



THE SOUTHERN SELECT SUPER CORPORATION

# ANNUAL REPORT 2014 - 15

THIRD 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

## ADEQUACY

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

## SERVICES AND COMMUNICATIONS

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

## SUSTAINABLE FUND

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

# 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

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**SELECT** 

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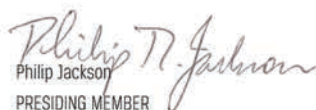
23 September 2015

Hon. Tom Koutsantonis, MP  
Minister for Finance  
8th Floor, State Administration Centre  
200 Victoria Square  
ADELAIDE SA 5000

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 2015.

Yours faithfully

  
Philip Jackson

**PRESIDING MEMBER**

**SOUTHERN SELECT SUPER CORPORATION**



THE SOUTHERN SELECT SUPER CORPORATION

# ANNUAL REPORT 2014 - 15

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## Message from the Presiding Member

The past year has been another one of consolidation for Super SA Select. Its scale remains small with 154 members but showed a modest growth to almost \$2.7 million in funds under management.

Realising our vision to be the leading provider of quality superannuation services to low income employees in South Australia remains challenging. Constant regulatory changes and increasing complexity around super has been a consistent theme over the years, requiring us to continually change and adapt.

Recognising this and the fundamental role of technology, Super SA is currently procuring a 'next generation' information and communications technology (ICT) platform anticipated to come online in 2017. Since our last administration system upgrade we have seen technological developments that have enabled superannuation funds to significantly improve efficiencies and streamline operations. By designing a platform capable of processing more of the basic core functions, we will be able to focus our skilled subject matter experts on more complex issues, and improve service to all members.

The Corporation is keenly aware of the ultimate aim of superannuation, that is to provide an adequate level of income in retirement. To help Super SA Select members reach this goal, Super SA has begun work with our investment manager, Funds SA, to understand what the majority of members want in retirement and how the design of an investment strategy can influence outcomes.

As we turn our focus to the future, we see increasing interest in a Super SA product – the Super SA Income Stream. The rise, both in membership and funds under management to \$1.95 billion, in ten years tells us that members want a low cost retirement product that offers a high level of service from a known and trusted provider.

We understand that moving into retirement is an important and significant phase of a member's life and in the near future we plan to address this by extending advice to members enabling them to benefit from our experience and knowledge of Super SA's unique schemes.

### Investments

I would like to acknowledge the partnership we have with Funds SA and welcome Jo Townsend as the new CEO of Funds SA. Funds SA, in its current form, has been Super SA's investment manager for 20 years and has helped steer us through periods of market volatility over that time.



Philip Jackson

“The Corporation is keenly aware of the ultimate aim of superannuation, that is to provide an adequate level of income in retirement.”

The performance was strong for the Balanced (default) investment option returning 8.1% for the year ending 30 June 2015. However, we expect investment conditions to become more challenging in the future and this is likely to be reflected in lower returns than those achieved in recent years.

### Awards

Super SA continues to be held in high esteem in the superannuation industry, with our products again achieving the highest possible ratings from independent ratings agency SuperRatings which recognises Super SA Select as being 'best value for money'.

For the fifth consecutive year Super SA ranked in the top 300 super funds in the world in the P&I/Towers Watson Global 300 research.

Such accolades provide us with valuable industry feedback on how our products and services compare with the broader superannuation marketplace.

### With thanks

Many dedicated staff work hard to provide exceptional service to our members. On behalf of the Board of the Corporation, I thank Super SA staff and the executive team lead by John Montague for their efforts.

I would like to take this opportunity to thank the members of Corporation's Board, Deborah Black, Virginia Deegan, Bill Griggs, Jan McMahon, and deputy members Liz Hlipala, Leah York, Aaron Chia and John Wright for their valuable contribution.

I look forward to leading the Board members in another year of growth and development for Southern Select Corporation in 2015-16.

