

**OFFICIAL**

2022-23 ANNUAL REPORT for the Southern Select Super Corporation Board

## **Appendix: Audited financial statements 2022-23**

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# INDEPENDENT AUDITOR'S REPORT



Government of South Australia

Auditor-General's Department

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## To the Presiding Member Southern Select Superannuation Corporation Super SA Select Fund

### Opinion

I have audited the financial report of the Super SA Select Fund for the financial year ended 30 June 2023.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Super SA Select Fund as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The consolidated financial report comprises:

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

### Basis for opinion

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

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

**Responsibilities of the Acting Chief Executive, State Superannuation Office and members of the Southern Select Superannuation Corporation for the financial report**

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

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

The members of the Southern Select Superannuation Corporation are responsible for overseeing the entity's financial reporting process.

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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32(4) of the *Public Corporations Act 1993*, I have audited the financial report of the Super SA Select Fund for the financial year ended 30 June 2023.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Super SA Select Fund's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Acting Chief Executive, State Superannuation Office
- conclude on the appropriateness of the Acting Chief Executive, State Superannuation Office's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with Acting Chief Executive, State Superannuation Office and members of the Southern Select Superannuation Corporation about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



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

22 September 2023

## Super SA Select

### Statement of Financial Position

as at 30 June 2023

|  | Note  | 2023<br>\$000 | 2022<br>\$000 |
|--|-------|---------------|---------------|
| <b>Assets</b>                                      |       |               |               |
| Cash and cash equivalents                          | 15    | 120           | 333           |
| Receivables  | 4     | 66            | 2             |
| Contributions receivable                           | 7     | 265           | 19            |
| Deferred tax assets                                | 11(c) | 106           | 434           |
| Investments  | 5, 6  | 35 095        | 48 943        |
| <b>Total assets</b>                                |       | <b>35 652</b> | <b>49 731</b> |
| <b>Liabilities</b>                                 |       |               |               |
| Benefits Payable                                   |       | 6             | -             |
| Payables   | 8     | 35            | 21            |
| Current tax liabilities                            | 11(b) | 719           | 1 023         |
| Loan payable                                       | 5, 9  | 575           | 559           |
| <b>Total liabilities excluding member benefits</b> |       | <b>1 335</b>  | <b>1 603</b>  |
| <b>Net assets available for member benefits</b>    |       | <b>34 317</b> | <b>48 128</b> |
| Member benefits                                    | 3     | 34 227        | 48 386        |
| <b>Total net assets/liabilities</b>                |       | <b>90</b>     | <b>(258)</b>  |
| <b>Equity</b>                                      |       |               |               |
| Administration Fee Reserve                         | 16    | 49            | 50            |
| Operational Risk Reserve                           | 17    | 13            | -             |
| Investment allocation over/(under)                 |       | 28            | (308)         |
| <b>Total equity</b>                                |       | <b>90</b>     | <b>(258)</b>  |

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

### Income Statement

for the year ended 30 June 2023

|   | Note  | 2023<br>\$000 | 2022<br>\$000  |
|---|-------|---------------|----------------|
| Changes in investments measured at fair value |       | 3 900         | (2 758)        |
| Interest revenue                              |       | 28            | 1              |
| <b>Total revenue</b>                          |       | <b>3 928</b>  | <b>(2 757)</b> |
| Investment expenses                           | 12    | (123)         | (144)          |
| Administration expenses                       | 13    | (47)          | (21)           |
| Interest expense                              |       | (16)          | -              |
| <b>Total expenses</b>                         |       | <b>(186)</b>  | <b>(165)</b>   |
| <b>Results from operating activities</b>      |       | <b>3 742</b>  | <b>(2 922)</b> |
| Net benefits allocated to member accounts     |       | (3 087)       | 2 285          |
| <b>Operating result before income tax</b>     |       | <b>655</b>    | <b>(637)</b>   |
| Income tax (expense)/benefit                  | 11(a) | (306)         | 482            |
| <b>Net operating result</b>                   |       | <b>349</b>    | <b>(155)</b>   |

