



THE SOUTHERN SELECT SUPER CORPORATION

ANNUAL REPORT 2013–14

SECOND ANNUAL REPORT



Government
of South Australia



Vision statement

TO BE THE LEADING PROVIDER OF QUALITY SUPERANNUATION AND RELATED SERVICES IN SOUTH AUSTRALIA FOR LOW-INCOME EMPLOYEES.

Key objectives

SUSTAINABLE FUND

- > Ensure that strategies are implemented to maintain SuperSA as a sustainable public sector fund.

SERVICES AND COMMUNICATIONS

- > Meet member and stakeholder expectations of continually improving services, products and communication.

ADEQUACY

- > Increase the number of members contributing for their retirement and encourage members to have an appropriate level of insurance.

Values

- > Financial prudence to ensure security of members' entitlements.
- > Prudent management of the schemes.
- > To act honestly in all matters concerning the schemes.
- > Having a well-informed membership by providing accurate and effective communication.
- > Meeting members' expectations and delivering excellent customer services.
- > To provide a fair and equitable appeal mechanism for members.



Government
of South Australia

SUPER SA
SELECT 

24 September 2014

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Minister for Finance
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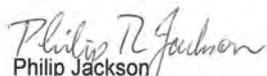
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Dear Minister

On behalf of the Southern Select Super Corporation, and in accordance with section 33 of the *Public Corporations Act 1993* and regulation 23 of the *Public Corporations (Southern Select Super Corporation) Regulations 2012*, I submit to you for presentation to Parliament the Annual Report for the year ended 30 June 2014.

Yours faithfully



Philip Jackson

PRESIDING MEMBER
SOUTHERN SELECT SUPER CORPORATION



THE SOUTHERN SELECT SUPER CORPORATION

ANNUAL REPORT 2013-14

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Message from the Presiding Member

Super SA Select was awarded a Platinum rating by independent researcher SuperRatings for 2014.



I am pleased to present the second Annual Report of the Southern Select Super Corporation (the Corporation) for the year ending 30 June 2014.

On behalf of the Corporation the Super SA Office (the Office) is responsible for administering Super SA Select.

The past year has been one of consolidation for Super SA Select, though its scale remains modest with 166 members and \$2 million in funds under management.

Investment returns

In 2013-14 the Balanced (default) investment option returned 11.5% – a strong result. It was a year where most asset classes (bonds, shares and property) performed well because of relatively favourable economic conditions and the attractive yields available from such investments relative to cash. The return for the Cash investment option was considerably lower at 2.4% due to central banks around the world keeping official cash rates near zero.

Super Guarantee Increase

The Superannuation Guarantee (SG) is set to increase from 9.25% to 9.5% for the 2014-15 year. Employees who are making personal after-tax super contributions of 4.5% or more will continue to receive a total employer contribution of 10%. Subject to changes in legislation, the Commonwealth Government proposes to maintain the SG at 9.5% until 30 June 2018.

Industry accolades for Super SA

- **Highest ratings:** Super SA Select was awarded a "Platinum" rating by independent researcher SuperRatings. The "Platinum" rating is awarded to the top 15% of funds assessed. The assessment criteria used by SuperRatings takes into consideration a fund's governance, investment earnings and investment methodology. Their research is rigorous and performance is weighed up against current processes, personnel and philosophies, adding up to ratings that have integrity and can be trusted by members.
- **Post-retirement product accolades:** Super SA Select members have access to Super SA's industry recognised post-retirement products, Flexible Rollover Product and Income Stream. Once again they have both been awarded a "Platinum" rating by independent researcher SuperRatings. In addition, the Income Stream product has received the "5 Apples" rating from Chant West.
- **Communication award finalist:** The Super SA Select information brochure sent out to prospective members was shortlisted as a finalist in the "Best Delivery of Fine Print" category in the prestigious national ASFA Communication Awards 2014.

Member services and communications

The Corporation is committed to ensuring that members are provided with the highest level of services and communications.

- **Member Services:** The call centre received 576 calls specifically relating to Super SA Select, while the Member Centre welcomed 11 visitors.
- **Member Education:** Over the course of the year the team held a number of seminars and visited city and regional worksites. Seminars were conducted in northern, southern, eastern and western suburbs in addition to CBD locations. The team's regional visits included Eyre Peninsula, Yorke Peninsula, Iron Triangle, Riverland and Limestone coast.
- **Regional Open Days:** The Office took its successful Open Day formula and gave it a regional spin for its inaugural regional roadshow at Mount Gambier in October 2013. The success of this event saw a follow-up Open Day held at Port Augusta in April 2014. Both Open Days were held in the school holidays to enable

people working in the Education sector to attend. Surveyed members advised that they appreciated the information sessions and the availability of Industry Fund Services, Public Trustee, Maxxia, Centrelink, Public Sector Association and the Australian Education Union under one roof. In the weeks following each Open Day staff from Super SA's Member Solutions Team returned to meet with members for one-on-one interviews about their super.

- **New website homepage:** The Super SA website homepage was redesigned to give prominence to the most frequently accessed items, such as the option for members to check their balance. Response has been favourable with visits to the website increasing in the order of 25% in the September 2013 quarter alone. The impact has also been felt by Member Services staff who are now receiving fewer enquiries about account balances, allowing for more meaningful interactions with members.

Member surveys

The value of member surveys is twofold, as well as highlighting areas in which we perform well, they show us where we can improve. This is in line with the Corporation's commitment to ensuring that members receive the highest level of services.

- **Member Voice:** In September 2013 the Office introduced the "Member Voice" survey as a means of continually improving services by gauging member sentiment about Super SA's services. The surveys are conducted weekly via email and provide every member who has a registered email address an opportunity to voice their praise or any concerns. The interactions surveyed range from a member's call centre experience to their experience of the insurance claims process. Members' privacy is paramount and individual responses cannot be traced to any one member. While it is of course pleasing that the majority of feedback has been extremely positive, more importantly it has resulted in several new procedures which have been well received by members.
- **Seminar surveys:** Online surveys replaced the hard copy feedback forms distributed to members at the end of a seminar. Members are now emailed a survey 24 hours after the seminar, allowing them to complete the survey at their convenience. More than 95% of respondents have rated the seminar and the presenter as good to excellent.

Staff thank you

Many dedicated staff work hard to provide exceptional services to our members. This is particularly noteworthy given that the Office has experienced significant growth in service demand across all administrative processes. On behalf of the Corporation I would like to thank them for their hard work over the past year.

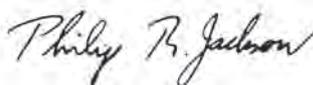
Acknowledgements

In May 2014 Super SA's new General Manager, John Montague, joined the organisation. John brings a wealth of experience to Super SA, coming to the role with 28 years of experience in finance and superannuation, most recently as Commissioner of Superannuation in the Northern Territory. His career has featured banking, finance and superannuation experience, throughout Australia. He is committed to ensuring that Super SA Select continues to grow and develop in line with our members' needs.

I would also like to acknowledge the contribution of the former General Manager, Stephen Rowe, who left Super SA in December 2013. His drive and determination were instrumental in steering Super SA Select in its early days. I also extend my gratitude to the Directors: Anthony Steele, Garry Powell and Patrick McAvaney for leading the organisation so well in the months prior to John's arrival, particularly Anthony in his role as the acting General Manager.

Kevin Cantley's term as Board member of the Corporation has also come to an end following his resignation. Kevin's financial experience and expertise have been invaluable, particularly in the early stages of the fund's development and I thank him for his efforts. Deborah Black is the newest addition to the Corporation. She brings an enormous amount of experience and I welcome the input she will surely make.

I also take this opportunity to thank the remaining members of the Corporation's Board, Virginia Deegan, Jan McMahon, Bill Griggs and deputy board members Liz Hlipala, Leah York, Aaron Chia and John Wright, for their valuable contribution. I look forward to leading the Corporation in another important year for Super SA Select in 2014-15.



Philip Jackson
Presiding Member, Super SA Board

Message from the General Manager

The infrastructure and strategic direction is in place for the fund to become a leading product in the years to come.



I am delighted to have been appointed General Manager of Super SA and be leading such an iconic South Australian super provider.

This is a period of great change for the superannuation industry; however, upon my arrival it was clear that this change is being proactively addressed – the introduction of Super SA Select demonstrates this.

