spouse contributions		878	-	878
Rollovers from other schemes		416 900	809 895	1 226 795
Income tax on rollovers		(36 729)	(56 353)	(93 082)
Net contributions		448 812	753 542	1 202 354
Benefits to members		(379 450)	(575 303)	(954 753)
Insurance premiums charged to members		(380)	-	(380)
Insurance benefits credited to members		919	-	919
Net benefits comprising:				
Net investment income		75 858	245 135	320 993
Administration fees		(1 145)	(7 188)	(8 333)
Closing Balance as at 30 June 2019	3	1 298 897	3 595 496	4 894 393

2018	Note	Flexible Rollover		Totals
		Product \$000	Income Stream \$000	
Opening Balance as at 1 July 2017		985 084	2 754 637	3 739 721
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)
Net contributions		408 767	709 579	1 118 346
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)
Closing Balance as at 30 June 2018	3	1 154 283	3 179 310	4 333 593

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 2019

	Administration Fee Reserve	Insurance Reserve	Operational Risk Reserve	(Under)/over allocated benefits	Total Equity
2019	\$000 Note 13	\$000 Note 14	\$000 Note 15	\$000	\$000
Opening Balance	15 098	2 464	8 359	(6 944)	18 977
Net operating result	4 013	(401)	3 106	(3 715)	3 003
Closing Balance	19 111	2 063	11 465	(10 659)	21 980

	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
Opening Balance	11 955	1 936	5 824	(8 491)	11 224
Net operating result	3 143	528	2 535	1 585	7 791
Net transfers to/from reserves/equity	-	-	-	(38)	(38)
Closing Balance	15 098	2 464	8 359	(6 944)	18 977

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

Statement of Cash Flows for the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
GST recoup		273	202
Other income		434	353
Administration expenses paid		(3 744)	(3 880)
Income tax paid		(9 769)	(8 691)
Net cash flows from operating activities	12	(12 806)	(12 016)
Payments to Funds SA for the purchase of investments		(748 753)	(706 360)
Receipts from the sale of investments from Funds SA		488 597	412 357
Net cash flows from investing activities		(260 156)	(294 003)
Member contributions		67 697	54 923
Spouse contributions		878	1 034
Government co-contributions		67	57
Net transfers from other superannuation entities		1 226 363	1 145 620
Payments from the Operational Risk Reserve		6	-
Income Stream payments		(567 517)	(511 347)
Flexible Rollover Product payments		(376 015)	(308 920)
Contributions tax paid		(80 827)	(66 669)
Net cash flows from financing activities		270 652	314 698
Net change in cash		(2 310)	8 679
Cash at beginning of the financial period		27 049	18 370
Cash at end of the financial period	12	24 739	27 049

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 Act). 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.

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(b) *Impact of standards and statements not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

Super SA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Fund. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Fund are outlined below.

AASB 15 – Revenue from Contracts with Customers

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

AASB 1058 – Income of Not for Profit Entities

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

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

AASB 16 – Leases

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

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

(c) *Financial assets and liabilities*

(a) **Classification**

The Fund 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 Fund, if any, do not meet the hedge accounting criteria as defined by AASB 9. 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.

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(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'.

(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 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 2019 but paid after 30 June 2019.

(i) Insurance liabilities

Insurance liabilities have been recognised and measured using the approach to measuring defined benefit member liabilities as required by AASB 1056. The 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 per cent 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 per cent.

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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).

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 B 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.

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(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.

(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 2018). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

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

(viii) Cash

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

(ix) Socially Responsible Investment

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

(o) Operation of investment portfolio

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

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(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 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.

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		Income Stream		Totals	
	Product					
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Member benefits	1 298 897	1 154 283	3 595 496	3 179 310	4 894 393	4 333 593
As compared to net assets	1 308 108	1 159 742	3 608 265	3 192 828	4 916 373	4 352 570

4. Receivables

	Flexible Rollover		Income Stream		Totals	
	Product					
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Refund from ATO for GST	18	17	50	72	68	89
Interest	18	10	17	20	35	30
Contributions receivable	113	-	-	-	113	-
Rollovers receivable	-	-	-	120	-	120
	149	27	67	212	216	239

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.

