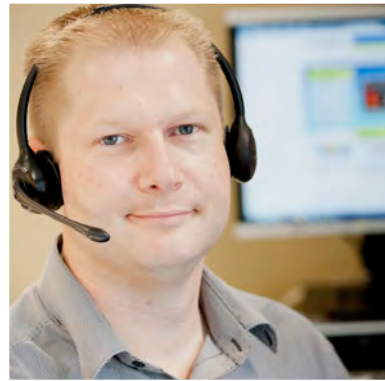


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SUPER SA
contributing to your future

Super SA Board

88TH ANNUAL REPORT

2013-14

Occupational Therapist
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Vision Statement

TO BE THE LEADING PROVIDER OF QUALITY SUPERANNUATION AND RELATED SERVICES IN SOUTH AUSTRALIA.

Key objectives

Sustainable Fund

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

Services and Communications

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

Adequacy

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

Values

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

**SUPER SA**

contributing to your future

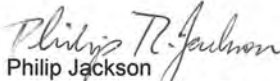
24 September 2014

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

Dear Minister

On behalf of the South Australian Superannuation Board (Super SA Board), and in accordance with section 21 and schedule 3 (section 10) of the *Superannuation Act 1988* and section 16 of the *Southern State Superannuation Act 2009*, I submit to you for presentation to Parliament the Annual Report for the year ended 30 June 2014.

Yours faithfully


Philip Jackson
PRESIDING MEMBER
SUPER SA BOARD

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Adelaide SA 5000

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Photograph courtesy of the South Australian Research and Development Institute (SARDI).

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Presiding Member's Message

I am pleased to present the 88th Annual Report of the South Australian Superannuation Board (the Board) for the year ending 30 June 2014.

On behalf of the Board the Super SA Office (the Office) is responsible for administering the Board's exempt public sector schemes (Super SA).

Once again this was a year of notable achievements for Super SA. The total membership climbed above 208,000 and funds under management (FUM) increased by \$2.6 billion to \$18.7 billion. The FUM for the post-retirement products reached \$2 billion and their membership now exceeds the membership of the closed defined benefit schemes yet to claim a benefit.

For the fourth year in a row consulting firm Towers Watson ranked Super SA among the top 300 super funds globally. The survey ranks Super SA as the 235th largest super fund globally and the 13th largest super fund in Australia. Rankings are determined by each super fund's assets under management. Super SA is one of only 15 super funds in Australia to be included in the top 300, which includes funds from North and South America, Europe, the UK and Japan.

These are excellent achievements, reaffirming Super SA's position as a leading superannuation fund. They were capped off with a national award for the largest scheme, Triple S. National recognition for Triple S came from the Rainmaker Group at its annual SelectingSuper Awards where Triple S was awarded Best Workplace Super Product of 2013 in the value category. More information about this award is in the Industry Accolades section.

Investment returns

In 2013–14 Super SA members enjoyed a second consecutive year of double-digit returns in the default investment options, and the fifth consecutive year of positive returns. It was a year where most asset classes (bonds, shares and property) performed well due to relatively favourable economic conditions and the attractive yields available from such investments relative to cash. The returns from cash were very low due to central banks around the world keeping official cash rates near zero.



Philip Jackson, Presiding Member, Super SA Board

Performance was strong across all of the Triple S options with returns ranging from 16.1% for the High Growth option to 2.9% for the Cash option. The Balanced (default) option returned 13.8% for the year to 30 June 2014. This return is consistent with the average Balanced return achieved by Australian superannuation funds. The Growth option, which is the default investment option for the Lump Sum and Pension schemes, achieved a return of 14.9%.

Investment strategy changes for 2013-14

At the beginning of the financial year Super SA's investment manager, Funds SA, reviewed the existing investment options to determine whether their investment objectives were achievable. Given that the prevailing financial market environment for fixed income was exhibiting low yields, Funds SA changed the investment objectives of the Capital Defensive and Conservative options effective 1 July 2013. This was done to improve the likelihood of both investment options achieving their investment objectives in the future while keeping them low or low to medium risk.