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

## Super SA Select

### Statement of Changes in Member Benefits

for the year ended 30 June 2023

|  | 2023          | 2022          |
|--|---------------|---------------|
|  | \$000         | \$000         |
| <b>Opening balance as at 1 July</b>            | <b>48 386</b> | <b>29 585</b> |
| Employer contributions                         | 2 701         | 1 223         |
| Member contributions                           | 507           | 534           |
| Rollovers from other schemes                   | 6 982         | 29 142        |
| Government co-contributions                    | 5             | 7             |
| Contributions tax                              | (1 203)       | (4 073)       |
| <b>Net contributions</b>                       | <b>8 992</b>  | <b>26 833</b> |
| Benefits to members                            | (26 184)      | (5 690)       |
| Transfers to other schemes                     | (54)          | (57)          |
| Net benefits allocated to members, comprising: |               |               |
| Net investment income                          | 3 119         | (2 254)       |
| Administration fees                            | (32)          | (31)          |
| <b>Closing balance as at 30 June</b>           | <b>34 227</b> | <b>48 386</b> |

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

### Statement of Changes in Equity

for the year ended 30 June 2023

|                         | Administration<br>Fee Reserve | Operational<br>Risk Reserve | Over/(under)<br>allocated<br>benefits | Total<br>Equity |
|-------------------------|-------------------------------|-----------------------------|---------------------------------------|-----------------|
|                         | \$000                         | \$000                       | \$000                                 | \$000           |
| <b>2023</b>             |                               |                             |                                       |                 |
| <b>Opening balance</b>  | <b>50</b>                     | <b>-</b>                    | <b>(308)</b>                          | <b>(258)</b>    |
| Net operating result    | (1)                           | 13                          | 336                                   | 348             |
| Net transfers to equity | -                             | -                           | -                                     |                 |
| <b>Closing balance</b>  | <b>49</b>                     | <b>13</b>                   | <b>28</b>                             | <b>90</b>       |

|                         | Administration<br>Fee Reserve | Operational<br>Risk Reserve | Over/(under)<br>allocated<br>benefits | Total<br>Equity |
|-------------------------|-------------------------------|-----------------------------|---------------------------------------|-----------------|
|                         | \$000                         | \$000                       | \$000                                 | \$000           |
| <b>2022</b>             |                               |                             |                                       |                 |
| <b>Opening balance</b>  | <b>-</b>                      | <b>-</b>                    | <b>-</b>                              | <b>-</b>        |
| Net operating result    | 50                            | -                           | (308)                                 | (258)           |
| Net transfers to equity | -                             | -                           | -                                     |                 |
| <b>Closing balance</b>  | <b>50</b>                     | <b>-</b>                    | <b>(308)</b>                          | <b>(258)</b>    |

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

## Super SA Select

### Statement of Cash Flows

for the year ended 30 June 2023

|  | Note | 2023<br>\$000   | 2022<br>\$000   |
|--|------|-----------------|-----------------|
| Bank interest  |      | 28              | 1               |
| GST recoup   |      | 3               | 1               |
| Income tax   |      | (282)           | (712)           |
| Administration expenses paid                         |      | (37)            | (16)            |
| <b>Net cash flows from operating activities</b>      | 15   | <b>(288)</b>    | <b>(726)</b>    |
| Receipts from the sale of investments from Funds SA  |      | 28 391          | 11 075          |
| Payments to Funds SA for the purchase of investments |      | (10 831)        | (29 614)        |
| <b>Net cash flows from investing activities</b>      |      | <b>17 560</b>   | <b>(18 539)</b> |
| Employer contributions                               |      | 2 456           | 1 232           |
| Member contributions                                 |      | 506             | 534             |
| Government co-contribution                           |      | 5               | 7               |
| Transfers from other superannuation entities         |      | 6 983           | 27 474          |
| Transfers from other schemes                         |      | -               | (26)            |
| Benefit payments to members                          |      | (26 232)        | (5 747)         |
| Contributions tax paid                               |      | (1 203)         | (4 073)         |
| <b>Net cash flows from financing activities</b>      |      | <b>(17 485)</b> | <b>19 401</b>   |
| <b>Net change in cash</b>                            |      | <b>(213)</b>    | <b>136</b>      |
| <b>Cash at the beginning of the financial period</b> |      | <b>333</b>      | <b>197</b>      |
| <b>Cash at the end of the financial period</b>       |      | <b>120</b>      | <b>333</b>      |

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

## Super SA Select

### Notes to 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 funds. 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 (now the Treasurer) 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.