Philip Jackson

**Presiding Member, Southern Select Super Corporation**

# Message from the General Manager

Striving to be the leading provider of quality superannuation in South Australia requires keeping up with the constant stream of regulatory changes and increasing complexity around super. This means we are continually challenged and need to adapt and adjust the way we deliver our service to members – as demonstrated by the introduction of Super SA Select.

As the uncertainty surrounding the Low Income Super Contribution (LISC) has continued, Super SA Select has not been actively promoted. This has contributed to the product's continuing small scale but the infrastructure and strategic direction is in place for the fund to grow and become a leading product in the future.

## Strategic direction

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 Government's administrative reforms are raising compliance costs for all superannuation funds, the Corporation determined a path of consolidation and completion of current projects and elected to maintain its three key strategic objectives for 2014–15:

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

## Adequacy

Each year Super SA runs campaigns, such as the Co-Contribution campaign, to encourage members to commence or increase personal contributions to achieve better retirement outcomes.

## Serving our members

The Office is responding to the increasing activities and requirements of members, particularly in the electronic realm via emails and our website. The Super SA website is an integral part of member contact and we are constantly improving it including enhancing our calculators. Our Member Education team has been busy conducting seminars, workplace visits and Regional Roadshows across the state.

## Sustainability

Several projects were progressed in the 2014–15 year to ensure that Super SA remains a sustainable fund. The most significant was:

- ICT Solution – this long-term project is on target to provide the Office with up-to-date systems to support ongoing member demands.

“The Office is responding to the increasing activities and requirements of members...”



John Montague

## Investments

The past 20 years have provided strong investment returns, which have been good for members. However, it will become harder to produce similar returns in the near future because the outlook for the next five to 10 years is for lower returns due to the low interest rate environment and low economic growth in the main economic regions.

This will make achieving investment objectives more difficult. We are working with Funds SA on how to best manage the portfolio in the current and future environments. Together we will aim to develop a strategy that is appropriate, adequate and sustainable over the long term with investment objectives which are appropriate for each option.

## Living the values

In the past three years Super SA has invested heavily in establishing a strong culture based on core values. These are: respect, selflessness, transparency, optimism, satisfaction and leadership. Each of the values has been specifically targeted and promoted within the organisation during the year. These common values set the standard for staff behaviour and service delivery across the office and the high standards we expect of ourselves.

As part of a focus on Super SA's selflessness value, Super SA joined the not-for-profit super sector and participated in the 2015 Mother's Day Classic, a national community charity event supporting breast cancer research created by the Women in Super Network.

Participation in this event provided positive recognition for Super SA amongst our industry fund peers, community and members. This included presenting a corporate trophy to the Metropolitan Fire Service, for the largest government team. Funds raised from the 2015 event across Australia were \$3.1 million.

## In conclusion

I look forward to meeting the needs and requests of members and working with all of our stakeholders: Minister for Finance, the Corporation, Department of Treasury and Finance, and staff, to continue delivering a cost-effective and efficient service. Finally, I would like to thank the members of Super SA for demonstrating confidence in our products, and the staff of Super SA for their support over the past financial year.

John Montague  
General Manager, Super SA



Office Hours:  
Monday to Friday  
9:00am - 5:00pm  
Website: [www.supersa.sa.gov.au](http://www.supersa.sa.gov.au)

PULL





## Year in Review

2014-15 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 (Super SA), a branch of the Department of Treasury and Finance (DTF), provides administrative services to the Corporation. Super SA is the administrator of SA public sector schemes and products.

Super SA, 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 Super SA are employees of DTF, details regarding employee numbers, gender, status and remuneration are covered in the 2014-15 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 2015, Super SA Select had 154 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 2015 was \$2.7 million.

# Investment Review

Another strong investment return for the Balanced option in 2014–15.

## Investment option performance 2014–15

The Balanced investment option (default) returned 8.1% for the year ending 30 June 2015 while the Cash investment option returned 2.3% over the same period.

Long-term historical performance is not yet available due to the inception of Super SA Select on 1 January 2013.