Super Guarantee Increase

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

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Industry accolades for Super SA

- > **SelectingSuper Award:** Triple S is currently rated as “Best Workplace Value Choice Product” in Australia by leading financial services information company the Rainmaker Group that recognises the best super funds in Australia with its annual SelectingSuper Awards. SelectingSuper is Rainmaker’s superannuation information and comparison service and award contenders come from all sectors of the super industry. Triple S was quality assessed by the Rainmaker research team on performance, insurance, administration, communications and costs, with “performance persistency” also given special weighting for the Value category awards. In its assessment summary of Triple S, Rainmaker made particular mention of its “outstanding investment performance across its investment menu and for its high value insurance offering, both of which are complemented by its low fees”.
- > **Highest ratings:** The Triple S Scheme, Flexible Rollover Product and Income Stream were awarded a “Platinum” rating by independent researcher SuperRatings. The “Platinum” rating is awarded to the top 15% of funds assessed. In addition, the Triple S and the Income Stream product received the “5 Apples” rating from Chant West. These ratings are the highest possible from two of the industry’s leading independent researchers. They evaluate a fund’s potential to maximise the retirement savings of its members in “a well serviced, secure environment”. The assessment criteria they use take into consideration a fund’s governance, investment earnings and investment methodology. Their research is rigorous and past performance is weighed up against current processes, personnel and philosophies, adding up to ratings that have integrity and can be trusted by members.
- > **Communication award finalists:** Two campaigns were shortlisted as finalists in the prestigious national ASFA Communication Awards: the Super SA Select information brochure for Triple S members was a finalist in the “Best Delivery of Fine Print” category while the 2012 Super SA Open Day was a finalist in the “Excellence in Public Relations” category.

Member services and communications

The Board is committed to ensuring that the Office strives to be a high performing organisation, continually looking to improve its services to members.

- > **Member Services:** The call centre saw a 9.8% increase totalling 114,961 calls from members, while the Member Centre experienced an 8.6% increase in the number of visitors it welcomed – 15,695 in total. Most pleasing of all was the 14.5% increase in the number of interviews staff from the Member Solutions group had with members – 2,070 in total.
- > **Member Education:** Super SA is committed to educating our members and agencies and keeping them up to date with all the latest super information. The Member Education Team is a dedicated team of people who conduct seminars about all areas of super as well as the super schemes administered by Super SA. Over the course of the year the team presented a range of seminars and visited city and regional worksites. Seminars were held in northern, southern, eastern and western suburbs in addition to CBD locations. The team’s regional trips included Eyre Peninsula, Yorke Peninsula, Iron Triangle, Riverland and Limestone coast. The team held 140 seminars with 3,963 members in attendance and visited 841 worksites which engaged with 19,446 members. This resulted in 981 presentations to a total of 23,409 members – a figure of which Super SA can be proud.
- > **Regional Open Days:** Super SA took its successful Open Day formula and gave it a regional spin for its inaugural regional roadshow at Mount Gambier in October 2013. The success of this event saw a follow-up Open Day held at Port Augusta in April 2014. Both Open Days were held in the school holidays to enable people working in the Education sector to attend. Surveyed members advised that they appreciated the information sessions and the availability of Industry Fund Services, Public Trustee, Maxxia, Centrelink, Public Sector Association and the Australian Education Union under one roof. In the weeks following each Open Day staff from Super SA’s Member Solutions Team returned to meet with members for one-on-one interviews about their super.
- > **New website homepage:** The Super SA website homepage was redesigned to give prominence to the most frequently accessed items, such as the option for members to check their balance. Response has been favourable with visits to the website increasing in the order of 25% in the September 2013 quarter alone. The impact has also been felt by Member Services staff who are now receiving fewer enquiries about account balances, allowing for more meaningful interactions with members.

Member surveys

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

- > **Member Voice:** In September 2013 Super SA introduced the “Member Voice” survey as a means of continually improving services by gauging member sentiment about Super SA’s services. The surveys are conducted weekly via email and provide every member who has a registered email address an opportunity to voice their praise or any concerns. The interactions surveyed range from a member’s Call Centre experience to their experience

of the insurance claims process. Members' privacy is paramount and individual responses cannot be traced to any one member. While it is of course pleasing that the majority of feedback has been extremely positive, more importantly it has resulted in several new procedures which have been well received by members.

- > **Seminar surveys:** Online surveys replaced the hard copy feedback forms distributed to members at the end of a seminar. Members are now emailed a survey 24 hours after the seminar, allowing them to complete the survey at their convenience. More than 95% of respondents have rated the seminar and the presenter as good to excellent.