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

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

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

The balance of individual member entitlements is provided in annual statements provided to each member.

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

##### 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 (now the Treasurer), pursuant to the *Public Corporations (Southern Select Super Corporation) Regulations 2012* (the Regulations), and was established under section 24 of the *Public Corporations Act 1993* to act as Trustee of the Fund.



## Super SA Select

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 and return objectives and asset allocation policies to be adopted with respect to the management and investment of the Fund.

In setting the risk and 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***

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

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

**d) *Funding Arrangements***

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.

**e) *Benefit entitlements***

Benefit entitlements are specified by the Regulations, the Deed and the Super SA Select Business Rules.

**f) *Fund Selection, New Transfer and Withdrawal Arrangements and Limited Public Offer (LPO)***

As of 30 November 2022, eligible Select members have more options and flexibility with the introduction of Fund Selection, new transfer, withdrawal arrangements and Limited Public Offer (LPO).

Fund Selection gives eligible Select members the option to choose a superannuation fund for their employer and personal super contributions that suits their needs.

The new transfer arrangements allow eligible Select members, who have made a Fund Selection, the option to transfer all or part of their accumulated account balance to a complying superannuation fund of their choice, without needing to terminate SA Government employment. Between 30 November 2022 and 30 June 2023, 25 Select members made a full transfer under the new arrangements, totalling \$20.66 million.

## Super SA Select

Select members are also able to access withdrawal payments under the new arrangements if they meet a Superannuation Industry (Supervision) Act 1993 (SIS Act) condition of release or if they have any unrestricted non-preserved benefits, even while still employer by SA Government. As at 30 June 2023 there was \$21,000 of withdrawal payments by Select member(s) under the new arrangements.

LPO allows eligible Super SA members who work outside of SA Government the option to direct their superannuation contributions from non-SA Government employers to the Fund. As at 30 June 2023 there were 809 LPO members with contributions and rollovers totalling \$1.67 million.

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

### 2) Significant accounting policies

#### a) *Basis of accounting*

The financial statements have been prepared in accordance with relevant Australian Accounting Standards, including AASB 1056 Superannuation Entities and other authoritative pronouncements of the Australian Accounting Standards Board, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the Public Finance and Audit Act 1987 (PFAA), except as provided below. These financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

These financial statements are prepared on a 12-month reporting period, presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$000).

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

#### b) *New and amended accounting standards*

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

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

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

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

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

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

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

## Super SA Select

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

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

### *Other financial liabilities*

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

### **(b) Recognition**

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

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

### **(c) Initial Recognition**

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

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

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

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

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

### **(e) Fair value measurement**

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

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

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

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

## **Super SA Select**

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

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

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

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

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

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

### **(g) Receivables and payables**

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

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

Benefits payable are valued at fair value and relate to members who are eligible to receive payment and provided the Fund with appropriate notification on or prior to 30 June 2023 but paid after 30 June 2023.