Investment return for Super SA Select (%)	
Investment option	Return for year ended 30 June 2015 <sup>1</sup>
Balanced	8.1
Cash	2.3

<sup>1</sup> Net of fees and tax.

## Investment markets 2014–15

The Balanced option performed strongly because of the positive returns achieved from both shares and fixed interest investments. The month of June 2015, however, saw significant uncertainty enter financial markets, related to the Greek debt crisis. The returns from cash continued to be low over the year as central banks globally maintained official cash rates at historically low levels.

Investment markets 2014–15	
Australian Cash	2.6%
Australian Government Fixed Income	5.8%
Australian Unlisted Property	10.0%
Australian Equities	5.6%
Global Equities	8.4%

## Investment Strategy

Super SA Select's strategic asset allocations remain unchanged at 1 July 2015.

Super SA Select strategic asset allocations: Cash and Balanced options		
	Cash %	Balanced %
Cash	100	2
Fixed Interest		11
Inflation Linked Securities		12
Diversified Strategies Income		15
Property		12
Australian Equities		22
International Equities		18
Diversified Strategies Growth		8

While the past year has provided strong returns, an extended period of lower returns is likely. The implications of this on superannuation funds generally is that, going forward, achieving a fund's investment objective will be more challenging. Super SA is working with Funds SA to consider how best to manage the portfolio in the current environment.

# 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.

## 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. until 3 November 2014.
- Presiding Member, South Australian Superannuation Board



### Ms Virginia Deegan

**Appointed by the Minister for Finance until 30 November 2015.**

Director, Infrastructure, 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
- Proxy Member, Training and Skills Commission



### **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
- 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, Return To Work 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 for a term ending on 30 November 2015.

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

- Ms Liz Hlipala
- Ms Leah York
- Mr Aaron Chia
- Mr John Wright (Appointed 27 October 2014)

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 Super SA 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 is invited to attend each meeting as an observer. The General Manager; the Director, Policy and Governance; the Manager, Governance, Board and Corporate Support; the Manager, Audit and Risk; 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.



Board Members	Board meetings			Audit and Finance Committee	
	Eligible to attend	Attended	Deputy Attended	Eligible to attend	Attended
Philip Jackson <sup>1</sup>	11	10		4	4
Virginia Deegan	11	9	1	4	3
Bill Griggs	11	11	0		
Jan McMahon	11	8	1		
Deborah Black	11	7	2		
Committee Members					
John Wright				4	4

<sup>1</sup>The 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 Board currently receives no remuneration.

### Board education and training

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

During the 2014–15 financial year Members of the Corporation Board attended the Association of Superannuation Funds of Australia (ASFA) Conference, November 2014 and the Conference of Major Superannuation Funds (CMSF) Conference, March 2015. The Presiding Member attended various forums for fund chairs organised by the Australian Institute of Superannuation Trustees (AIST).

## 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 SuperSA 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***

The initial Charter was reviewed at the end of 2013-14 and an amended Charter came into effect on 29 August 2014 and will be reviewed on or before 30 June 2016 and before the end of each subsequent financial year. The amendments to the Charter reflected the delegation of certain powers from the Treasurer to the Minister for Finance that were gazetted on 12 December 2013.

## Corporate Governance

### Changes to Acts and Regulations

During 2014-15, there have been no amendments to the Trust Deed that is administered by the Corporation. There have also been no amendments during 2014-15 to the legislation that established the Corporation, the *Public Corporations (Southern Select Super Corporation) Regulations 2012*.

### 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

During 2014-15 the Corporation continued its integrated audit, risk and compliance function that included compliance testing, incident management, Financial Management Compliance Program and a Risk Management Strategy and Plan.

Internal Audit projects completed during 2014-15 for Super SA Select included Member Reporting and Information Disclosure; Compliance Benchmarking; Business Continuity; Unit Pricing and a Governance Review.

### 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. To the best of the Corporation's knowledge there have been no instances of fraud in 2014-15.