Given the uncertainty surrounding the Low Income Super Contribution (LISC) over the past year, Super SA Select has not been actively promoted. Instead information about the fund has been included as part of the TripleS New Member Kit. No doubt this approach has contributed to Super SA Select's continuing small scale, but it was deemed to be the most responsible course of action.

Nevertheless, it is apparent that the infrastructure and strategic direction is in place for the fund to become a leading product in the years to come.

Strategic Planning Day – 5 May 2014

At its 2014 Planning Day the Board of the Southern Select Super Corporation affirmed the strategic alignment of the key activities for 2014-16.

In line with this, and given that the introduction of the Government's MySuper and SuperStream administrative reforms is raising

compliance costs for all superannuation funds, the Corporation determined a path of consolidation and completion of current projects:

1. **ICT Solution:** To update systems to support ongoing member demands.
2. **Member Advice:** To offer members financial planning services with a potential future insourced delivery model.
3. **StrongerSuper – MySuper:** To provide members with a MySuper product as part of the Commonwealth's new regime.
4. **APRA Reporting:** To implement the final wave of the new reporting requirements.

The status of these projects is summarised in Objective 1: Sustainable fund.

The membership volume for Super SA Select has not increased as envisaged, and given that at the time of writing the Commonwealth Government has introduced legislation to repeal the LISC from 1 July 2013, an analysis of incremental effort and consequent Service Level Agreement (SLA) fee will be reviewed for 2013-14 and beyond. In light of this and the Corporation's decision to consolidate and complete current projects, and after considering emerging superannuation issues, the Board elected to maintain the Corporation's three key strategic objectives for 2014-15.

The Southern Select Board's key strategic objectives for 2013-14 were:

1. **Sustainable fund:** ensure that strategies are implemented to maintain Super SA as a sustainable public sector fund.
2. **Services and communications:** meet member and stakeholder expectations of continually improving services, products and communication.
3. **Adequacy:** increase the number of members contributing for their retirement and encourage members to have an appropriate level of insurance.

The Corporation was pleased with the achievements against each of these objectives by the Super SA Office (the Office). A summary of these achievements follows.

Objective 1: Sustainable Fund

Ensure that strategies are implemented to maintain Super SA as a sustainable public sector fund.

While the fund's resources and membership are modest, where possible it has leveraged off the size and security of the Super SA brand. This approach has ensured that expenditure has been kept at a minimum and that the fund is positioned for the longer term.

Main projects delivered:

- **ePASS:** The installation of the upgraded ePASS system was completed in May 2014.
- **SuperStream:** Super SA has implemented the Commonwealth Government's 'SuperStream' reforms which have improved member rollover times between funds. As SuperStream processing is electronic, it has reduced the amount of paper-based processes and reliance on the postal system to transmit members' money.

Main ongoing projects:

- **ICT Solution:** The Office has made significant progress towards the procurement of a new superannuation administration system. The formal tender process is currently in progress, with a decision on the new system due in the first half of 2015. This project is seen as an integrated business transition project to improve member service and increase administrative efficiency in order to manage the continued growth of the member accounts administered by Super SA.
- **Member Advice:** The introduction of MySuper and the Future of Financial Advice (FoFA) reforms have brought about a new type of advice known as 'Intra-Fund' Advice. At this stage Intra-Fund Advice initially will not be a mandatory feature of MySuper products, or need to be provided proactively. It is planned to be revisited two years after MySuper is fully operational and access to advice for members under the new framework will be assessed.
- **MySuper:** The Corporation has determined that it is important for Super SA Select to be aligned with the MySuper regime. The Heads of Government Agreement (HOGA) provides that Exempt Public Sector Superannuation

Schemes (EPSSS) intending to badge MySuper products will not have to be formally authorised by APRA but, by conforming in principle, we are meeting the requirements of the HOGA between the Commonwealth and the states. However, any EPSSS funds wishing to badge their default options as "MySuper" will need to comply with all of the requirements imposed on regulated funds, except to the extent agreed with the Commonwealth. The process of badging Super SA Select as a MySuper product continues to progress with Commonwealth Treasury.

- **APRA Reporting Standards:** The Office is now in the final stages of implementing the Commonwealth's APRA reporting regime. The new reporting standards call for a substantially larger data collection than was previously the case, which will apply increased pressure on Office resources.

Objective 2: Services and communications

Meet member and stakeholder expectations of continually improving services, products and communication.

The Office has not only worked hard to provide members with the best possible products, but also has focused on what we can do better when it comes to education and services.

- **Calculators:** The new website calculators have received a favourable response from members. They were promoted to members with the 2013 Annual Statements and featured in the 2013 Pay Rise campaign; in particular, the new personal super contribution calculator, which enabled members to compare after-tax and salary sacrifice contributions.
- **Email and text messaging:** While e-newsletters have been an important platform for communicating with members, the increase in mobile devices saw the Office compare the benefit of email versus mail in the context of a particular campaign. It was done for the first time this year with the Pay Rise campaign, and email proved to be the more popular channel. Text messaging was also introduced for the first time in this campaign. Not only are these communication channels popular with members, they also are lower in cost than traditional hard copy mail outs.
- **Videos:** The new online videos have been integrated into a number of seminars and workplace presentations by the Member Education Team. Their brevity and diversity of topics have made it easier for the team to adapt presentations to the individual needs of workplaces.

- **Regional Open Days:** The regional Open Days were well attended and roundly welcomed by members. While such events present a considerable investment of office resources, their benefit is directly demonstrated in the take up of retirement products and indirectly by the brand advocacy and word of mouth recommendations they foster among members. In this age where peer recommendation has been identified as a crucial tenet of any marketing strategy, the value of such events cannot be underestimated.
- **Member surveys:** The response from members to the 2013 Annual Statements and accompanying newsletters was once again very positive. The value of this annual survey led the Office to expand the services that are surveyed to include administration and the call centre.
- **Industry recognition:** Receiving a Platinum rating from SuperRatings provided members with a shorthand way of comparing funds and reassured them that Super SA Select meets the highest standards.
- **Training and Professional Development:** A defined part of our strategy in meeting varied member demands is to have a flexible workforce skilled in many differing processes requested by members. Staff are being cross-skilled and resources shared between teams to meet this demand. Super SA's in-house Learning and Development team has aligned the needs of the organisation with the needs of staff. In 2013-14 there were 542 attendances at internal Learning and Development sessions and 44 staff participating in external study/training courses which are overseen by Learning and Development.
- **People and Culture:** I believe that internal staff values reflect an organisation's commitment of delivering for members. I was pleased to join an organisation that has incorporated its values into its daily operations. The staff representative body that is the People and Culture working party are committed to living these values every day in order to build a culture that will drive our success.

Objective 3: Adequacy

Increase the number of members contributing for their retirement and encourage members to have an appropriate level of insurance.

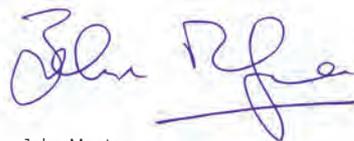
While Super SA Select members traverse all agencies and ages, the majority of them are female, work in either Health or Education and are over age 55. Typically members in these categories tend to be vulnerable when it comes to their super, and indeed many members do have balances that fall well below the ideal amount of super for their age, in large part because they are employed on either a casual or part-time basis. However, what is atypical about Super SA Select members is their high level of engagement with super, evidenced by the number of members who make voluntary contributions to their super.

• Contribution and roll over results:

- › 51% of Super SA Select members made an after-tax contribution to their super.
- › 5% of Super SA Select members made salary sacrifice contributions to their super.
- › 29 rollovers from external funds have been received into Super SA Select.

Conclusion

I look forward to working with all of our stakeholders: Minister for Finance, Corporation, Department of Treasury and Finance, and staff, to continue delivering a cost-effective and efficient service which meets members' needs. Finally, I'd like to thank the members of Super SA Select for their support of the fund, and the staff of Super SA for their hard work over the past financial year.



John Montague

General Manager, Super SA



Organisational Structure



Staff Values

Super SA staff values and associated behaviours. Written by staff, for staff...



respect

I will treat others in the same way that I expect to be treated.



selflessness

I will "go the extra mile" in dealing with member and internal staff enquiries.



transparency

I will consult with others prior to making key decisions which impact them.



optimism

I will always look for ways to improve the way I behave and the way we operate.



leadership

I will try and find solutions when I find a problem.



satisfaction

I will focus on providing a high level of internal and external customer service.