### **(i) Revenue recognition**

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

#### *Changes in fair values*

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

#### *Interest*

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

### **(j) Taxation**

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

## Super SA Select

### 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.

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

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

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

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

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

## Super SA Select

### (l) Foreign currency

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

### (m) Investments

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

#### (i) Inflation Linked Securities Taxable

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

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

#### (ii) Property Taxable

The Property Taxable portfolio comprises two sub sectors:

##### *Listed Property Trusts*

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

##### *Unlisted property vehicles*

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

#### (iii) Australian Equities Taxable

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

## Super SA Select

(iv) International Equities Taxable

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

(v) Fixed Interest

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

(vi) Diversified Strategies Growth Taxable

The Diversified Strategies Growth Taxable asset class incorporates two sub sectors:

*Private Markets Tax-Exempt*

The Private Markets Taxable portfolio comprises investments in Australian and international private equity funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

*Core Infrastructure Tax-Exempt*

The Core Infrastructure Taxable portfolio comprises investments in Australian and international infrastructure pooled funds, which are invested and managed by external managers. The valuation of these investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

(vii) Diversified Strategies Income

The Diversified Strategies Income asset class incorporates four sub sectors:

*Defensive Alternatives*

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

## Super SA Select

### *Credit*

The Credit portfolio comprises investments in discretely managed investments and Australian and international pooled funds and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

### *Investment Grade Credit*

The Investment Grade Credit portfolio comprises investments in discretely managed investments and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

### *Growth Alternatives*

The Growth Alternatives portfolio comprises investments in discretely managed investments and Australian and international pooled funds and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Where currency conversions are required, these have been made at the spot market mid rates applicable at balance date.

### *(viii)* Cash

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

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

Funds SA is responsible for the investment and management of the Fund's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2023, Funds SA managed two separate investment options for the Fund which were available to members, distinguished by differing strategic asset allocations:

- Balanced
- Cash

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



## Super SA Select

### (o) Significant accounting judgements, estimates and assumptions

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

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

#### *Fair value of investments*

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

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

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

### (p) Climate change financial risks

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

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

## 3) Member benefit liabilities

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

|   | 2023          | 2022          |
|---|---------------|---------------|
|   | \$000         | \$000         |
| Member benefits   | 34 227        | 48 386        |
| As compared to net assets available for member benefits | <u>34 317</u> | <u>48 128</u> |

## Super SA Select

### 4) Receivables

|                         | 2023      | 2022     |
|-------------------------|-----------|----------|
|                         | \$000     | \$000    |
| Refund from ATO for GST | 2         | 2        |
| Funds SA Receivable     | 64        | -        |
|                         | <b>66</b> | <b>2</b> |

### 5) Fair value of financial instruments

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

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

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

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

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

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

## Super SA Select

### *Valuation technique*

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

There were no changes in valuation techniques during the year.

|   | 2023          | 2022          |
|---|---------------|---------------|
|   | \$000         | \$000         |
| <b>Classification of investments under the fair value hierarchy – Level 2</b> |               |               |
| Level 1 and level 3 are not relevant to the Scheme                            |               |               |
| Unlisted managed investment schemes   | 35 095        | 48 493        |
| Funds SA  | <b>35 095</b> | <b>48 493</b> |

|   | 2023       | 2022       |
|---|------------|------------|
|   | \$000      | \$000      |
| <b>Classification of loans under the fair value hierarchy – Level 2</b> |            |            |
| Level 1 and level 3 are not relevant to the Scheme                      |            |            |
| Loan from South Australian Superannuation Board                         | 575        | 559        |
|   | <b>575</b> | <b>559</b> |

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

|                        | 2023          | Movement        | 2022          |
|------------------------|---------------|-----------------|---------------|
|                        | \$000         | \$000           | \$000         |
| Balanced               | 32 426        | (14 625)        | 47 051        |
| Cash                   | 2 669         | 777             | 1 892         |
| Investments at 30 June | <b>35 095</b> | <b>(13 848)</b> | <b>48 943</b> |

### 7) Contributions receivable

|                        | 2023       | 2022      |
|------------------------|------------|-----------|
|                        | \$000      | \$000     |
| Member contributions   | 2          | 1         |
| Employer contributions | 263        | 18        |
|                        | <b>265</b> | <b>19</b> |

### 8) Payables

|                         | 2023      | 2022      |
|-------------------------|-----------|-----------|
|                         | \$000     | \$000     |
| Audit fees              | 10        | 10        |
| Administration expenses | 25        | 11        |
|                         | <b>35</b> | <b>21</b> |

## Super SA Select

### 9) 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 (now Treasurer) 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 2022-23 the Fund did not have a net surplus, therefore the amount of interest capitalised was \$16 000 (2022: Nil).

|                              | 2023       | 2022       |
|------------------------------|------------|------------|
|                              | \$000      | \$000      |
| Loan payable opening balance | 559        | 559        |
| Interest                     | 16         | -          |
| Loan payable closing balance | <u>575</u> | <u>559</u> |

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 2022-23 there was no principal repayment required.