### 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 Corporation's Audit and Finance Committee maintains oversight of Super SA's progress in meeting its 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 deemed to be complying superannuation funds in terms of the SIS Act and for superannuation guarantee purposes under the *Superannuation Guarantee (Administration) Act 1992* and for income tax purposes under the *Income Tax Assessment Act 1936*.

As a result of this agreement, Super SA Select established under a Trust Deed dated 18 December 2012 is an exempt public sector scheme in terms of 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 Super SA Select are considered whenever new Commonwealth legislation is enacted.

Commonwealth initiatives during 2014-15 included:

- the deferral of the increase in the superannuation guarantee contribution such that the current rate of 9.5% will remain for 7 years, increasing to 10% from July 2021, and eventually to 12% from July 2025.
- the abolition of the low income superannuation contribution with effect from 1 July 2017.

## Complaints, Appeals and Freedom of Information

The 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 2014–15 there were no 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 2014–15.

### Policy Documents

The Corporation continued its policy review program during 2014–2015 with the following policy being updated:

- Complaints Process

During 2014–15 the following two new policies were approved by the Corporation:

- Fraud and Theft
- Unit Pricing.

During 2014–15 the following policy was revoked by the Corporation:

- Benefit Payments Applicable Unit Price.

### Policy Documents

The policy documents as at 30 June 2015 are:

- 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
- Fraud and Theft
- Unit Pricing.

Any person wishing to inspect these policies should contact Member Services on (08) 8207 1968.

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

### Whistleblowers Act

There were no occasions in the 2014–15 year on which public interest information was disclosed to a responsible officer of the agency under the *Whistleblowers Protection Act 1993*.

### Unclaimed Monies

The Corporation is required under the *Superannuation (Unclaimed Money and Lost Members) Act 1999* (Cwth Act) to report and pay unclaimed money entitlements to the ATO twice per year in accordance with the Commonwealth legislation.

Unclaimed superannuation entitlements are defined as such once the following conditions have been met:

- the member is over the age of 65
- the member has been categorised as 'lost' for more than five years and the provider has not been able to contact the member again after making reasonable efforts
- the fund has not received a contribution for the member in more than two years

There were no payments that were required to be made during 2014–15.

## INDEPENDENT AUDITOR'S REPORT



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 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 2015. The financial report comprises:

- an Operating Statement for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- 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 2015, 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.



Andrew Richardson  
**Auditor-General**  
19 September 2015

**Super SA Select**  
**Operating Statement for the year ended 30 June 2015**

	Note	2015 \$'000	2014 \$'000
<b>INVESTMENT AND OTHER REVENUE:</b>			
Investment Revenue		193	166
Other Revenue		3	8
<b>CONTRIBUTION REVENUE:</b>			
Contributions by Employers		382	366
Contributions by Members		193	226
Rollovers from Other Schemes		130	652
Government Contributions		46	2
<b>Total Contribution Revenue</b>		<b>751</b>	<b>1 246</b>
<b>Total Revenue</b>		<b>947</b>	<b>1 420</b>
<b>EXPENSES:</b>			
Direct Investment Expenses	3	12	8
Administration Expenses	4	59	98
Interest Expense	17	12	12
<b>Total Expenses</b>		<b>83</b>	<b>118</b>
<b>INCOME TAX EXPENSE</b>	15(a),(b)	<b>69</b>	<b>90</b>
<b>BENEFITS ACCRUED AS A RESULT OF OPERATIONS</b>		<b>795</b>	<b>1 212</b>