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Valuation technique

The Fund's investments are not quoted in an active market. To ensure fair value can be determined, the Fund'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 Fund classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

	Flexible Rollover Product		Income Stream		Totals	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Financial assets at fair value through profit or loss - Level 2						
Level 1 and level 3 are not relevant to the Fund						
Unlisted managed investment schemes	1 327 208	1 175 119	3 619 505	3 188 085	4 946 713	4 363 204
Funds SA	1 327 208	1 175 119	3 619 505	3 188 085	4 946 713	4 363 204

6. Movement in the value of investments

	Flexible Rollover Product		Income Stream		Totals	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Investments at 1 July	1 175 119	995 694	3 188 085	2 762 139	4 363 204	3 757 833
High Growth	4 970	6 683	16 248	19 918	21 218	26 601
Growth	19 543	26 414	22 526	48 746	42 069	75 160
Balanced	83 322	111 227	253 953	250 159	337 275	361 386
Moderate	19 393	27 419	58 843	70 950	78 236	98 369
Conservative	3 646	21 474	23 556	31 148	27 202	52 622
Capital Defensive	6 970	8 148	38 375	13 682	45 345	21 830
Cash	14 040	(24 024)	14 334	(11 706)	28 374	(35 730)
Socially Responsible	205	2 084	3 585	3 049	3 790	5 133
Change in investments	152 089	179 425	431 420	425 946	583 509	605 371
Investments at 30 June	1 327 208	1 175 119	3 619 505	3 188 085	4 946 713	4 363 204

7. Payables

	Flexible Rollover Product		Income Stream		Totals	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Audit fees payable	13	15	36	32	49	47
Contributions refundable	-	100	-	-	-	100
Rollovers refundable	-	365	164	206	164	571
	13	480	200	238	213	718

8. Investment expenses

	Flexible Rollover Product		Income Stream		Totals	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Investment expenses	6 551	6 778	17 804	18 482	24 355	25 260
	6 551	6 778	17 804	18 482	24 355	25 260

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

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9. Administration expenses

	Flexible Rollover Product		Income Stream		Totals	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Administration expenses	831	826	2 597	2 768	3 428	3 594
Other expenses ⁽ⁱ⁾	18	15	47	34	65	49
	<u>849</u>	<u>841</u>	<u>2 644</u>	<u>2 802</u>	<u>3 493</u>	<u>3 643</u>

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

10. Auditors' remuneration

	2019	2018
	\$000	\$000
Audit fees paid or payable	45	56
	<u>45</u>	<u>56</u>

Audit fees paid (or payable), \$44 700 GST exclusive (2018 \$55 900), 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 Product		Income Stream		Totals	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Major components of tax expense						
(a) Current income tax expense						
Current tax charge	2 165	1 875	(9 264)	(7 012)	(7 099)	(5 137)
Adjustment to current tax for prior periods	954	403	5 506	(1 029)	6 460	(626)
Relating to the originating and reversal of temporary differences	3 281	5 083	963	1 765	4 244	6 848
Adjustment to deferred tax for prior periods	(185)	(311)	457	-	272	(311)
Income tax expense	<u>6 215</u>	<u>7 050</u>	<u>(2 338)</u>	<u>(6 276)</u>	<u>3 877</u>	<u>774</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	10 003	8 144	(3 123)	421	6 880	8 565
Tax applicable at the rate of 15% (2018: 15%)	1 500	1 222	(468)	63	1 032	1 285
Tax effect of expenses that are not assessable/or deductible in determining taxable income:						
Non deductible expenses	-	-	44	46	44	46
Tax effect of income/(losses) that are not assessable/or deductible in determining taxable income:						
Investment revenue	(2 742)	(2 209)	(1 355)	(4 390)	(4 097)	(6 599)
Exempt pension income	-	-	(29 451)	(26 641)	(29 451)	(26 641)
Tax effect of other adjustments:						
Imputation and foreign tax credits	(4 596)	(3 076)	(12 813)	(7 764)	(17 409)	(10 840)
(Over)/under provision prior period	770	92	5 963	(1 029)	6 733	(937)
Self-Insurance deduction	(71)	(65)	-	-	(71)	(65)
Net benefit allocated to members	11 360	11 092	35 742	33 439	47 102	44 531
Deductible financial planning fees	(6)	(6)	-	-	(6)	(6)
Income tax expense	<u>6 215</u>	<u>7 050</u>	<u>(2 338)</u>	<u>(6 276)</u>	<u>3 877</u>	<u>774</u>

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(b) Current tax liabilities

Balance at beginning of year	1 785	1 042	2 981	2 168	4 766	3 210
Income tax paid - current period	(37 693)	(33 251)	(41 676)	(39 524)	(79 369)	(72 775)
Income tax paid - prior periods	(2 739)	(1 445)	(8 487)	(1 139)	(11 226)	(2 584)
Current years income tax provision	38 893	35 036	45 201	42 505	84 094	77 541
(Over)/under provision prior period	954	403	7 393	(1 029)	8 347	(626)
Current tax liability	1 200	1 785	5 412	2 981	6 612	4 766