### 10) Allocated to members' accounts

The value of funds which have been formally allocated to investor accounts equals the member benefits as per Note 3. The formal allocation of earnings to investors' accounts has been determined for the 2022-23 financial year.

## Super SA Select

### 11) Income tax

|  | 2023         | 2022         |
|--|--------------|--------------|
|  | \$000        | \$000        |
| <b>Major components of income tax benefit/(expense)</b>  |              |              |
| <b>(a) Current income tax (expense)/benefit</b>  |              |              |
| Current tax charge   | 27           | (50)         |
| Adjustment to current tax for prior periods  | (5)          | 2            |
| Relating to the originating and reversal of temporary differences                                  | (328)        | 530          |
| <b>Income tax (expense)/benefit</b>  | <b>(306)</b> | <b>482</b>   |
| Reconciliation between income tax expenses and the accounting profit before income tax             |              |              |
| Net operating result before tax  | 655          | (637)        |
| Tax applicable at the rate of 15% (2022: 15%)  | 98           | 96           |
| Tax effect of income/(losses) that are not assessable/or deductible in determining taxable income: |              |              |
| Investment revenue   | (35)         | (186)        |
| Tax effect of other adjustments:   |              |              |
| Imputation and foreign tax credits   | 95           | 230          |
| Net benefits allocated to members  | (463)        | 343          |
| Under provision prior period   | (1)          | (1)          |
| <b>Income tax (expense)/benefit</b>  | <b>(306)</b> | <b>482</b>   |
| <b>(b) Current tax liabilities</b>   |              |              |
| Current years income tax provision   | 719          | 1 023        |
| Current tax liabilities  | <b>719</b>   | <b>1 023</b> |
| <b>(c) Deferred tax liabilities/(assets)</b>   |              |              |
| The amount of deferred tax liability recognised in the data comprises:                             |              |              |
| Accrued expenses and realised capital losses (discounted)  | (203)        | (3)          |
| Unrealised capital gains /(losses) carried forward (discounted)                                    | 97           | (431)        |
| <b>Deferred tax liabilities/(assets)</b>   | <b>(106)</b> | <b>(434)</b> |

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

### 12) Investment expenses

|                     | 2023       | 2022       |
|---------------------|------------|------------|
|                     | \$000      | \$000      |
| Investment expenses | <b>123</b> | <b>144</b> |

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

## Super SA Select

### 13) Administration expenses

|  | 2023      | 2022      |
|--|-----------|-----------|
|  | \$000     | \$000     |
| Administration expenses <sup>(i)</sup> | <u>47</u> | <u>21</u> |

<sup>(i)</sup> 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 quarterly. The charges are based on actual costs of administering the Fund.

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 Fund. The amount of the charge is determined by the Trustee. For the year ended 30 June 2023, the charge was \$1.35 per week per member for all members, active and non-active. In addition, an asset based fee of 0.05 per cent of members' account balances is charged monthly and capped at \$325 per annum. However, the charge for a member with an aggregate balance of \$1 000 or less, is the lesser of the charges applicable to members, or the amount of investment earnings credited to the member's account with a minimum of \$10. These charges are included on member annual statements.

Administration expenses include Auditors' remuneration - refer Note 14.