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

**Statement of Financial Position as at 30 June 2015**

	Note	2015 \$'000	2014 \$'000
<b>INVESTMENTS:</b>			
Inflation Linked Securities B		252	195
Property B		222	199
Australian Equities B		557	385
International Equities B		506	363
Long Term Fixed Interest		189	93
Short Term Fixed Interest		56	64
Diversified Strategies - Growth B		161	105
Diversified Strategies - Income		376	243
Cash		378	353
		<b>2 697</b>	<b>2 000</b>
<b>OTHER ASSETS:</b>			
Cash and Cash Equivalents	5	87	153
Contributions Receivable	6	18	12
		<b>105</b>	<b>165</b>
<b>Total Assets</b>		<b>2 802</b>	<b>2 165</b>
<b>CURRENT LIABILITIES:</b>			
Benefits Payable	7	37	-
Payables	11	10	9
Current Tax Liabilities	15(c)	11	11
		<b>58</b>	<b>20</b>
<b>NON-CURRENT LIABILITIES:</b>			
Deferred Tax Liabilities	15(d)	17	7
Loan Payable	17	524	512
		<b>541</b>	<b>519</b>
<b>Total Liabilities</b>		<b>599</b>	<b>539</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	8	<b>2 203</b>	<b>1 626</b>
<b>REPRESENTED BY:</b>			
<b>LIABILITY FOR ACCRUED BENEFITS:</b>			
Allocated to Members' Accounts	9,12	2 555	1 951
Not Allocated to Members' Accounts	10	(352)	(325)
		<b>2 203</b>	<b>1 626</b>

*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 2015**

	Note	Inflows (Outflows) \$'000	2015 Inflows (Outflows) \$'000	2014 Inflows (Outflows) \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Contributions Received:				
Contributions by Employers		395		380
Contributions by Members		190		227
Rollovers from Other Schemes		130		652
Government Contributions		<u>46</u>		<u>2</u>
			761	1 261
GST Recovered from the ATO			4	22
Bank Interest Received			<u>3</u>	<u>9</u>
			7	31
Benefits Paid:				
Resignation		<u>(181)</u>		<u>(195)</u>
			(181)	(195)
Administration Expenses Paid			(62)	(422)
Income Tax Expense			(59)	(113)
Insurance Premiums Paid			<u>(16)</u>	<u>(15)</u>
<b>Net Cash provided by Operating Activities</b>	14		<u>450</u>	<u>547</u>
<b>CASH FLOWS FROM FINANCE ACTIVITIES:</b>				
Loan from SA Superannuation Board			-	500
<b>Net Cash Provided by Finance Activities</b>			<u>-</u>	<u>500</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Receipts from Funds SA			409	354
Payments to Funds SA			<u>(925)</u>	<u>(1341)</u>
<b>Net Cash (Used In) Investing Activities</b>			<u>(516)</u>	<u>(987)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS HELD</b>			(66)	60
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>			<u>153</u>	<u>93</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	5		<u>87</u>	<u>153</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 thousand dollars (\$'000).

#### New Accounting Standard

AASB 1056 "Superannuation Entities" was recently issued and becomes mandatory for the Fund's financial statements commencing 1 July 2016. 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 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.

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

##### (ii) Property B

Property B portfolio comprises two sub-sectors:

#### *Listed Property Trusts*

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

#### *Unlisted property vehicles*

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

##### (iii) Australian Equities B

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

##### (iv) International Equities B

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

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

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

## Super SA Select

### Summary of Significant Accounting Policies (continued)

(vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2012). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

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

(viii) Cash

The Cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and 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 2015, 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 to the extent that it is probable that the flow of economic benefits to the scheme will occur and 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.

## Super SA Select

### Summary of Significant Accounting Policies (continued)

- (f) **Expenses**  
Expenses are recognised to the extent that it is probable that the flow of economic benefits from the department will occur and can be reliably measured.

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

- (g) **Cash and cash equivalents**  
Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

- (h) **Receivables and Payables**  
Contributions receivable are contributions relating to the 2014-15 financial year received by the Fund after 30 June 2015.

Other receivables are carried at nominal amounts 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.

- (i) **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.

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.

### 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 2014-15 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.

### 4. Administration Expenses

	2015 \$'000	2014 \$'000
Administration Expenses (i)	50	93
Other Expenses (ii)	9	5
	<u>59</u>	<u>98</u>

- (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 2015, 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 2015 the amount charged to Members' accounts was \$10,094 (2014 \$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 2015, based on actual costs of administering the Fund, amounted to \$50,204 (2014 \$92,648) including GST.