About Us

2013-14 was a year of consolidation for Super SA Select.

The Southern Select Super Corporation (the Corporation or Trustee) is established under the *Public Corporations (Southern Select Super Corporation) Regulations 2012*. The Corporation is Trustee of Super SA Select which is established and governed by a Trust Deed dated 18 December 2012.

Super SA Select is a taxed accumulation fund which is the type most commonly used across Australia.

Only SA public sector employees are eligible to join Super SA Select and it is run entirely to benefit members:

- It is not for profit, so fees are kept as low as possible.
- Security and integrity, not sales or shareholders, are the focus.

Super SA Select commenced on 1 January 2013 to give SA public sector workers, with an adjusted taxable income below an income determined by the Commonwealth, the option of accessing the Low Income Superannuation Contribution (LISC). This is a payment from the Commonwealth Government designed to help low income earners save for their retirement. This was not available under the other SA Government superannuation schemes.

Relationships

Super SA

The *Public Corporations (Southern Select Super Corporation) Regulations 2012* provide that the Corporation may, with the approval of the Minister responsible for a particular administrative unit of the Public Sector, make use of the staff or facilities of that administrative unit. The Super SA Office (the Office), a branch of the Department of Treasury and Finance (DTF), provides administrative services to the Corporation. The Office is the administrator of SA public sector schemes and products.

The Office, on behalf of the Corporation, is responsible for the administration of Super SA Select, covering current and former SA public sector employees.

As the staff of the Office are employees of DTF, details regarding employee numbers, gender, status and remuneration are covered in the 2013-14 Department of Treasury and Finance Annual Report.

Funds SA

In accordance with the *Public Corporations (Southern Select Super Corporation) Regulations 2012*, the Southern Select Super Corporation is responsible for the investment and management of the fund and must prepare an investment policy statement, and set the risk/return objectives and asset allocation policies to be adopted. In fulfilling these duties, the Corporation consults with the Superannuation Funds Management Corporation of South Australia (Funds SA). Funds SA implements the Corporation's investment policy statement and strategies as agent.

Funds SA prepares an annual Performance Plan which outlines planned initiatives and proposed strategies for managing the Super SA Select fund for the forthcoming year and a service level agreement details the operational aspects of the relationship.

Membership

As at 30 June 2014, Super SA Select had 166 members.

Assets Under Management

The Corporation offers members two investment options being Cash and Balanced (default option). To meet the investment objectives and asset allocations set for the fund, the Corporation invests in the Funds SA Balanced and Funds SA Cash (taxable) funds.

Contributions to Super SA Select are passed to Funds SA which creates multi-sector funds by placing money with specialist best-of-breed investment managers available internationally through a 'manage the managers' approach.

The value of total assets under management at 30 June 2014 was \$2.0 million.

Unit prices explained

Money invested in Super SA Select is unitised for investment purposes. Units represent a share of the underlying investments in an investment option. An account balance is calculated by multiplying the number of units held by the prevailing unit price. A change in the unit price reflects changes in the value of the underlying investments.

Investment Review

A strong investment return for the Balanced option in 2013–14.

Investment option returns 2013-14

The Balanced investment option (default) returned 11.5% for the year ending 30 June 2014 while the Cash investment option returned 2.4% over the same period.

SuperSA Select commenced on 1 January 2013, so historical performance greater than one year is not yet available.

| Investment return for SuperSA Select (%) | |
|--|---|
| Investment option | Return for year ended 30 June 2013 ¹ |
| Balanced | 11.5 |
| Cash | 2.4 |

¹ Net of fees and tax

Investment markets 2013-14

It was a year where most asset classes (bonds, shares and property) performed well because of relatively favourable economic conditions and the attractive yields available from such investments relative to cash. The returns from cash were very low due to central banks around the world keeping official cash rates near zero.

| Annual returns for asset classes | |
|----------------------------------|-------|
| Australian shares | 16.7% |
| International shares | 21.1% |
| Property | 8.2% |
| Australian bonds | 4.0% |
| Australian cash | 2.8% |

Strategy changes 2014-15

Funds SA has made a small change to the strategic asset allocation of the Balanced option from 1 July 2014.

The change reflects the low interest rate environment, which is expected to remain for an extended period of time, reducing expected returns from the cash asset class. The change reallocates 1% of the Cash allocation to Fixed Interest, as the Fixed Interest asset class offers more attractive expected returns whilst providing defensive characteristics for the options. The risk classification and risk level remains unchanged.

| SuperSA Select strategic asset allocations: Cash and Balanced options | | |
|--|--------|------------|
| | Cash % | Balanced % |
| Cash | 100 | 2 (-1) |
| Fixed Interest | | 11 (+1) |
| Inflation Linked Securities | | 12 |
| Diversified Strategies Income | | 15 |
| Property | | 12 |
| Australian Equities | | 22 |
| International Equities | | 18 |
| Diversified Strategies Growth | | 8 |

The Southern Select Super Corporation



Mr Philip Jackson – Presiding Member

Appointed by the Minister for Finance until 30 November 2015.

Mr Jackson is a lawyer, and before leaving the public sector in 2005 he worked in the Crown Solicitor's Office for 25 years.

Disclosure of Interests

- Member of the Board of the Sexual Health Information Networking and Education South Australia (SHINE SA) Inc.
- Presiding Member, South Australian Superannuation Board



Ms Virginia Deegan

Appointed by the Minister for Finance until 30 November 2015.

Director of Infrastructure (Property & Technology), University of Adelaide.

Fellow at CPA Australia (FCPA)

Disclosure of Interests

- Member, State Procurement Board
- Member, Central Adelaide Local Health Network Advisory Council
- Member, South Australian Superannuation Board



Ms Deborah Black

Appointed by the Governor on the Minister for Finance's nomination until 30 November 2015.

Principal, Blackforrest Consulting.

Disclosure of Interests

- Member, State Procurement Board
- Director, Adelaide Cemeteries Authority
- Member, Innovation and Business Skills Australia Board
- Member, South Australian Superannuation Board



Ms Jan McMahon

Appointed by the Minister for Finance until 30 November 2015.

General Secretary of the Public Service Association of SA

Fellow of the Australian Institute of Company Directors (FAICD), Fellow of the Australian Institute of Superannuation Trustees (FAIST).

Disclosure of Interests

- Director, Superannuation Funds Management Corporation of South Australia
- Chairperson, Health Partners Ltd
- Director, People's Choice Credit Union
- Member, SA Unions
- Member, Australian Council of Trade Unions
- Director, Financial Solutions Australasia Pty Ltd
- Director, Australian Central Services Pty Ltd
- Director, Let's Talk Home Loans Group Pty Ltd
- Secretary, SA Government Superannuation Federation
- Member, South Australian Superannuation Board



Dr Bill Griggs AM ASM

Appointed by the Minister for Finance until 30 November 2015.

Director, Trauma Services – Royal Adelaide Hospital, Clinical Director, Retrieval Coordination – MedSTAR Emergency Medical Retrieval, State Controller (Health and Medical) – SA Health, Clinical Associate Professor – University of Adelaide, Clinical Associate Professor – James Cook University, Regional Ambulance Service Medical Officer – SA Ambulance Service

Disclosure of Interests

- Director, Phoenix Society Inc
- Director, Griggs EMS Pty Ltd
- Director, Motor Accident Commission
- Member, SA Government Superannuation Federation
- Member, South Australian Superannuation Board
- Member, WorkCover Corporation of South Australia

The Southern Select Super Corporation

Disclosure of Interest – Deputies

Aaron Chia

- Chair, Community Business Bureau Inc.
- Deputy Member, South Australian Superannuation Board

Liz Hlipala

- Deputy Member, South Australian Superannuation Board

Leah York

- President, SA Government Superannuation Federation
- Deputy Member, South Australian Superannuation Board

Role and Composition

The Southern Select Super Corporation (the Corporation) is established under the *Public Corporations (Southern Select Super Corporation) Regulations 2012*. Southern Select Super Corporation is Trustee of Super SA Select which is established and governed by a Trust Deed and Rules.

The Corporation as Trustee is responsible to the Minister for all aspects of the administration of the *Public Corporations (Southern Select Super Corporation) Regulations 2012*, including the formulation of strategies for the management and investment of Super SA Select.

The Corporation Board consists of five members, one of whom is Presiding Member. They were appointed by the Minister on 30 November 2012 for a term of three years until 30 November 2015.