### 14) Auditors' remuneration

|                            | 2023     | 2022     |
|----------------------------|----------|----------|
|                            | \$000    | \$000    |
| Audit fees paid or payable | <u>9</u> | <u>9</u> |

Audit fees paid or payable to the Auditor-General's Department relating to work performed under the PFAA were \$9 100, GST exclusive (2022: \$9 100). The Auditor General's Department uses the services of Ernst and Young for the audit. No other services were provided by the Auditor-General's Department.

## Super SA Select

### 15) Reconciliation of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash and deposits in the Fund's bank account held with the Commonwealth Bank of Australia. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows. Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related item in the statement of financial position as follows:

|   | 2023<br>\$000 | 2022<br>\$000 |
|---|---------------|---------------|
| Cash and cash equivalents   | 120           | 333           |
| <b>Reconciliation of operating result to net cash from operating activities</b> |               |               |
| Net operating result  | 349           | (155)         |
| Adjustments for:  |               |               |
| Change in investments measured at fair value                                    | (3 900)       | 2 758         |
| Investment expenses   | 123           | 144           |
| Decrease in receivables   | -             | -             |
| Increase/(decrease) in payables   | 53            | (1 188)       |
| Allocation to members' accounts   | 3 087         | (2 285)       |
| <b>Net cash outflows from operating activities</b>                              | <b>(288)</b>  | <b>(726)</b>  |

### 16) Administration Fee Reserve

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

|                                    | 2023<br>\$000 | 2022<br>\$000 |
|------------------------------------|---------------|---------------|
| <b>Opening Balance</b>             | 50            | 19            |
| Investment earnings <sup>(i)</sup> | 3             | -             |
| Administration fees                | 32            | 31            |
| Administration expenses            | (38)          | -             |
| <b>Operating Result</b>            | <b>(1)</b>    | <b>31</b>     |
| <b>Closing Balance</b>             | <b>49</b>     | <b>50</b>     |

<sup>(i)</sup> The Administration Reserve is notionally invested in the Balanced Option. The rate of return on earnings in 2023 was 7.7 per cent (2022: -4.5 per cent).

## Super SA Select

### 17) Operational Risk Reserve

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

|   | 2023      | 2022  |
|---|-----------|-------|
|   | \$000     | \$000 |
| <b>Opening balance of Operational Risk Reserve</b>            | -         | -     |
| Investment revenue on Operational Risk Reserve <sup>(i)</sup> | 1         | -     |
| Operational Risk Reserve charge <sup>(ii)</sup>               | 12        | -     |
| Payments from Reserve   | -         | -     |
| <b>Operating Result</b>                                       | <b>13</b> | -     |
| <b>Closing balance of Operational Risk Reserve</b>            | <b>13</b> | -     |

(i) The Operational Risk Reserve is notionally invested in the Balanced Option. The rate of return on earnings in 2023 was 7.7 per cent (2022: -4.5 per cent).

(ii) The Operational Risk Reserve charge was introduced in the 2022-23 financial year by deducting 5 basis points across all members' accounts to fund the Operational Risk Reserve.

### 18) Financial risk management objectives and policies

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

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

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

- market risk
- credit risk
- liquidity risk

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

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

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

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



## Super SA Select

### 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.

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

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

#### (i) Currency risk

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

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

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

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

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

#### (ii) Interest rate risk

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

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

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each, and
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

#### (iii) Other market price risk

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

## Super SA Select

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

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

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

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

**(iv) Investments sensitivity analysis**

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

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

|                          | Expected<br>Average<br>Return | Market<br>Risk | Average Funds<br>Under<br>Management | Potential impact<br>of market risk (+/-)<br>on Income<br>Statement |
|--------------------------|-------------------------------|----------------|--------------------------------------|--|
| <b>2023</b>              | %                             | %              | \$000                                | \$000  |
| <b>Investment Option</b> |                               |                |                                      |  |
| Balanced Taxable         | 7.0                           | 8.4            | 39 739                               | 3 338  |
| Cash Taxable             | 2.7                           | 0.4            | 2 281                                | 9  |
| <b>2022</b>              |                               |                |                                      |  |
| <b>Investment Option</b> |                               |                |                                      |  |
| Balanced Taxable         | 5.6                           | 9.0            | 39 913                               | 3 592  |
| Cash Taxable             | 0.0                           | 0.5            | 1 211                                | 6  |

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

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

## Super SA Select

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

### *b) Credit risk*

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

The fair value of financial assets, included in the statement of financial position represents the Fund's maximum exposure to credit risk in relation to those assets. Funds SA is the Fund's only significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Fund does not have any assets which are past due or impaired and there is no concentration of credit risk other than Funds SA.