(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)	(2)	(3)
Realised capital losses carried forward (discounted)	-	(1 232)	-	(92)	-	(1 324)
Unrealised capital losses/(gains) carried forward (discounted)	18 176	16 312	3 185	1 858	21 361	18 170
Deferred tax liability	18 174	15 078	3 185	1 765	21 359	16 843

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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Cash and cash equivalents	12 946	10 989	11 793	16 060	24 739	27 049

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

Net operating result	3 788	1 094	(785)	6 697	3 003	7 791
Adjustments for:						
Change in investments measured at fair value	(92 184)	(89 417)	(249 508)	(241 564)	(341 692)	(330 981)
Investment expenses	6 551	6 778	17 804	18 482	24 355	25 260
Administration fee received	(500)	(452)	(5 516)	(5 022)	(6 016)	(5 474)
Net insurance movement	881	(336)	-	-	881	(336)
(Increase) / decrease in receivables	(9)	(3)	25	(46)	16	(49)
(decrease) / increase in payables	(2 152)	(5 536)	(3 861)	(2 546)	(6 013)	(8 082)
Allocation to members accounts	74 713	74 738	237 947	225 117	312 660	299 855
Net cash outflows from operating activities	(8 912)	(13 134)	(3 894)	1 118	(12 806)	(12 016)

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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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Opening balance	(526)	(153)	15 624	12 108	15 098	11 955
Investment earnings ⁽ⁱ⁾	-	-	1 425	1 262	1 425	1 262
Premiums and charges	500	452	5 516	5 022	6 016	5 474
Administration fees	(831)	(825)	(2 597)	(2 768)	(3 428)	(3 593)
Operating result	(331)	(373)	4 344	3 516	4 013	3 143
Closing balance	(857)	(526)	19 968	15 624	19 111	15 098

- (i) The Administration Reserves are notionally invested in the Balanced Option. The annual earning rates were 7.01 per cent (FRP), 8.10 per cent (IS) and 7.01 per cent (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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Opening balance	2 464	1 936	-	-	2 464	1 936
Investment earnings ⁽ⁱ⁾	138	172	-	-	138	172
Premiums and charges	380	356	-	-	380	356
Benefit payments	(919)	-	-	-	(919)	-
Operating result	(401)	528	-	-	(401)	528
Closing balance	2 063	2 464	-	-	2 063	2 464

- (i) The Insurance Reserve is notionally invested in the Balanced option. The annual earning rate was 7.01 per cent.

15. Operational Risk Reserve

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

	Flexible Rollover Product		Income Stream		Totals	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Opening balance	2 142	1 564	6 217	4 260	8 359	5 824
Investment earnings ⁽ⁱ⁾	184	144	599	464	783	608
Premiums and charges	646	434	1 671	1 493	2 317	1 927
Payments from reserve	(1)	-	7	-	6	-
Operating result	829	578	2 277	1 957	3 106	2 535
Closing balance	2 971	2 142	8 494	6 217	11 465	8 359

- (i) The Operational Risk Reserves are notionally invested in the Balanced option. The annual earning rates were 7.01 per cent (FRP), 8.10 per cent (IS) and 7.01 per cent (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 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

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

(ii) Interest rate risk

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

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

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The 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 option. The following tables show the standard deviation around expected nominal returns for each investment option.

Income Stream

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 per cent tax rate applied and includes franking credits.

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2019				
Investment Option	%	%	\$000	\$000
High Growth B	8.3	11.2	78 583	8 801
Growth B	7.7	9.4	210 020	19 742
Balanced B	6.9	8.4	1 375 855	115 572
Moderate B	6.1	6.6	454 160	29 975
Conservative B	5.3	5.3	404 860	21 458
Capital Defensive B	4.4	3.7	171 151	6 333
Cash B	2.7	1.0	92 771	928
Socially Responsible B	6.3	10.0	28 836	2 884
	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2018				
Investment Option	%	%	\$000	\$000
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

Super SA Retirement Investment Fund

Income Stream Transition to Retirement

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 per cent tax rate applied and includes franking credits.

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2019				
Investment Option	%	%	\$000	\$000
High Growth B	7.3	11.0	40 905	4 500
Growth B	6.6	9.3	31 343	2 915
Balanced B	6.2	8.4	354 389	29 769
Moderate B	5.3	6.6	84 441	5 573
Conservative B	4.7	5.2	44 938	2 337
Capital Defensive B	3.8	3.7	14 980	554
Cash B	2.3	1.0	11 887	119
Socially Responsible B	5.4	9.9	4 679	463

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2018				
Investment Option	%	%	\$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

Flexible Rollover Product

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 per cent tax rate applied and includes franking credits.