Mr Kevin Cantley resigned as a member on 14 August 2013 and Ms Deborah Black was appointed by the Minister to fill the vacancy on 5 September 2013 for a term ending on 30 November 2015.

As at 30 June 2014, the deputy members appointed by the Minister until 30 November 2015 are:

- Ms Liz Hlipala
- Ms Leah York
- Mr Aaron Chia

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

The Corporation Board meets monthly and, if the need arises, the Corporation seeks advice from senior office staff and external advisers. In addition to its regular meetings, the Corporation sets aside a planning day each year to discuss issues and trends in superannuation and provide the Office with strategic directions for the coming year.

Audit and Finance Committee

The Corporation Board is able to establish committees with committee membership extending to non-members.

The Corporation Board convenes an Audit and Finance Committee as a subcommittee to fulfil its administrative responsibilities.

The Audit and Finance Committee assists the Corporation through oversight of:

- compliance with accounting and financial management controls
- financial reporting
- compliance with legislation
- adequacy of internal controls
- adequacy of process for the prevention and detection of fraud
- implementation of budgets
- risk management
- compliance with anti-money laundering and counter-terrorism financing legislation.

The Audit and Finance Committee membership is as follows:

- Ms Virginia Deegan, Convenor
- Mr Philip Jackson, Committee Member
- Mr John Wright, Committee Member.

The Director of Audits responsible for superannuation from the Auditor-General's Department and the Manager, Audit and Risk Management Services of the Department of Treasury and Finance, are invited to attend each meeting as observers. The General Manager; the Director, Policy and Governance; the Manager, Governance, Board and Corporate Support; and the Manager, Financial Services act as advisers to the Committee.

Meetings are held at least quarterly and all Corporation Board members are welcome to attend.

| Trustee | Board meetings | | | Audit and Finance Committee | |
|-----------------------------|--------------------|----------|-----------------|-----------------------------|----------|
| | Eligible to attend | Attended | Deputy Attended | Eligible to attend | Attended |
| Philip Jackson ¹ | 11 | 9 | | 4 | 4 |
| Virginia Deegan | 11 | 10 | 0 | 4 | 4 |
| Bill Griggs | 11 | 10 | 0 | | |
| Jan McMahon | 11 | 9 | 2 | | |
| Deborah Black | 9 | 7 | 0 | | |
| Kevin Cantley | 1 | 1 | 0 | | |
| Committee Members | | | | | |
| John Wright | | | | 4 | 4 |

¹The Presiding Member does not have a Deputy.

Board meeting attendance

The Board met 11 times during the year. Under regulation 9 (3) of the *Public Corporations (Southern Select Super Corporation) Regulations 2012*, three members constitute a quorum of the Board.

Remuneration

The Committee currently receives no remuneration.

Board education and training

Corporation Board members can attend a variety of national conferences and education seminars.

During the 2013-14 financial year the Presiding Member of the Corporation Board attended the Conference of Major Superannuation Funds (CMSF) Conference, 24-26 March 2014.

Additional Information

Southern Select Super Corporation Charter

1. Preliminary

This charter has been prepared by the Minister for Finance and the Treasurer in accordance with regulation 15 of the *Public Corporations (Southern Select Super Corporation) Regulations 2012*.

2. Interpretation

Expressions used in this Charter have the same meanings as in the *Public Corporations Act 1993* and the *Public Corporations (Southern Select Super Corporation) Regulations 2012*, which are referred to herein as the Act and the Regulations, respectively.

In this Charter, Southern Select Super Corporation is referred to as the subsidiary and the Minister for Finance is referred to as the Minister.

3. Nature and scope of operations

The functions of the subsidiary are described in Regulation 13 and are limited to the following:

- To act as the trustee of the Super SA Select Fund.
- To administer the trust deed and rules of the Super SA Select Fund.
- To receive payments from, or on behalf of, members of the Super SA Select Fund.
- To maintain accounts for members of the Super SA Select Fund.
- To pay amounts received from or on behalf of members of the Super SA Select Fund into a fund to be maintained by the Board and to make payments from the fund as required under the trust deed or rules of the Super SA Select Fund or under an Act of the State of the Commonwealth (including under Part VIII B of the *Family Law Act 1975* of the Commonwealth).
- To formulate strategies for the investment and management of the fund.
- To ensure that members of the Super SA Select Fund receive benefits and other payments to which they are entitled under the fund.
- To carry out other functions conferred on the subsidiary by the Minister.
- To do anything necessary for the purposes of a function referred to in a preceding paragraph.

3.1 Investment activities

- The subsidiary is responsible for the management and investment of the Super SA Select Fund and must prepare an investment policy statement, set the risk/return objectives and asset allocation policies with respect to the management and investment of the Fund.
- The Superannuation Funds Management Corporation of South Australia (Funds SA) implements the subsidiary's investment policy statement and strategies as agent for the subsidiary.
- The subsidiary will review the policy statement at least annually to ensure the continued suitability of the investment policy.
- The subsidiary's general investment objectives for the fund's assets are as follows:
 - » To invest the assets of the fund as permitted by the *Public Corporations Act 1993* (and accompanying regulations) and the trust deed whilst acting in a fiduciary capacity.
 - » To have regard to the overall circumstances of the fund when making decisions on the risk/return objectives and asset allocation policies to be adopted with respect to the management and investment of the Fund.
 - » To ensure that there are sufficient assets to meet benefit payments as they fall due.
- Permitted investments include units of the Funds SA Cash and Balanced (taxed) funds, but the Board at its discretion may invest in other Funds SA investment options.

3.2 Operations and transactions outside the state

In undertaking the functions specified in Regulation 13 of the Regulations, the subsidiary may undertake activities or transactions outside the State consisting of any activities and transactions relating to the investment policies of the subsidiary adopted pursuant to clause 3.1 of this Charter.

4. Subsidiaries, associated and allied organisations

The subsidiary must not form a subsidiary company or acquire or enter into any arrangement under which it will hold relevant interests in shares in a company such that the company becomes a subsidiary of the subsidiary unless it has the prior written approval of the Treasurer.



5. Financial management, financial standards and reporting

5.1 Report on operations

The subsidiary must, within four months after the end of each financial year, deliver a report to the Minister on the operation of Southern Select Super during that financial year. The report must include a copy of any financial statements prepared by the board in relation to receipts of members' contributions and employer contributions, and relating to payments to, or on behalf of, or in relation to, members.

5.2 Annual report

The subsidiary must, within three months after the end of each financial year, deliver to the Minister a report on the financial operations of the subsidiary during that financial year.

5.3 Form and content of accounts and financial statements

The subsidiary will:

- Prepare financial statements based on Australian Accounting Standards, specific instructions from the Treasurer and generally accepted accounting principles and practices.
- Maintain separate accounts and records.

5.4 Accounting and internal auditing systems and practices

The subsidiary will:

- Establish and maintain financial and accounting processes, practices and systems in accordance with appropriate standards of practice.
- Establish and maintain effective internal auditing of its operations in accordance with appropriate standards of practice.
- Establish an audit committee to review annual financial statements to ensure that they present a true and fair view of the state of affairs of the subsidiary, to liaise with the external auditor and to review the adequacy of the accounting, internal auditing, reporting and other financial management systems and practices of the subsidiary on a regular basis.

5.5 Acquisition or disposal of capital

Other than contributions received from or on behalf of members of SuperSA Select for payment into the fund, the subsidiary will not hold any capital.

5.6 Borrowing or lending of money

The subsidiary must not lend or advance money, securities or property to any person without the approval of the Treasurer.

The subsidiary must not undertake commercial borrowings without the prior written approval of the Treasurer.

6. Operating environment

The subsidiary has been established to deliver a taxed superannuation fund to South Australian Government and Statutory Authority employees. The State Superannuation Office, a branch of the Department of Treasury and Finance, will provide superannuation administration services to the subsidiary, subject to a Service Level Agreement (SLA) commencing on 14 December 2012 for a period of five years. The SLA may be renewed for further periods by agreement between the parties.

6.1 Compliance with government policies

The subsidiary will comply with all relevant government policies unless specifically exempted.

6.2 Compliance with the Public Finance and Audit Act

The subsidiary will be subject to all the requirements of the Public Finance and Audit Act.

The subsidiary will be subject to all Treasurer's Instructions unless specifically exempted.

Date of operation

This charter will come into effect on the date of execution of this document. The charter will be reviewed on or before 30 June 2015 and before the end of each following financial year.