Member survey outcomes

Survey feedback has led to several well-received procedural changes which have not only benefited members but led to efficiencies across the Office.

- > **Case manager for insurance claims:** To ensure that members are fully informed about the progress of their insurance claim, all applicants are now assigned a Case Manager who periodically updates them on their claim's progress. Member Voice feedback has reinforced the success of this approach and the average period for Income Protection claims has also reduced.
- > **Proof of Identity (POI) and withdrawals:** In response to Member Voice survey feedback the POI requirement for withdrawals from the Super SA Income Stream and Flexible Rollover Product has changed. Instead of having to provide POI information each time they make a withdrawal a member's identity is verified using current POI documents held on record. This initiative has been welcomed by members.
- > **Triple S investment switching form changes:** To clarify members' investment switching intentions the investment switch form has been converted into two separate forms. Member Voice feedback indicates that the two-form system has reduced confusion, which is evident from the reduction in investment switching form errors.
- > **Division 293 tax:** Introduced for the 2012–13 income year the Division 293 tax reduces the tax benefit for concessional contributions of very high income earners. While the Australian Tax Office (ATO) issues and administers the tax, minimal information was available to recipients about the nature of their liability. In response to member feedback the Office produced a designated fact sheet which includes an explanation of how the ATO calculates the tax, case studies, and answers to commonly asked questions.

Staff thank you

Many dedicated staff work hard to provide exceptional services for our members. Their efforts are particularly noteworthy given that Super SA has experienced significant growth in service demand across all administrative processes, driven by growth in membership and members' funds under management, greater member engagement and increased prudential reporting.

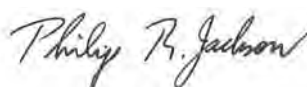
Acknowledgements

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

I would also like to acknowledge the contribution of the former General Manager, Stephen Rowe, who left Super SA in December 2013 after four years as General Manager. He led the organisation through a significant period of development and his contribution has played a major part in making Super SA a super provider of excellence for public sector employees. I also extend my gratitude to the Directors: Anthony Steele, Garry Powell and Patrick McAvaney for leading the organisation so well in the months prior to John's arrival, particularly Anthony in his role as the acting General Manager.

I would like to take the opportunity to acknowledge the contribution to the Super SA Board of Kevin Cantley, who resigned during the year. Kevin's financial experience and expertise are considerable, and he contributed a great deal throughout his seven-year tenure. Deborah Black is the newest addition to the Board. She brings an enormous amount of experience and I welcome the input she will surely make.

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



Philip Jackson

Presiding Member, Super SA Board

General Manager's Message

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

This is a period of great change for the superannuation industry; however, upon my arrival it was apparent that this change is being proactively addressed by the Super SA Board. At the Board's directive the Office is working hard to create a framework of services and systems that deliver on our core promise of helping members achieve better retirement outcomes – now and into the future.

The approach taken when assessing a superannuation fund includes taking into account its past performance and strategic direction. This is an approach that should also be communicated to members when it comes to their super. While markets had strong returns which led to a strong performance for the Board's schemes, as part of our core promise it is essential we make members aware that fluctuations are inevitable and that super is a long-term investment.

Strategic Planning Day – 5 May 2014

At its 2014 Planning Day the Super SA Board committed to its strategic focus of ensuring that activities undertaken by the Office align with industry standards. This focus is not simply about meeting Government requirements, at its centre lies a determination to evolve the Board's products and services to assist members reach their retirement goals.

Given that the introduction of the Government's MySuper and SuperStream administrative reforms is raising compliance costs for all superannuation funds, the Board determined a path of consolidation and completion of current projects:

1. **Insurance project:** To consider appropriate insurance product settings and delivery models.
2. **ICT Solution:** To update systems to support ongoing member demands.
3. **Member Advice:** To offer members financial planning services with a potential future insourced delivery model.
4. **StrongerSuper – MySuper:** To provide members with a MySuper product as part of the Commonwealth's new regime.



John Montague, General Manager, Super SA

5. **APRA Reporting:** To implement the final wave of the new reporting requirements.
6. **Nomination of Beneficiaries:** To implement legislative changes that enable members to nominate that their death benefit be paid to their Legal Personal Representative instead of their legal spouse.

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

The focus on process efficiency has seen the Office able to deliver services under budget in each of the past five years. This has achieved the strategic objective to build Reserves to meet capital replacement needs.