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2019				
Investment Option	%	%	\$000	\$000
High Growth B	7.3	11.0	58 138	6 395
Growth B	6.6	9.3	127 930	11 897
Balanced B	6.2	8.4	620 967	52 161
Moderate B	5.3	6.6	162 882	10 750
Conservative B	4.7	5.2	128 927	6 704
Capital Defensive B	3.8	3.7	90 037	3 331
Cash B	2.3	1.0	47 199	472
Socially Responsible B	5.4	9.9	15 084	1 493

Super SA Retirement Investment Fund

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2018	%	%	\$000	\$000
Investment Option				
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

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 fair 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.

	Less than 3 Months	Total Contractual Cash Flows	Carrying Amount Liabilities
2019	\$000	\$000	\$000
Benefits payable	26 350	26 350	26 350
Payables ⁽ⁱ⁾	164	164	164
Vested benefits ⁽ⁱⁱ⁾	4 894 393	4 894 393	4 894 393
Total	4 920 907	4 920 907	4 920 907

Super SA Retirement Investment Fund

2018	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	15 162	15 162	15 162
Payables ⁽ⁱ⁾	671	671	671
Vested benefits ⁽ⁱⁱ⁾	4 333 593	4 333 593	4 333 593
Total	4 349 426	4 349 426	4 349 426

- (i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).
- (ii) Vested benefits have been included in the "Less than 3 months" column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the 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 is reflected 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 the four 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:

- Financial statements of the Super SA Retirement Investment Fund:
 - are in accordance with the accounts and records of the Fund; and comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Fund 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 Fund over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Gregory Boulton AM
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Erin Fitzgerald
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION
STATE SUPERANNUATION OFFICE

Date .. 13.9.19



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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 9 of schedule 3 of the *Superannuation Act 1988*, I have audited the financial report of the South Australian Ambulance Service Superannuation Scheme for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Ambulance Service Superannuation Scheme as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2019
- an Income Statement for the year ended 30 June 2019
- a Statement of Changes in Member Benefits for the year ended 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, State Superannuation Office.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

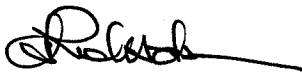
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Ambulance Service Superannuation Scheme's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, State Superannuation Office

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

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

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



Andrew Richardson

Auditor-General

18 September 2019

South Australian Ambulance Service Superannuation Scheme

Statement of Financial Position

As at 30 June 2019

		2019	2018
	Note	\$000	\$000
Assets			
Cash and cash equivalents	13	363	879
Receivables	7	9	9
Contributions receivable		3	3
Investments	5, 6	288 205	267 493
Tax assets	14(c)	594	-
Total assets		289 174	268 384
Liabilities			
Benefits payable		3	2
Payables	8	29	462
Insurance liabilities		521	522
Deferred tax liabilities	14(d)	6 823	5 384
Total liabilities excluding member benefits		7 376	6 370
Net assets available for member benefits		281 798	262 014
Member benefits			
Defined benefit member liabilities	3	194 188	182 902
Defined contribution member liabilities	4	65 215	60 475
Total member liabilities		259 403	243 377
Net assets		22 395	18 637
Equity			
Insurance Reserve	15	3 406	3 047
Operational Risk Reserve	16	697	651
Defined benefits that are over funded		18 292	14 939
Total equity		22 395	18 637

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

Income Statement

For the year ended 30 June 2019

		2019	2018
	Note	\$000	\$000
Changes in investments measured at fair value		22 378	24 414
Interest revenue		9	11
Revenue		22 387	24 425
Investment expenses	9	1 655	1 876
Administration expenses	10	354	352
Result from superannuation activities		2 009	2 228
Insurance expense		251	285
Result from operating activities		20 127	21 912
Net change in defined benefit member liabilities		(11 819)	(10 689)
Allocation to defined contribution member accounts		(3 102)	(3 184)
Result from operating activities before tax		5 206	8 039
Income tax	14(b)	1 446	1 823
Net operating result		3 760	6 216