Corporate Governance

Changes to Acts and Regulations

Since the establishment of the Corporation, there have been no amendments to the Trust Deed that is administered by the Southern Select Super Corporation.

The Public Corporations (Southern Select Super Corporation) Variation Legislations 2013 (No 295 of 2013) amended the legislation establishing the Southern Select Super Corporation to:

- Enable members of Super SA Select to appeal to the Administration and Disciplinary Division of the District Court against decisions of the Southern Select Super Corporation (as trustee of Super SA Select). This is the same external dispute mechanism open to members of other state government superannuation schemes.
- Facilitate the exchange of member data held by the South Australian Superannuation Board in the administration of Triple S and by the Southern Select Super Corporation in the administration of Super SA Select.

Legislation made on: 19 December 2013

Date of operation: 19 December 2013

Approvals and Exemptions

In establishing Super SA Select, the South Australian Superannuation Board agreed to provide funding of up to \$500 000 from its Capital and Development Reserve account to the Minister for Finance.

The terms of the loan are set out in Schedule 2 of the *Public Corporation (Southern Select Super Corporation) Regulations 2012* and the tri-partite Funding Deed between the Super SA Board, the Minister for Finance and the Southern Select Super Corporation. Approval of the deed was obtained on 26 June 2013.

The repayment of the loan by the Corporation from Super SA Select, together with interest, is in accordance with Schedule 2 of the *Public Corporations (Southern Select Super Corporation) Regulations 2012*.

A Service Level Agreement has been established between the Corporation and the Department of Treasury and Finance (DTF) for the provision of State Superannuation Office staff and facilities to administer Super SA Select.

Risk Management

A Risk Management Strategy and Plan is in place, comprising Corporation policies, risk management processes, internal controls and independent review process. The approach to risk management is based on the principles described within *ISO 31000 Risk Management – principles and guidelines*. It is also consistent with applicable industry and regulatory requirements and guidance on risk management.

The management of the Strategy and Plan is overseen by the Corporation, the Audit and Finance Committee members and senior Office staff. The Audit and Finance Committee is responsible for reviewing and evaluating the risk management framework annually.

Fraud

The Corporation is responsible for the internal control framework but also acknowledges that no cost-effective internal control system will preclude all errors and irregularities. Regular information is provided to the Corporation from internal and external audit, through the Audit and Finance Committee as well as from the General Manager and the Board Secretary of the Office. To the best of the Corporation's knowledge there have been no instances of fraud in 2013-14.

Anti-Money Laundering and Counter-Terrorism Financing (AML & CTF)

Under the *Commonwealth Anti-Money Laundering and Counter-Terrorism Financing Act 2006*, the Corporation is a reporting entity and is subject to the requirements of the Act.

The Audit and Finance Committee maintains oversight of the office's progress in meeting the obligations under the AML & CTF legislation.

Heads of Government Agreement

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*. The exempt schemes are, however, deemed to be a complying fund in terms of the SIS Act.

As a result of the agreement, SuperSA Select established under a Trust Deed dated 18 December 2012 is an exempt public sector scheme in terms of the Commonwealth legislation.

In terms of the agreement, the South Australian Government has made a commitment to ensure that the exempt SA public sector schemes conform to the principles of the Commonwealth's retirement income policy objectives.

The Trustee has embraced this commitment, ensuring that its members are well informed. The Trustee endeavours to ensure that all communications are in accordance with the *Financial Services Reform Act 2001*.

Major Commonwealth initiatives

The Corporation continues to monitor the progress of Commonwealth legislation affecting superannuation. Changes to the fund are considered whenever new Commonwealth legislation is enacted.

Complaints, Appeals and Freedom of Information

The Southern Select Super Corporation, as Trustee, aims to resolve all matters through its internal enquiry and complaints processes via SuperSA.

SuperSA has a dedicated complaints function to centralise all complaints, appeals and Freedom of Information (FOI) requests.

The complaints process is designed in accordance with best practice measures and industry standards and is an accessible, visible and robust process to manage written member complaints. Members can write or email the Complaints Officer directly or complete the Member Complaint Form (available on the website) which assists members in defining their complaint and the resolution expected from the Trustee. During 2013-14 there were two written complaints received and handled and no appeals to the Corporation.

There were no applications received for access to information under the FOI Act during 2013-14.

Policy Documents as at 30 June 2014

- Release of Member Information including FOI
- Variation to Member Contributions
- Collection of Contributions from Agencies
- Member Contributions
- Benefit Payments Applicable Unit Price
- Investment Choice
- Complaints Process
- Appeals Process
- Members' Email Address Protocol
- Cooling-Off Period
- Death Benefit of \$15,000 or less
- Assessing Total and Permanent Disablement and Terminal Illness Claims
- Administration Fees
- Dissolution of Marriage Fees
- Risk Management
- Financial Management and Compliance Framework
- Trustee Training Policy.

Policies are reviewed bi-annually unless amended earlier.

Any person wishing to inspect these policies should contact the FOI Contact Officer on (08) 8204 8568.

The Product Disclosure Statement undergoes continual review to ensure the information is current at all times.

Whistleblowers Act

There were no occasions in the 2013-14 year in which public interest information was disclosed to a responsible officer of the agency under the *Whistleblowers Protection Act 1993*.

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
 Auditor-General's Department

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To the Presiding Member Southern Select Super Corporation

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of Super SA Select for the financial year ended 30 June 2014. The financial report comprises:

- an Operating Statement for the year ended 30 June 2014
- a Statement of Financial Position as at 30 June 2014
- a Statement of Cash Flows for the year ended 30 June 2014
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the Southern Select Super Corporation, General Manager, State Superannuation Office and the Manager Governance, Board and Corporate Support, State Superannuation Office.

The members of the Southern Select Super Corporation Board's Responsibility for the Financial Report

The members of the Southern Select Super Corporation Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Southern Select Super Corporation Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Southern Select Super Corporation Board, as well as the overall presentation of the financial report.

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

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of Super SA Select as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'Neill
AUDITOR-GENERAL
29 September 2014

Super SA Select

Operating Statement for the year ended 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|---|-----------|------------------|----------------|
| REVENUE: | | | |
| Investment Revenue | | 165 811 | - |
| Other Revenue | | 7 980 | 3 058 |
| CONTRIBUTION REVENUE: | | | |
| Contributions by Employers | | 365 929 | 104 950 |
| Contributions by Members | | 225 585 | 59 321 |
| Rollovers from Other Schemes | | 652 012 | 800 964 |
| Government Contributions | | 2 162 | - |
| Total Contribution Revenue | | 1 245 688 | 965 235 |
| Total Revenue | | 1 419 479 | 968 293 |
| EXPENSES: | | | |
| Investment Loss | | - | 5 686 |
| Direct Investment Expenses | 3 | 8 348 | 728 |
| Administration Expenses | 4 | 97 518 | 311 069 |
| Interest Expense | 18 | 12 083 | - |
| Total Expenses | | 117 949 | 317 483 |
| INCOME TAX EXPENSE | 16(a),(b) | 89 530 | 41 186 |
| BENEFITS ACCRUED AS A RESULT OF OPERATIONS | | 1 212 000 | 609 624 |

The Operating Statement should be read in conjunction with the accompanying notes

Statement of Financial Position as at 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|---|-------|------------------|------------------|
| INVESTMENTS: | | | |
| Inflation Linked Securities B | | 194 993 | 80 258 |
| Property B | | 198 867 | 96 150 |
| Australian Equities B | | 385 125 | 172 024 |
| International Equities B | | 362 954 | 157 265 |
| Long Term Fixed Interest | | 92 632 | 35 446 |
| Short Term Fixed Interest | | 64 339 | 29 741 |
| Diversified Strategies - Growth B | | 105 288 | 51 031 |
| Diversified Strategies - Income | | 243 402 | 114 656 |
| Cash | | 352 598 | 119 164 |
| | | 2 000 198 | 855 735 |
| OTHER ASSETS: | | | |
| Cash and Cash Equivalents | 5 | 153 136 | 92 695 |
| Contributions Receivable | 6 | 11 948 | 12 074 |
| Receivables | 11 | 224 | 1 035 |
| Deferred Tax Assets | 16(d) | 1 212 | 50 565 |
| | | 166 520 | 156 369 |
| Total Assets | | 2 166 718 | 1 012 104 |
| CURRENT LIABILITIES: | | | |
| Benefits Payable | 7 | 427 | - |
| Payables | 12 | 8 690 | 311 013 |
| Current Tax Liabilities | 16(c) | 11 252 | 89 708 |
| | | 20 369 | 400 721 |
| NON-CURRENT LIABILITIES: | | | |
| Deferred Tax Liabilities | 16(e) | 7 851 | 2 043 |
| Loan Payable | 18 | 512 083 | - |
| | | 519 934 | 2 043 |
| Total Liabilities | | 540 303 | 402 764 |
| NET ASSETS AVAILABLE TO PAY BENEFITS | 8 | 1 626 415 | 609 340 |
| REPRESENTED BY: | | | |
| LIABILITY FOR ACCRUED BENEFITS: | | | |
| Allocated to Members' Accounts | 9,13 | 1 950 552 | 858 964 |
| Not Allocated to Members' Accounts | 10 | (324 137) | (249 624) |
| | | 1 626 415 | 609 340 |