- (ii) 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 \$8,300 (2014 \$7,500). No other services were provided by the Auditor-General's Department.

### Super SA Select

**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:

	2015 \$'000	2014 \$'000
Cash and Cash Equivalents per Statement of Financial Position	<u>87</u>	153
Cash and Cash Equivalents per Statement of Cash Flows	<u>87</u>	<u>153</u>

**6. Contributions Receivable**

	2015 \$'000	2014 \$'000
Contributions Receivable from Members	5	2
Contributions Receivable from Employers	<u>13</u>	<u>10</u>
	<u>18</u>	<u>12</u>

**7. Benefits Payable**

	2015 \$'000	2014 \$'000
Benefits Payable	<u>37</u>	-
	<u>37</u>	<u>-</u>

**8. Net Assets Available to Pay Benefits**

	2015 \$'000	2014 \$'000
Funds held at 1 July	<u>1 626</u>	<u>609</u>
<i>Add:</i> Contributions by Members	193	226
Contributions by Employers	382	366
Rollovers from Other Schemes	130	652
Government Contributions	46	2
Investment Revenue	193	166
Other Revenue	<u>3</u>	<u>8</u>
	947	<u>1 420</u>
<i>Less:</i> Benefits Paid and Payable	218	195
Direct Investment Expenses	12	8
Administration Expenses	59	98
Interest Expense	12	12
Income Tax Expense	<u>69</u>	<u>90</u>
	<u>370</u>	<u>403</u>
Funds held at 30 June	<u>2 203</u>	<u>1 626</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 13. The formal allocation of earnings to investors' accounts has been determined for the 2014-15 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. Payables**

	2015 \$'000	2014 \$'000
Audit Fees	9	8
GST to the ATO	<u>1</u>	<u>1</u>
	<u>10</u>	<u>9</u>

**12. 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.

	2015 \$'000	2014 \$'000
Liability for accrued benefits at 1 July	1 951	859
<i>Add:</i> Increase in Accrued Benefits	822	1 287
<i>Less:</i> Benefits Paid and Payable	<u>218</u>	<u>195</u>
Liability for Accrued Benefits at 30 June	<u>2 555</u>	<u>1 951</u>

### Super SA Select

#### 13. 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.

	2015	2014
	\$'000	\$'000
Vested Benefits	<u>2 555</u>	<u>1 951</u>

#### 14. Reconciliation of Benefits Accrued as a result of Operations to Net Cash provided by Operating Activities

	2015	2014
	\$'000	\$'000
Operating Result	795	1 212
Investment Revenue	(193)	(166)
Direct Investment Expense	12	8
Benefits Paid and Payable	(218)	(195)
(Increase) in Contributions Receivable	(6)	-
Decrease/(Increase) in Deferred Tax Assets	-	49
Decrease in Receivables	-	1
Increase in Benefits Payable	37	-
Increase/(Decrease) in Payables	1	(302)
(Decrease)/Increase in Current Tax Liabilities	-	(78)
Increase in Deferred Tax Liabilities	10	6
Increase in Interest on Loan Payable	12	12
<b>Net Cash provided by Operating Activities</b>	<u>450</u>	<u>547</u>

#### 15. Income Tax

	2015	2014
	\$'000	\$'000
<b>(a) Major Components of Tax Expense</b>		
Current income tax		
Current tax charge	58	35
Adjustment to current tax for prior periods	1	-
Deferred income tax		
Relating to the originating and reversal of temporary differences	10	55
<b>Income Tax Expense</b>	<u>69</u>	<u>90</u>
<b>(b) Income Tax Expense</b>		
Total revenue less expenses before tax	864	1 302
Tax applicable at the rate of 15%	130	195
Tax effect of income (losses) that are not assessable/or deductible in determining taxable income		
Investment revenue	(6)	(4)
Member contributions	(35)	(34)
Transfers in	(15)	(60)
Tax effect of other adjustments		
Imputation and foreign tax credits	(4)	(7)
Over provision prior period	(1)	-
<b>Income Tax Expense</b>	<u>69</u>	<u>90</u>
<b>(c) Current Tax Liabilities</b>		
Current years income tax provision	11	11
	<u>11</u>	<u>11</u>
<b>(d) Deferred Tax Liabilities</b>		
The amount of deferred tax Liabilities recognised in the Statement of Financial Position at reporting date is made up as follows:		
Accrued expenses	(1)	(1)
Contributions receivable	2	2
Unrealised capital gains carried forward (discounted)	16	6
	<u>17</u>	<u>7</u>