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

South Australian Ambulance Service Superannuation Scheme

Statement of Changes in Member Benefits

For the year ended 30 June 2019

	Defined Benefit 2019 \$000	Defined Contribution 2019 \$000	Total 2019 \$000
Opening balance as at 1 July 2018	182 902	60 475	243 377
Employer contributions	7 780	2 536	10 316
Member contributions	-	1 229	1 229
Transfers from other super entities	-	621	621
Government co-contributions	-	5	5
Contributions tax	(1 169)	(381)	(1 550)
Net contributions	6 611	4 010	10 621
Benefits to members	(7 366)	(2 402)	(9 768)
Insurance premiums charged to members	-	(42)	(42)
Insurance benefits credited to members	222	72	294
Net benefits comprising:			
Net investment income	-	3 102	3 102
Net change in member liabilities	11 819	-	11 819
Closing balance as at 30 June 2019	194 188	65 215	259 403

	Defined Benefit 2018 \$000	Defined Contribution 2018 \$000	Total 2018 \$000
Opening balance as at 1 July 2017	178 472	57 721	236 193
Employer contributions	8 070	2 631	10 701
Member contributions	-	1 325	1 325
Transfers from other super entities	-	319	319
Government co-contributions	-	8	8
Contributions tax	(1 213)	(396)	(1 609)
Net contributions	6 857	3 887	10 744
Benefits to members	(13 384)	(4 364)	(17 748)
Insurance premiums charged to members	-	(42)	(42)
Insurance benefits credited to members	269	88	357
Net benefits comprising:			
Net investment income	-	3 185	3 185
Net change in member liabilities	10 688	-	10 688
Closing balance as at 30 June 2018	182 902	60 475	243 377

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

South Australian Ambulance Service Superannuation Scheme

Statement of Changes in Equity

For the year ended 30 June 2019

	Insurance Reserve \$000 Note 15	Operational Risk Reserve \$000 Note 16	Over/(under) allocated benefits \$000	Total equity \$000
2019				
Opening balance	3 047	651	14 939	18 637
Net operating result	359	46	3 355	3 760
Net transfers to equity	-	-	(2)	(2)
Closing balance	3 406	697	18 292	22 395
2018				
Opening balance	2 733	604	9 082	12 419
Net operating result	314	47	5 854	6 215
Net transfers to equity	-	-	3	3
Closing balance	3 047	651	14 939	18 637

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

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
Bank interest		9	11
GST Recoup		26	22
Audit expense		(27)	(26)
Consultancy expenses		(11)	(39)
Administration expenses paid		(341)	(311)
Income tax paid		(1 037)	(1 159)
Net cash flows from operating activities	13	(1 381)	(1 502)
Receipts from the sale of investments from Funds SA		7 810	16 780
Payments to Funds SA for the purchase of investments		(7 800)	(8 910)
Net cash flows from investing activities		10	7 870
Employer contributions		9 930	10 627
Member contributions		1 181	1 315
Government co-contributions		5	8
Transfers from other superannuation entities		621	319
Benefit payments to members		(9 769)	(17 749)
Contributions tax paid		(1 113)	(1 019)
Net cash flows from financing activities		855	(6 499)
Net change in cash		(516)	(131)
Cash at the beginning of the financial period		879	1 010
Cash at the end of the financial period		363	879

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

South Australian Ambulance Service Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) **South Australian Ambulance Service Superannuation Scheme**

On 29 June 2006, the Treasurer declared the South Australian Ambulance Service Superannuation Scheme (the Scheme) a scheme and fund established pursuant to Clause 2 of Schedule 3 of the *Superannuation Act 1988* (the Act). The net assets of the SA Ambulance Service Superannuation Fund (the former scheme) as at 30 June 2006 were transferred to the Scheme. The Scheme is an exempt public sector superannuation scheme in terms of schedule 1AA of the *Superannuation Industry (Supervision) Regulations 1994* (Cwlth). The Scheme is a taxed scheme by virtue of schedule 4 of the *Income Tax Assessment Regulations 1997* (Cwlth).

The Scheme is governed by a Trust Deed and Rules pursuant to the Act and became effective from 1 July 2006. The Scheme's membership includes contributory, non-contributory, spouse, and preserved members. The main benefit for contributory members is a defined benefit. Non-contributory, spouse and preserved members are entitled to accumulation benefits. The Scheme provides benefits to members on retirement, resignation, death, permanent or temporary disablement and serious ill health.

Member and Employer contributions are deposited by the Treasurer into the fund established for the Scheme (the Fund). The Scheme was closed to further new members with effect from 1 July 2008.

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

(b) **South Australian Superannuation Board**

Pursuant to Clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared the South Australian Superannuation Board (the Board) the Trustee of the Scheme from 1 July 2006. As Trustee of the Scheme, the Board is responsible for administering the Trust Deed and Rules.