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

Super SA Select

Statement of Cash Flows for the year ended 30 June 2014

| | Note | 2014 Inflows (Outflows) \$ | 2013 Inflows (Outflows) \$ |
|---|------|-------------------------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Contributions Received: | | | |
| Contributions by Employers | | 379 977 | 96 058 |
| Contributions by Members | | 227 029 | 56 139 |
| Rollovers from Other Schemes | | 652 012 | 800 964 |
| Government Contributions | | <u>2 163</u> | - |
| | | 1 261 181 | 953 161 |
| GST Recovered from the ATO | | 21 941 | - |
| Bank Interest Received | | <u>8 791</u> | 2 024 |
| | | 30 732 | 2 024 |
| Benefits Paid: | | | |
| Resignation | | <u>(194 498)</u> | (284) |
| | | (194 498) | (284) |
| Administration Expenses | | (421 782) | (57) |
| Income Tax Expense | | (112 825) | - |
| Insurance Premiums Paid | | <u>(15 367)</u> | - |
| Net Cash provided by Operating Activities | 15 | <u>547 441</u> | <u>954 844</u> |
| CASH FLOWS FROM FINANCE ACTIVITIES: | | | |
| Loan from SA Superannuation Board | | 500 000 | - |
| Net Cash Provided by Finance Activities | | <u>500 000</u> | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Receipts from Funds SA | | 354 000 | - |
| Payments to Funds SA | | <u>(1 341 000)</u> | (862 149) |
| Net Cash (Used In) Investing Activities | | <u>(987 000)</u> | <u>(862 149)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS HELD | | 60 441 | 92 695 |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | <u>92 695</u> | - |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 5 | <u>153 136</u> | <u>92 695</u> |

Super SA Select

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) **Super SA Select**

In 2012, the Commonwealth passed the *Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Act 2012*, which introduced a new superannuation benefit for low income earners. This measure provides a superannuation benefit for low income earners of up to \$500 annually for individuals on adjusted taxable incomes of up to \$37,000.

The low income tax benefit is only available to members of taxed superannuation schemes. The Southern State Superannuation Scheme (The Triple S Scheme), regulated by the *Southern State Superannuation Act 2009*, is not a taxed superannuation fund and therefore members of the Triple S Scheme are not eligible for the low income tax benefit.

Under the Super SA Select Deed (the Deed) the Minister for Finance established Super SA Select (the Fund), a taxed accumulation superannuation fund.

The Fund is an indefinitely continuing superannuation fund that is maintained for the purpose of providing retirement and other benefits to members.

The Fund consists of all cash, investments, earnings and other property held from time to time by or on account of the Trustee upon the trusts of this Deed.

The Trustee may determine that beneficial interests in the Fund will be represented by units and that earnings of the Fund will be allocated by way of movements in the value of the units.

(b) **Southern Select Super Corporation**

The Southern Select Super Corporation (the Trustee) was established on 1 December 2012 as a subsidiary of the Minister for Finance, pursuant to the *Public Corporations (Southern Select Super Corporation) Regulations 2012* (the Regulations), which was established under section 24 of the *Public Corporations Act 1993* to act as trustee of the Fund.

A board of directors was established as the governing body of the Trustee. Until 30 November 2015, the board consists of five members appointed by the Minister, one of whom is designated in his or her instrument of appointment as Presiding Member of the Board. The appointment, removal and proceedings of the directors as the governing body of the Trustee shall occur in accordance with the Regulations. The Minister may appoint a new Trustee to replace a Trustee that ceases to hold office.

The Trustee has complete management and control of all proceedings and matters in connection with the Fund and may do all that it considers necessary, desirable or expedient for the proper administration, maintenance and preservation of the Fund and in the exercise of the powers and the performance of the duties of the Trustee.

In accordance with regulation 14 of the Regulations, the Trustee is responsible for the investment and management of the Fund. The Trustee must prepare an investment policy statement for the purposes of the Fund and must, in connection with the statement, set the risk/return objectives and asset allocation policies to be adopted with respect to the management and investment of the Fund.

In setting the risk/return objectives and asset allocation policies to be adopted, the Trustee must consult with the Superannuation Funds Management Corporation of South Australia (Funds SA).

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

The Investment Manager of the Fund is Funds SA and in accordance with regulation 14 of the Regulations implements the investment policy statement and strategies as agent for the Trustee. Funds SA is a SA Government Entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. 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.

(d) **Funding Arrangements**

The Trustee receives payments from, or on behalf of, members of the Fund and maintains accounts for each member in accordance with the Deed. All amounts received from, or on behalf of, members of the Fund are to be paid into a fund maintained by the Trustee. Payments are to be made from the fund as required under the Deed or rules of the Fund or under an Act of the State or the Commonwealth.

Super SA Select

2. Summary of Significant Accounting Policies

(a) **Basis of Accounting**

This financial report is a general purpose financial report. 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*, except as provided below.

AAS 25 "Financial Reporting by Superannuation Plans" is the principal standard applied in preparing this financial report. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25.

This financial report has been prepared on an accrual basis where this can be reliably measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

New Accounting Standard

AASB 1056 "Superannuation Entities" was recently issued and becomes mandatory for the Fund's financial statements in 2016-17. The Fund does not plan to adopt this standard early and the extent of the impact has not yet been determined.

(b) **Basis of Valuations of Assets and Liabilities**

The basis for the valuation of assets and liabilities is provided below. Assets of the Fund have been measured at net market value as provided by Funds SA.

(i) Inflation Linked Securities B

The Inflation Linked Securities B portfolio invests in discretely managed portfolios and pooled funds, both of which 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. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

(ii) Property B

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

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

(iii) Australian Equities B

Assets in the Australian Equities B asset sector are all externally managed and comprise a number of individually pooled vehicles (unlisted unit trusts). Pooled vehicles (unlisted unit trusts) are managed by professional fund managers. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities B

Assets held in the International Equities B asset sector are all externally managed and comprise pooled vehicles (unlisted unit trusts). 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) Fixed Interest

The Fixed Interest portfolio is invested and 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 comprise investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuations of private equity investments are 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 funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). 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.

Super SA Select

Summary of Significant Accounting Policies (continued)

(vii) Diversified Strategies Income

Diversified Strategies Income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. 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.

(c) **Income Tax**

The Fund commenced on 1 December 2012 and is subject to a concessional tax treatment at the rate of 15 percent.

Current tax

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

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.

(d) **Operation of Investment Portfolio**

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 2014, Funds SA managed two separate investment options pertaining to the Fund distinguished by differing strategic asset allocations, namely:

- Balanced
- Cash

During the financial year the above investment options were available to investors in the Fund.

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

(e) **Revenue**

Superannuation contributions and other revenue are recognised on an accrual basis where this can be reliably measured.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(f) **Receivables and Payables**

Contributions receivable are contributions relating to the 2013-14 financial year received by the Fund after 30 June 2014.

Other receivables are carried at nominal amounts due which approximate fair value.

Other payables are recognised when the Fund is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of members who ceased employment and had provided the Fund with appropriate notification, but where the benefits had not been paid prior to year end.

Super SA Select

Summary of Significant Accounting Policies (continued)

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of the expense.

Regulation 70.5.03 of *A New Tax System (Goods and Services Tax) Regulations 1999* specifies the rate at which GST can be recovered through reduced input tax credits. The rate is 55 percent.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

3. Direct Investment Expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Fund based on the Fund's investment. In 2013-14 the increase in direct investment expenses was largely attributable to:

- Increased funds under management driven by strong share market performance (costs are applied on a percentage basis of funds under management); and
- An increase in performance based fees paid to managers in the Diversified Strategies Growth and Diversified Strategies Income asset classes. Funds SA note that these asset classes produced solid positive returns for the year.