#### 16. Benefit Entitlements

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

### Super SA Select

#### 17. 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 2014-15 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount for 2014-15 was \$12,000.

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 2014-15 there was no principal repayment required (refer to Note 4).

Analysis of the current and likely future cash requirements of the Fund has been undertaken and it has determined that a further loan of up to \$160,000 will cover the operating and cash requirements of the Fund for the next three years to 30 June 2018. This will continue to support the objective of the Fund to receive the Low Income Superannuation Contribution until at least 30 June 2017.

The Super SA Board has confirmed their commitment to support an additional loan of \$160,000 to meet the ongoing operational costs of the Fund.

#### 18. 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



## Super SA Select

### Financial Instruments (Continued)

#### 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.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

#### III. Other market price risk

Other market price risk is the risk that the value of the 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 Trustee has decided to adopt Funds SA's forecast risk/return profile as a reasonable measure of the sensitivity of the expected returns in each investment option in the year ahead. The following tables show the standard deviation around expected nominal returns for each investment option.

2015

Investment Option	Sensitivity variable	Expected Nominal Return	Nominal Standard Deviation
Balanced	Nominal standard deviation	6.3%	7.9%
Cash	Nominal standard deviation	2.5%	1.1%

2014

Investment Option	Sensitivity variable	Expected Nominal Return	Nominal Standard Deviation
Balanced	Nominal standard deviation	7.0%	7.7%
Cash	Nominal standard deviation	3.3%	1.3%

Standard deviation is a useful historical measure of the variability of returns earned by an investment portfolio. The standard deviations shown above represent the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

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 and there is no concentration of credit risk.

### 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 2015	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits Payable	37	37	37
Vested Benefits (see below)	2 555	2 555	2 555
<b>Total</b>	<b>2 592</b>	<b>2 592</b>	<b>2 592</b>

30 June 2014	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits Payable	-	-	-
Vested Benefits (see below)	1 951	1 951	1 951
<b>Total</b>	<b>1 951</b>	<b>1 951</b>	<b>1 951</b>

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).

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 \$'000
<b>30 June 2015</b>	
Unlisted managed investment schemes	
Funds SA	2 697
	<hr/>
	2 697
	<hr/>
<b>30 June 2014</b>	
Unlisted managed investment schemes	
Funds SA	2 000
	<hr/>
	2 000
	<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.

### 19. Related Parties

#### a) Board Members

The following are members of the Trustee Board who served during the course of the 2014-15 financial year, along with the period served.

Philip Jackson (Presiding Member)	1 July 2014 - 30 June 2015
Bill Griggs (Aaron Chia - Deputy)	1 July 2014 - 30 June 2015
Virginia Deegan (Liz Hlipala - Deputy)	1 July 2014 - 30 June 2015
Jan McMahon (Leah York - Deputy)	1 July 2014 - 30 June 2015
Deborah Black (John Wright - Deputy)	1 July 2014 - 30 June 2015

#### b) Board Members' Remuneration

Members of the Trustee Board did not receive any remuneration during the course of the 2014-15 financial year.

### 20. Events after the reporting period

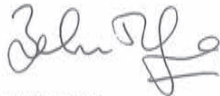
There were no significant events after the reporting period.

**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 2015 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 17 September 2015

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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 the 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 9.5% 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

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### **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**

Ernst & Young  
121 King William Street  
Adelaide SA 5000

### **Internal audit and compliance**

Deloitte  
11 Waymouth Street  
Adelaide SA 5000

If you require further information  
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