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

Pursuant to Clause 2(1)(c) of Schedule 3 of the Act, the Treasurer declared the Fund to be invested and managed by Funds SA from 1 July 2006.

For further information on the investment of the Fund, reference should be made to the annual report of Funds SA.

(d) **Funding arrangements**

For the year ended 30 June 2019, contributory members contributed 5 per cent of post-tax salary or 5.9 per cent of pre-tax salary. Members could also make additional voluntary contributions on either a pre-tax or post-tax basis. The employer contributed at the rate of 12 per cent of member salaries. For members who were entitled to the SA Ambulance Service Award superannuation benefit under the Scheme, the employer contributed an additional 3 per cent of salaries (3.72 per cent for Elective Services employees and Emergency Services staff).

Non-contributory members are employees employed on a casual basis or those employees who elected prior to 30 June 2006 to not be a defined benefit member. Non-contributory members may make voluntary post-tax or pre-tax contributions. The employer contribution for non-contributory members is 9.5 per cent (2018: 9.5 per cent) of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

The triennial actuarial review as at 30 June 2017 recommended that the current employer contribution for the defined benefit scheme members be reduced from 12 per cent to 9.5 per cent, effective from 1 July 2018. This new contribution rate has been approved by the Board. This rate is expected to maintain the value of the Scheme's assets at least equal to 105 per cent of accrued and vested defined benefits until at least 2020. The 9.5 per cent employer contribution includes 0.83 per cent in respect of insurance premiums. The next triennial actuarial review, as at 30 June 2020, is scheduled for the scheme during 2020-21.

The insurance cover for Death, Total and Permanent Disablement, Serious Ill-Health and Income Protection was provided as a self-insurance arrangement within the fund from 1 July 2006. The actuarial review as at 30 June 2017 recommended that the self-insurance contribution of 0.83 per cent be maintained and that the voluntary contribution rate of \$1.35 per unit per week also be maintained. The review also recommended that the self-insurance reserve be increased from 100 per cent to 200 per cent of one year's expected claim costs.

As at 30 June 2019, the asset coverage of vested benefits met the target of 105 per cent.

2. Significant accounting policies

(a) **Basis of accounting**

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

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

South Australian Ambulance Service Superannuation Scheme

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$000). The scheme is a not-for-profit entity for the purpose of preparing financial statements.

(a) *Impact of standards and statements not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

Super SA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Scheme. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Scheme are outlined below.

AASB 15 – Revenue from Contracts with Customers

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

AASB 1058 – Income of Not for Profit Entities

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

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

AASB 16 – Leases

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

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

(b) *Financial assets and liabilities*

(a) **Classification**

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

Financial assets and liabilities held for trading

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

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

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the 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, i.e. the date that the Scheme commits to purchase or sell the asset.

(c) **Initial recognition**

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

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

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

(d) Subsequent measurement

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

(e) Fair value measurement

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Receivables and payables

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

(h) Benefits payable

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

(i) Insurance liabilities

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

(j) Taxation

The Scheme 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.

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).

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.

South Australian Ambulance Service Superannuation Scheme

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 Scheme 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 Scheme intends to settle its current tax assets and liabilities on a net basis.

(k) Revenue recognition

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

Changes in fair values

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

Interest

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

(l) Goods and services tax (GST)

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

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

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

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

(m) Foreign currency

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

(n) Investments

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

(i) Inflation Linked Securities 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.

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(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.

(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 2018). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

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

(viii) Cash

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

(o) Operation of investment portfolio

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2019, Funds SA managed the Balanced investment for the fund and reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to the investment discussed in the preceding paragraphs.

(p) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

(q) 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.

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

Fair value of investments

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

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

Valuation of defined benefits member liabilities

The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the actuary considers an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of defined benefit member liabilities.

The mortality assumption is based on publicly available mortality tables. Future salary increases are based on the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

3. Defined benefit member liabilities

Actuarial valuations to determine the liability for accrued benefits are conducted at least every three years and is undertaken by Stuart Miles (FIAA), Principal, and Representative Mercer Consulting (Australia) Pty Ltd. The actuarial valuation was undertaken as at 30 June 2016 with the next triennial valuation to be undertaken as at 30 June 2019. The member defined benefit liability was determined on the basis of the present value of the expected future payments that will arise from membership of the Scheme up to 30 June 2019.

The annual update of the defined benefit member liability has been determined by reference to the expected future salary level increases (3.5 per cent; 2018: 3.5 per cent) and by application of the market-based, risk-adjusted discount rate after tax (5 per cent; 2018: 5 per cent).

	2019	2018
	\$000	\$000
Defined benefit member liabilities	194 188	182 902

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. The accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2019.