4. Administration Expenses

| | 2014 | 2013 |
|-----------------------------|--------|---------|
| | \$ | \$ |
| Administration Expenses (i) | 92 648 | 18 004 |
| Set Up Costs (ii) | - | 283 153 |
| Other Expenses (iii) | 4 870 | 9 912 |
| | 97 518 | 311 069 |

- (i) Section 7 of the Deed provides for an administrative charge to be debited each year to the Members' account. 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 Trustee. For the year ended 30 June 2014, 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 investment earnings or \$1.35 per week, with a minimum annual administration fee of \$10. This charge is included on member annual statements. For the year ended 30 June 2014 the amount charged to Members' accounts was \$11,453.

Administration expenses incurred by the Trustee in administering the Fund 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 Trustee monthly. The charge for the year ended 30 June 2014, based on actual costs of administering the Fund, amounted to \$92,648 (2013 \$18,004) including GST.

- (ii) Set up costs were the costs incurred in establishing the Fund, There were no costs incurred for the year ended 30 June 2014 (2013 \$283,153).
- (iii) Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (a SA Government Entity) for the audit of the Fund for the reporting period totalled \$7,500 (2013 \$8,960). No other services were provided by the Auditor-General's Department.

5. Reconciliation of Cash

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:

| | 2014 | 2013 |
|---|---------|--------|
| | \$ | \$ |
| Cash and Cash Equivalents per Statement of Financial Position | 153 136 | 92 695 |
| Cash and Cash Equivalents per Statement of Cash Flows | 153 136 | 92 695 |

6. Contributions Receivable

| | 2014 | 2013 |
|---|--------|--------|
| | \$ | \$ |
| Contributions Receivable from Members | 1 737 | 3 181 |
| Contributions Receivable from Employers | 10 211 | 8 893 |
| | 11 948 | 12 074 |

7. Benefits Payable

| | 2014 | 2013 |
|------------------|------|------|
| | \$ | \$ |
| Benefits Payable | 427 | - |
| | 427 | - |

new,

Super SA Select

8. Net Assets Available to Pay Benefits

| | 2014 | 2013 |
|--|-------------------------|-----------------------|
| | \$ | \$ |
| Funds held at 1 July | <u>609 340</u> | - |
| <i>Add:</i> Contributions by Members | 225 585 | 59 321 |
| Contributions by Employers | 365 929 | 104 950 |
| Rollovers from Other Schemes | 652 012 | 800 964 |
| Government Contributions | 2 162 | - |
| Investment Revenue | 165 811 | - |
| Other Revenue | <u>7 980</u> | <u>3 058</u> |
| | <u>1 419 479</u> | <u>968 293</u> |
| <i>Less:</i> Benefits Paid and Payable | 194 925 | 284 |
| Investment Loss | - | 5 686 |
| Direct Investment Expenses | 8 348 | 728 |
| Administration Expenses | 97 518 | 311 069 |
| Interest Expense | 12 083 | - |
| Income Tax Expense | <u>89 530</u> | <u>41 186</u> |
| | <u>402 404</u> | <u>358 953</u> |
| Funds held at 30 June | <u>1 626 415</u> | <u>609 340</u> |

9. Allocated to Members' Accounts

The value of funds which have been formally allocated to investor accounts equals the Vested Benefits as per Note 14. The formal allocation of earnings to investors' accounts has been determined for the 2013-14 financial year.

10. Not Allocated to Members' Accounts

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

11. Receivables

| | 2014 | 2013 |
|----------|------------|--------------|
| | \$ | \$ |
| Interest | <u>224</u> | <u>1 035</u> |
| | <u>224</u> | <u>1 035</u> |

12. Payables

| | 2014 | 2013 |
|---------------------|--------------|----------------|
| | \$ | \$ |
| Audit Fees | 7 837 | 9 856 |
| Administration Fees | - | 18 004 |
| GST to the ATO | 853 | - |
| Set Up Costs | <u>-</u> | <u>283 153</u> |
| | <u>8 690</u> | <u>311 013</u> |

13. Liability for Accrued Benefits

The liability for accrued benefits is the obligation to pay benefits to beneficiaries, calculated as the balance of accounts plus the amounts not allocated to accounts.

| | 2014 | 2013 |
|--|-------------------------|-----------------------|
| | \$ | \$ |
| Liability for accrued benefits at 1 July | 858 964 | - |
| <i>Add:</i> Increase in Accrued Benefits | 1 286 513 | 859 248 |
| <i>Less:</i> Benefits Paid and Payable | <u>194 925</u> | <u>284</u> |
| Liability for Accrued Benefits at 30 June | <u>1 950 552</u> | <u>858 964</u> |

14. Vested Benefits

Vested Benefits are benefits which are not conditional upon continued membership of the Fund, or any other factor. Vested Benefits include benefits which investors are entitled to receive had they terminated their membership as at the reporting date.

| | 2014 | 2013 |
|-----------------|------------------|----------------|
| | \$ | \$ |
| Vested Benefits | <u>1 950 552</u> | <u>858 964</u> |

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| | | |
|---|----------------|----------------|
| 15. Reconciliation of Benefits Accrued as a result of Operations to Net Cash provided by Operating Activities | | |
| | 2014 | 2013 |
| | \$ | \$ |
| Operating Result | 1 212 000 | 609 624 |
| Investment Revenue | (165 811) | 5 686 |
| Direct Investment Expense | 8 348 | 728 |
| Benefits Paid and Payable | (194 925) | (284) |
| Decrease/(Increase) in Contributions Receivable | 126 | (12 074) |
| Decrease/(Increase) in Deferred Tax Assets | 49 353 | (50 565) |
| Decrease/(Increase) in Receivables | 811 | (1 035) |
| Increase in Benefits Payable | 427 | - |
| (Decrease)/Increase in Payables | (302 323) | 311 013 |
| (Decrease)/Increase in Current Tax Liabilities | (78 456) | 89 708 |
| Increase in Deferred Tax Liabilities | 5 808 | 2 043 |
| Increase in Interest on Loan Payable | 12 083 | - |
| Net Cash provided by Operating Activities | 547 441 | 954 844 |
| 16. Income Tax | | |
| | 2014 | 2013 |
| | \$ | \$ |
| (a) Major Components of Tax Expense | | |
| Current income tax | | |
| Current tax charge | 34 368 | 89 708 |
| Deferred income tax | | |
| Relating to the originating and reversal of temporary differences | 55 162 | (48 522) |
| Income Tax Expense | 89 530 | 41 186 |
| (b) Income Tax Expense | | |
| Total revenue less expenses before tax | 1 301 530 | 645 268 |
| Tax applicable at the rate of 15% | 195 229 | 96 790 |
| Tax effect of income (losses) that are not assessable/or deductible in determining taxable income | | |
| Investment revenue | (4 542) | 1 891 |
| Member contributions | (34 162) | (8 953) |
| Transfers in | (60 435) | (46 207) |
| Tax effect of other adjustments | | |
| Imputation and foreign tax credits | (6 560) | (2 335) |
| Income Tax Expense | 89 530 | 41 186 |
| (c) Current Tax Liabilities | | |
| Current years income tax provision | 11 252 | 89 708 |
| | 11 252 | 89 708 |
| (d) Deferred Tax Assets | | |
| The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date is made up as follows: | | |
| Accrued expenses | 1 176 | 46 652 |
| Unrealised capital losses carried forward (discounted) | - | 3 913 |
| Realised capital losses carried forward (discounted) | 36 | - |
| | 1 212 | 50 565 |
| (e) Deferred Tax Liabilities | | |
| The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date is made up as follows: | | |
| Contributions receivable | 1 532 | 2 043 |
| Unrealised capital gains carried forward (discounted) | 6 319 | - |
| | 7 851 | 2 043 |
| 17. Benefit Entitlements | | |
| Benefit entitlements are specified by the Regulations, the Deed and the Super SA Select Business Rules. | | |

Super SA Select

18. Loan from South Australian Superannuation Board

At the 8 June 2012 Board meeting, the South Australian Superannuation Board (the Board) agreed to provide funding of \$500,000 from its Capital and Development Reserve account for the purpose of establishing the Fund.