In light of the decision to consolidate and complete current projects, and after considering emerging superannuation issues, the Board elected to maintain its three key strategic objectives for 2014–15.

The Board's key strategic objectives for 2013–14 were:

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

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

Objective 1: Sustainable Fund

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

Although governed by state legislation, Super SA is committed to complying with financial services and superannuation industry standards. In light of this, Super SA is actively taking steps to align itself with the broader industry to ensure members benefit from these new reforms. Significant development has been made in 2013–14 in progressing a number of key projects.

Main projects delivered:

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

Main ongoing projects:

- > **Insurance review project:** Work continues to be undertaken to align Super SA's Insurance features with member needs and APRA Superannuation Prudential Standards (SPS 250). This is progressing well as we continue to put strategies in place to meet these guidelines.
- > **ICT Solution:** The Office has made significant progress towards the procurement of a new superannuation administration system. The formal tender process is currently in progress, with a decision on the new system due in the first half of 2015. This project is seen as an integrated business transition project to improve member service and increase administrative efficiency in order to manage the continued growth of the member accounts administered by Super SA.
- > **Member Advice:** The introduction of MySuper and the Future of Financial Advice (FoFA) reforms have brought about a new type of advice known as 'Intra-Fund' Advice. At this stage Intra-Fund Advice initially will not be a mandatory feature of MySuper products, or need to be provided proactively; it is planned to be revisited two years after MySuper is fully operational and access to advice for members under the new framework will be assessed.
- > **MySuper:** The Board has determined that it is important for Triple S to be aligned with the MySuper regime. The Heads of Government Agreement (HOGA) provides that Exempt Public Sector Superannuation Schemes (EPSSS) intending to badge MySuper products will not have to be formally authorised by APRA but, by conforming in principle, we are meeting the requirements of the HOGA

between the Commonwealth and the states. However, any EPSSS funds wishing to badge their default options as "MySuper" will need to comply with all of the requirements imposed on regulated funds, except to the extent agreed with the Commonwealth. The process of badging Triple S as a MySuper product continues to progress with Commonwealth Treasury.

- > **APRA Reporting Standards:** The Office is now in the final stages of implementing the Commonwealth's APRA reporting regime. The new reporting standards call for a substantially larger data collection than was previously the case which will apply increased pressure on Office resources.
- > **Nomination of Beneficiaries:** Progress is being made on the implementation of legislative changes that will enable members to nominate that their death benefit be paid to their Legal Personal Representative instead of their legal spouse.

Objective 2: Services and communications

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

For the first time, the number of member interactions through "automated" means, such as the website and the Secure Member Area, exceeded the more traditional "attended" interactions such as telephone calls and visits to the front counter. However, given the complex matters facing our members, for instance those involving Targeted Voluntary Separation Packages, and the vulnerability of members' accounts to fluctuating markets, it is paramount that we provide the best possible services to members no matter what the channel.

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

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- > **Regional Open Days:** The regional Open Days were well attended and roundly welcomed by members. While such events require a considerable investment of office resources, their benefit is directly demonstrated in the take up of retirement products and indirectly by the brand advocacy and word of mouth recommendations they foster among members. In this age where peer recommendation has been identified as a crucial tenet of any marketing strategy, the value of such events cannot be underestimated.
- > **Member surveys:** The response from members to the 2013 Annual Statements and accompanying newsletters was once again overwhelmingly positive. The value of this annual survey led the Office to expand the services that are surveyed to include administration and the Call Centre. Given the ever-increasing volumes, the feedback has proven invaluable in identifying pressure points and supported the business case for the introduction of measures such as the recently introduced Case Management approach for insurance claims.
- > **Industry recognition:** Receiving ratings from reputable agencies provided members with a shorthand way of comparing funds and reassured them that Super SA's services and products meet the highest standards. The SelectingSuper "Workplace Value Product Award" from Rainmaker has served to reinforce to members the exceptional value of the Triple S Scheme. Once again in 2014 Super SA products and schemes received the highest results from SuperRatings and Chant West.
- > **Training and Professional Development:** Super SA's strategic direction hinges on investing in our most important asset – our people. A defined part of our strategy in meeting varied member demands is to have a flexible workforce skilled in the various processes requested by members. Staff are being cross-skilled and resources shared between teams to meet this demand. Super SA's in-house Learning and Development team has aligned the needs of the organisation with the needs of staff. In 2013–14 there were 542 attendances at internal Learning and Development sessions and 44 staff participating in external study/training courses which are overseen by Learning and Development.
- > **People and Culture:** I believe that internal staff values reflect an organisation's commitment of delivering for members. I was pleased to join an organisation that has incorporated its values into its daily operations. The staff representative body that is the People and Culture working party are committed to living these values every day in order to build a culture that will drive our success.