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

- i. The assumed discount has been determined by reference to the investment returns expected on an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of defined benefit member liabilities.
- ii. The assumed annual salary adjustment has been determined by reference to the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsor.

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include: pension indexation rates, mortality rates and resignations.

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The following table outlines the sensitivity estimates of the total member liabilities (both defined benefit (\$194 million) and defined contribution (\$65 million)), provided by the Scheme actuary, on the net earnings and salary growth.

	Member Liability result	Change in member benefit liability	Change in member benefit liability
	\$000	\$000	%
Base case	259 403	-	-
Salary growth less 0.5%	256 965	(2 438)	-0.9%
Net earnings less 0.5%	263 452	4 049	1.6%

As advised in Note 1(d), employer contributions for the year have been made at the rate determined by the Scheme actuary.

Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

	2019 \$000	2018 \$000
Defined benefit vested benefits	193 848	171 121

4. Defined contribution member liabilities

The employee funded, defined contribution component for the defined contribution accrued liability, that is, the balance of the employees' contribution accounts as at the end of the financial year. These accounts are valued using unit prices that are determined by the underlying investment movements.

	2019 \$000	2018 \$000
Defined contribution member liabilities	65 215	60 475

Defined contribution members bear the investment risk relating to the underlying assets and unit prices. Unit prices are updated twice weekly.

	2019 \$000	2018 \$000
Defined benefit vested benefits	193 848	171 121
Defined contribution member liabilities	65 215	60 475
Total vested benefits	259 063	231 596

Refer to Note 17 for the Scheme's management of the investment risks.

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

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

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

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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 these funds prior to investing. In measuring this 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.

Financial assets at fair value through profit or loss - Level 2		2019	2018	
Level 1 and level 3 are not relevant to the Scheme		\$000	\$000	
Unlisted managed investment schemes		288 205	267 493	
Funds SA		<u>288 205</u>	<u>267 493</u>	
6. Value of investments				
		2019	2018	
		\$000	\$000	
Balanced option		288 205	267 493	
Investments at 30 June		<u>288 205</u>	<u>267 493</u>	
7. Receivables				
		2019	2018	
		\$000	\$000	
GST recoup from ATO		8	8	
Other receivables		1	1	
		<u>9</u>	<u>9</u>	
8. Payables				
		2019	2018	
		\$000	\$000	
Audit fees payable		26	25	
Unearned revenue		-	433	
Provision for PAYG Withholding		3	4	
		<u>29</u>	<u>462</u>	
9. Investment expenses				
		2019	2018	
		\$000	\$000	
Investment expenses		<u>1 655</u>	<u>1 876</u>	
Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment.				
10. Administration expenses				
	DB Scheme	DC Scheme	2019	2018
	\$000	\$000	\$000	\$000
Administration expenses ⁽ⁱ⁾	240	78	318	290
Other expenses ⁽ⁱⁱ⁾	-	36	36	62
	<u>240</u>	<u>114</u>	<u>354</u>	<u>352</u>

(i) Administration expenses comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a share of the administration cost from the Scheme.

(ii) Other expenses include Auditor's remuneration. Refer note 11.

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11. Auditors' remuneration

	2019	2018
	\$000	\$000
Audit fees	25	24

Audit fees paid (or payable), \$24,500 GST exclusive (2018 \$24,200), relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department.

12. Employer contributions

	2019	2018
	\$000	\$000
Employer contributions	9 530	9 883
Insurance premiums	393	409
Administration charges	393	409
	10 316	10 701

13. Reconciliation of cash and cash equivalents

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

	2019	2018
	\$000	\$000
Cash and cash equivalents	363	879

Reconciliation of operating result to net cash flows from operating activities

Net operating result	3 760	6 216
Adjustments for:		
Changes in investments measured at fair value	(22 378)	(24 414)
Investment expenses	1 655	1 876
Net insurance movement	(142)	(219)
(Increase) / decrease in receivables	(594)	(3)
Increase / (decrease) in payables	1 397	1 169
Allocation to members' accounts	14 921	13 873
Net cash flows from operating activities	(1 381)	(1 502)

14. Income tax

	2019	2018
	\$000	\$000
(a) Major components of tax expense		
<i>Current income tax</i>		
Current tax charge	(136)	243
Adjustment to current tax for prior periods	143	110
Relating to the origination and reversal of temporary differences	1 400	1 488
Adjustment to deferred tax for prior periods	39	(18)
Income tax as reported in the Income Statement	1 446	1 823

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(b) Income tax expense

Reconciliation between income tax expenses and the accounting profit before income tax