The terms of the loan are set out in Schedule 2 of the Regulations and the tri-partite Funding Deed between the Board, the Minister for Finance and 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, the interest payable for that year must be paid 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 payable for that year will be capitalised into the principal amount owing. At the end of 2013-14 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount owing was \$12,083.

Principal repayments are required when administration fees charged to members for the financial year exceed the cost of the administration of the Fund (other than investment management charges). For 2013-14 there were no principal repayments required (refer to Note 4).

19. Financial Instruments

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 changes in foreign exchange rates.

The Fund's currency risk is managed by Funds SA who has invested in 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 sector are 50 percent hedged to Australian dollars.

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

ii. Interest rate risk

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

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.

Super SA Select

Financial Instruments (Continued)

III. Other market price risk

Other market price risk is the risk that the value of the financial 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 net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

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 products are consistent with the time horizon of each.

IV. Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provides a reasonable estimate of the change in the value of the investments in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

2014

| Investment Option | Sensitivity variable | Standard Deviation | Change in Investment assets \$ |
|-------------------|----------------------------|--------------------|--------------------------------|
| Balanced | Nominal standard deviation | 7.7% | 135 854 |
| Cash | Nominal standard deviation | 1.3% | 3 066 |
| Total | | | 138 920 |

2013

| Investment Option | Sensitivity variable | Standard Deviation | Change in Investment assets \$ |
|-------------------|----------------------------|--------------------|--------------------------------|
| Balanced | Nominal standard deviation | 8.1% | 62 546 |
| Cash | Nominal standard deviation | 1.1% | 919 |
| Total | | | 63 465 |

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Fund's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

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 counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The net market value of financial assets, included in the Statement of Financial Position represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counter party 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.

Super SA Select

Financial Instruments (Continued)

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.

The Fund's 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.

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.

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.

| 30 June 2014 | Less than 3 Months \$ | Total Contractual Cash Flows \$ | Carrying Amount Liabilities \$ |
|-----------------------------|--------------------------|------------------------------------|-----------------------------------|
| Benefits Payable | 427 | 427 | 427 |
| Payables | 8 690 | 8 690 | 8 690 |
| Current Tax Liabilities | 11 252 | 11 252 | 11 252 |
| Vested Benefits (see below) | 1 950 552 | 1 950 552 | 1 950 552 |
| Total | 1 970 921 | 1 970 921 | 1 970 921 |

| 30 June 2013 | Less than 3 Months \$ | Total Contractual Cash Flows \$ | Carrying Amount Liabilities \$ |
|-----------------------------|--------------------------|------------------------------------|-----------------------------------|
| Payables | 311 013 | 311 013 | 311 013 |
| Current Tax Liabilities | 89 708 | 89 708 | 89 708 |
| Vested Benefits (see below) | 858 964 | 858 964 | 858 964 |
| Total | 1 259 685 | 1 259 685 | 1 259 685 |

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) Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial assets at fair value through profit or loss <i>Level 1 and level 3 are not relevant to the Fund</i> | Level 2 \$ |
|--|---------------|
| 30 June 2014 | |
| Unlisted managed investment schemes Funds SA | 2 000 198 |
| | <hr/> |
| | 2 000 198 |
| 30 June 2013 | |
| Unlisted managed investment schemes Funds SA | 855 735 |
| | <hr/> |
| | 855 735 |
| | <hr/> |

Super SA Select

Financial Instruments (Continued)

e) **Derivative Financial Instruments**

Derivatives can be defined as financial contracts whose value depend on, or are 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.

20. **Related Parties**

a) **Board Members**

The following are members of the Trustee Board who served during the course of the 2013-14 financial year, along with the period served

| | |
|--|----------------------------------|
| Philip Jackson (Presiding Member) | 1 July 2013 - 30 June 2014 |
| Kevin Cantley (John Wright - Deputy) | 1 July 2013 - 14 August 2013 |
| Bill Griggs (Aaron Chia - Deputy) | 1 July 2013 - 30 June 2014 |
| Virginia Deegan (Liz Hlipala - Deputy) | 1 July 2013 - 30 June 2014 |
| Jan McMahon (Leah York - Deputy) | 1 July 2013 - 30 June 2014 |
| Deborah Black | 11 September 2013 - 30 June 2014 |

b) **Board Members' Remuneration**

Members of the Trustee Board did not receive any remuneration during the course of the 2013-14 financial year.

Super SA Select
Certification of the Financial Report

We certify that the attached general purpose financial report for Super SA Select:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- is in accordance with the accounts and records of the Fund; and
- presents a true and fair view of the financial position of the Fund as at 30 June 2014 and the results of its operation and cash flows for the reporting period.

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



John Montague
 GENERAL MANAGER
 STATE SUPERANNUATION OFFICE



Philip Jackson
 PRESIDING MEMBER
 SOUTHERN SELECT SUPER CORPORATION



Robert Drusetta FCPA
 MANAGER GOVERNANCE, BOARD AND CORPORATE SUPPORT
 STATE SUPERANNUATION OFFICE

Date 18/9/2014.....

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Appendix 2 – Glossary

Accumulation fund

A superannuation fund in which member entitlements are made up of a combination of: employer contributions (includes salary sacrifice); member contributions; rollovers received; Co-Contributions, Low Income Superannuation Contribution (LISC); less fees and charges; plus investment returns.

Administration fee

The fee deducted from each member's account to cover the cost of administering the fund.

After-tax contributions

Contributions made into a member's account from their net, or after-tax, salary.

Co-Contributions

Amounts a member has received from the Commonwealth Government as part of the Co-Contributions scheme.

Contributory

Members who elect to contribute to their super by making before-tax (salary sacrifice) or after-tax contributions to their account.

See After-tax contributions and Salary sacrificing.

Entitlements

The amount of money in the superannuation fund to which the member is entitled. This includes insurance payments where eligible.

Investment choice

Members are able to choose either the "Balanced" or Cash investment option that suits their investment profile. Members who don't choose an investment option will be invested in the default "Balanced" option.

Low Income Superannuation Contribution (LISC)

The Low Income Superannuation Contribution (LISC) is a Commonwealth Government super contribution paid into super accounts to help low income earners save for their retirement. It was introduced in July 2012.

To be eligible for LISC your adjusted taxable income needs to be \$37 000 or less per year.

The amount of LISC that you receive is 15% of concessional contributions your employer makes to a taxed super fund.

The maximum amount you can receive for a financial year is \$500 and the minimum is \$20.

Non-contributory

The member does not make before-tax (salary sacrifice) or after-tax contributions, contributions are received only from the employer (superannuation guarantee).

Rolling in

Your super contributions invested with other funds can be transferred to Super SA Select.

Salary sacrificing

Personal before-tax salary contributions made from a member's salary before Pay As You Go (PAYG) tax is deducted. These amounts are classified by the Tax Office as employer payments and therefore reduce annual salary for taxation purposes.

Superannuation Guarantee (SG)

The Superannuation Guarantee (SG) is the minimum level of super contribution that must be provided to members by their employer and was 9.25% for 2013-14. The SG increased to 9.5% for 2014-15.

Trust Deed

A document that sets out the rules for the establishment and operation of a scheme, including: the appointment and operation of Trustees; who can be admitted to the scheme; receiving and investing contributions; and how benefits are paid to members.

Unit price

Units represent a share of the underlying investments in an investment option. An account balance is calculated by the number of units held by the prevailing unit price.

A change in the unit price reflects changes in the value of the underlying investments.

Appendix 3 – Service Providers

Administration

SuperSA
Level 3, 151 Pirie Street
Adelaide SA 5000

Investment manager

Funds SA
Level 3, 63 Pirie Street
Adelaide SA 5000

Financial advice to members

Industry Fund Services
Suite 1, Level 5
26 Flinders Street
Adelaide SA 5000

Legal and contractual guidance

Crown Solicitor
Level 9, 45 Pirie Street
Adelaide SA 5000

Auditor

Auditor-General
Level 9, State Administration Centre
200 Victoria Square
Adelaide SA 5000

Taxation and accounting

Sharyn Long Chartered Accountants
Level 6, 216 St. Georges Terrace
Perth WA 6805

Ernst & Young
121 King William Street
Adelaide SA 5000

Internal audit and compliance

Ernst & Young
121 King William Street
Adelaide SA 5000

Deloitte
11 Waymouth Street
Adelaide SA 5000

If you require further information
please contact Super SA:

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