Objective 3: Adequacy

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

Super SA's focus is on helping our members achieve better retirement outcomes. Today more members are logging on, rolling in, making contributions and choosing to stay with the Board's schemes.

- > **Pay rise campaign:** The 2013 Pay Rise Campaign commenced in October 2013 and consisted of sending out communications to some 52,000 members split into groups of members who were sent a letter, a text message or an email. This year the focus was broader with salary sacrifice contributions also being promoted as part of the Pay Rise campaign as well as after-tax contributions. Overall, email was the most successful form of communication as it had the highest combined response rate of 12.74%. While approximately 10% fewer members decided to contribute via salary sacrifice than after-tax contributions the dollar figure was far higher for salary sacrifice with members who decided to salary sacrifice committing more funds to their super than those who chose to make after-tax contributions.
- > **Co-Contribution campaign:** Despite the Co-Contribution scheme being scaled back by the Commonwealth Government in 2012–13, the average amount contributed per member in 2013–14 is higher than two years ago in 2011–12. The vast majority of contributors were females aged 50 and over, who earned under \$40,000. The total dollars paid by all members who paid a one-off after-tax contribution during the campaign increased by 88% when compared to the same period last year, reaching a total of \$19.5 million for the 2014 period. This sharp increase between the past two financial years may be partly attributed to the strong investment returns achieved in recent years and suggests that member confidence is growing. The campaign also revealed a preference for electronic communication and online banking, email received a stronger response than mail, while contributions via BPAY far exceeded those made via cheque.
- > **Consolidation and retention results:**
 - > 50.68% of Triple S members have rolled over non-government super accounts to Super SA, against a target of 47.7%.
 - > Over 70% of rollovers by Super SA members that are greater than \$50,000 are going into Super SA's post-retirement products. This has contributed to the funds under management of the post-retirement products reaching \$2 billion.

Conclusion

Public sector superannuation is a significant function for the State Government, involving the management of \$18.7 billion in assets as at 30 June 2014 and stewardship of some or all of the retirement savings of over 208,000 people. Given the ageing of our population this function will only increase in importance.

I look forward to meeting this challenge and working with all of our stakeholders: Minister for Finance, Board, Department of Treasury and Finance, and staff, to continue delivering a cost-effective and efficient service which meets members' needs. Finally, I'd like to thank the members of Super SA for demonstrating confidence in our products, and the staff of Super SA for their hard work over the past financial year.