Net result from operating activities	5 206	8 039
Tax applicable at the rate of 15% (2018: 15%)	781	1 206
Tax effect of expenses that are not assessable/or deductible in determining taxable income:		
Investment revenue	2 005	(594)
Net benefit allocated to member accounts	(416)	2 128
Tax effect of other adjustments:		
Imputation and foreign tax credits	(1 106)	(931)
Self-insurance deduction	-	(78)
Over provision prior period	182	92
Income tax expense	1 446	1 823

(c) Current tax liability (asset)

Current years income tax provision	(594)	-
Current tax liability (asset)	(594)	-

(d) Deferred tax liability

The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date comprises:

Accrued expenses	(4)	(4)
Prepaid contributions/contributions receivable	-	65
Realised capital losses carried (forward) discounted	-	(916)
Unrealised capital (losses)/gains carried (forward) discounted	6 827	6 239
Deferred tax liability	6 823	5 384

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.

15. Insurance Reserve

The Scheme self-insures and provides to Contributory Members in Service a benefit on death or total and permanent disablement (TPD) equal to the normal retirement benefit that would be payable if the member had continued in service to age 60. An income protection equal to 75 per cent of salary is payable for a maximum period of 24 months where a member becomes temporarily disabled before age 60. A member is also entitled to a benefit on Serious Ill Health equal to the greater of the early retirement benefit plus 5 per cent of salary for each year of service, and three times the member's salary. The Serious Ill Health benefit cannot exceed the benefit payable on TPD. The amount of salary is adjusted, if applicable, by the salary adjustment factor.

Members may purchase voluntary death and TPD insurance by applying for up to four units of insurance. The premium for each unit is \$1.35 per week per unit. The amount of cover for each unit is \$75 000 for ages up to 34 last birthday reducing to \$5 000 at age 64 last birthday.

	2019	2018
	\$000	\$000
Opening balance of the Insurance Reserve	3 047	2 733
Investment earnings on Reserve ⁽ⁱ⁾	223	220
Premiums and charges	435	450
Benefit payments	(294)	(356)
Consultancy Expenses	(5)	-
Closing balance of Reserve	3 406	3 047

(i) The Insurance Reserve is notionally invested in the Balanced option and earned 7.1 per cent in 2019.

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16. Operational Risk Reserve

The Operational Risk Reserve is to be accumulated to 0.6 per cent of funds under management following a decision of the Board and in line with Prudential Standard SPS114.

	2019	2018
	\$000	\$000
Opening balance of the Operational Risk Reserve	651	604
Investment earnings on Reserve ⁽ⁱ⁾	46	47
Closing balance of Reserve	697	651

(i) The Operational Risk Reserve is notionally invested in the Balanced option and earned 7.1 per cent in 2019.

17. Financial risk management objectives and policies

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

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

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

- market risk
- credit risk
- liquidity risk

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

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

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

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

(a) Market risk

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

(i) Currency risk

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

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

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

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

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

(ii) Interest rate risk

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

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

Funds SA manages interest rate risk through:

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

(iii) Other market price risk

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

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

The 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.

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2019	%	%	\$000	\$000
Balanced B	6.2	8.4	277 849	23 339

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2018	%	%	\$000	\$000
Balanced B	6.5	8.1	260 158	21 073

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

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

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

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

(b) Credit risk

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

The fair value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment

South Australian Ambulance Service Superannuation Scheme

of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

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

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

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

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

Financial liabilities	\$000	\$000	\$000
Benefits payable	3	3	3
Vested benefits ⁽ⁱ⁾	259 063	259 063	259 063
Total	259 066	259 066	259 066

	Less than 3 Months	Total Contractual Cash Flows	Carrying Amount Liabilities
	\$000	\$000	\$000
2018			
Financial liabilities			
Benefits payable	2	2	2
Payables ⁽ⁱ⁾	433	433	433
Vested benefits ⁽ⁱⁱ⁾	231 596	231 596	231 596
Total	232 031	232 031	232 031

(i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).

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

(d) Derivative financial instruments

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

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

18. 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.

19. Related parties

Key management personnel

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

Compensation

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

South Australian Ambulance Service Superannuation Scheme

Transactions with key management personnel and other related parties

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

Transactions with other government entities

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

20. Events after the reporting period


There were no significant events after the reporting period.

South Australian Ambulance Service Superannuation Scheme

Certification of the financial report

We certify that the:

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



Gregory Boulton AM
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Erin Fitzgerald
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION
STATE SUPERANNUATION OFFICE

Date13.9.19.....