### *c) Liquidity risk*

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

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

- by giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions,
- a large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities,
- reporting and monitoring the liquidity of the fund on a daily basis to ensure prospective client cash outflows and switches can be met,
- by undertaking portfolio management and rebalancing activities, and
- by undertaking regular stress testing on liquidity positions to identify sources of liquidity strain before they are realised.

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

## Super SA Select

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

|                                 | Less than 3<br>Months<br>\$000 | Greater than 5<br>years<br>\$000 | Total Contractual<br>Cash Flows<br>\$000 | Carrying Amount<br>Liabilities<br>\$000 |
|---------------------------------|--------------------------------|----------------------------------|--|---|
| <b>2023</b>                     |                                |                                  |  |   |
| Benefits Payable                | 6                              | -                                | 6  | 6                                       |
| Loan                            | -                              | 575                              | 575                                      | 575                                     |
| Payables <sup>(i)</sup>         | -                              | -                                | -  | -                                       |
| Vested benefits <sup>(ii)</sup> | 34 227                         | -                                | 34 227                                   | 34 227                                  |
|                                 | <b>34 233</b>                  | <b>575</b>                       | <b>34 808</b>                            | <b>34 808</b>                           |
|                                 | \$000                          | \$000                            | \$000                                    | \$000                                   |
| <b>2022</b>                     |                                |                                  |  |   |
| Loan                            | -                              | 559                              | 559                                      | 559                                     |
| Payables <sup>(i)</sup>         | -                              | -                                | -  | -                                       |
| Vested benefits <sup>(ii)</sup> | 48 386                         | -                                | 48 386                                   | 48 386                                  |
|                                 | <b>48 386</b>                  | <b>559</b>                       | <b>48 945</b>                            | <b>48 945</b>                           |

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

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

### **d) Derivative financial instruments**

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

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

## **19) Segment information**

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

## Super SA Select

### 20) Related parties

As detailed in Note 1, the Trustee is a subsidiary of the Treasurer, pursuant to the Regulations, established under section 24 of the *Public Corporations Act 1993*, to act as trustee of the Fund.

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

#### a) *The Southern Select Super Corporation*

Kevin Foley (Presiding Member – Appointed 02/12/2022, Resigned 18/07/2023)

Richard Dennis (Re-appointed 01/12/2021)

Bill Griggs (Re-appointed 01/12/2021)

Alison Kimber (Re-appointed 01/12/2021)

Virginia Deegan (Re-appointed 01/12/2021, Appointment term ended 22/07/2023)

Gregory Boulton (Retired 08/09/2022)

#### b) *The Southern Select Corporation Board Audit, Risk and Finance Committee*

Alison Kimber (Chair – Appointed 23/06/2023)

Kevin Foley (Appointed 02/12/2022, Resigned 18/07/2023)

Richard Dennis (Appointed 19/12/2018)

#### c) *Key management personnel*

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

#### d) *Compensation*

No remuneration is paid in relation to the Trustee. All key management personnel are compensated through the Department of Treasury and Finance, with compensation disclosed in the financial report.

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

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

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

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

### 21) Events after the reporting period

Ms June Roache was appointed Presiding Member of Southern Select Super Corporation on 27 July 2023, following Mr Kevin Foley's resignation as Presiding Member on 18 July 2023.

Ms Virginia Deegan's term ended 22 July 2023.

## Super SA Select

### Certification of the financial statement

We certify that the:

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



June Roache  
**Presiding Member**  
**Southern Select Superannuation Corporation**



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



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

Date 14/9/23.....