John Montague

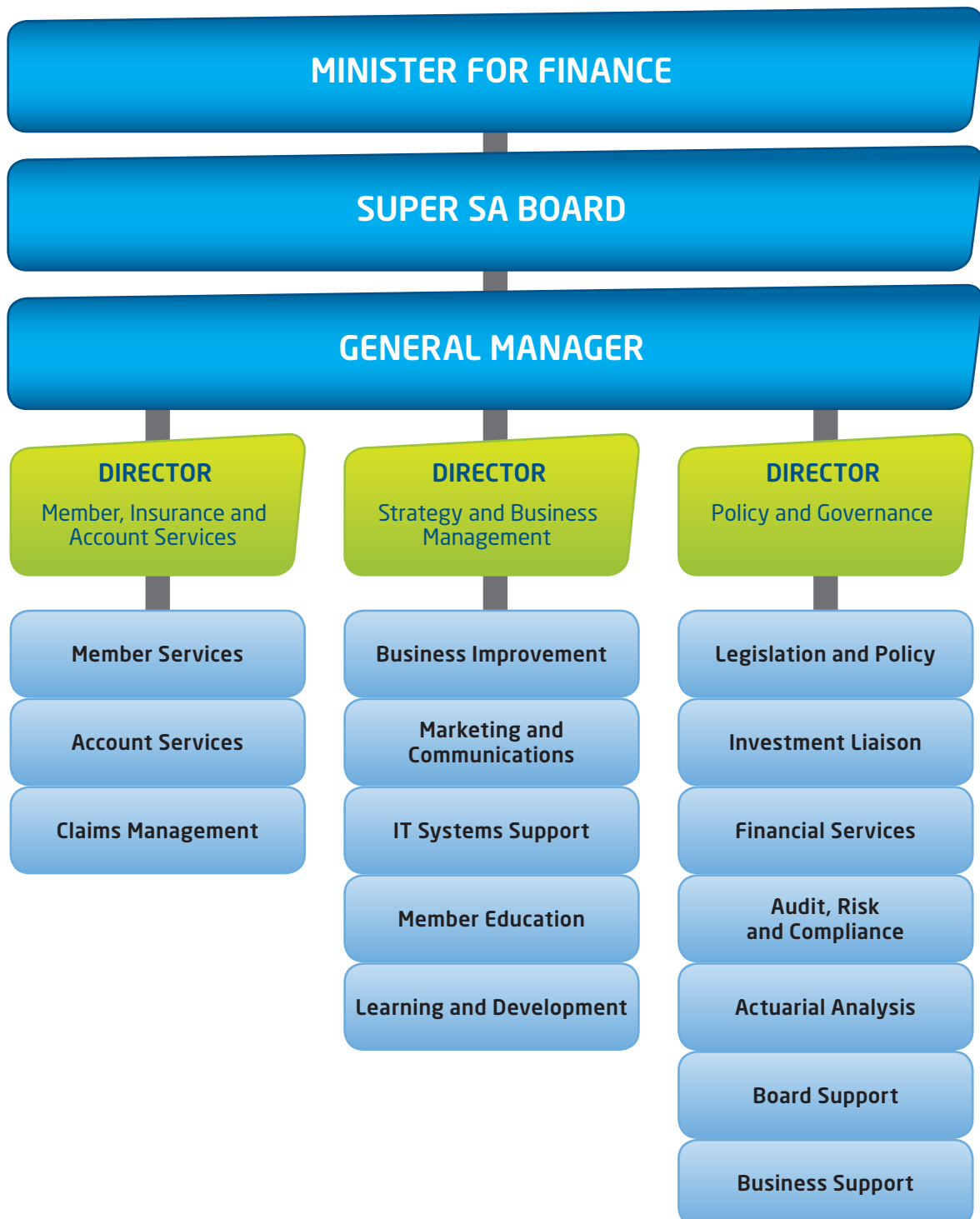
General Manager, Super SA



Photograph courtesy of the Department of Planning, Transport and Infrastructure (DPTI).

Our
future...

Organisational Structure



Staff Values

**SUPER SA STAFF VALUES AND ASSOCIATED BEHAVIOURS.
WRITTEN BY STAFF, FOR STAFF...**



respect

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



selflessness

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



transparency

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



optimism

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



leadership

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



satisfaction

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

About Us

ASSETS UNDER MANAGEMENT INCREASED BY 16% TO \$18.7 BILLION AT 30 JUNE 2014.

With over 208 000 accounts, Super SA is the super provider for South Australian public sector employees.

The Board is responsible for managing South Australian Public Sector superannuation schemes in line with the relevant Acts and legislation, and funds are managed by specialist investment manager, Superannuation Funds Management Corporation of South Australia (Funds SA).

Super SA administers the following schemes:

- > Triple S Scheme
- > Pension Scheme
- > Lump Sum Scheme
- > Income Stream
- > Flexible Rollover Product
- > SA Ambulance Service Superannuation Scheme.

Super SA's Strategic Plan addresses *South Australia's Strategic Plan* objective of Growing Prosperity. In particular:

- > 1.7: Performance in the Public Sector – customer and client satisfaction with government services.
- > 1.9: Performance in the Public Sector – administrative efficiency.

Administrative services

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

The annual budget for the operation of the Office is presented to the Board for its approval. In determining the budget, a management plan for the provision of services is prepared each financial year.

The Board's service level contract with the Under Treasurer sets out specific performance standards for:

- > adjustments to member records and accounts
- > allocation and banking of contributions
- > transfer of contributions received to Funds SA
- > benefit payments
- > member communications
- > issuing of members' annual statements
- > complaints resolution
- > accounting
- > compliance.

The Board monitors performance against the service level contract and the management plan through the quarterly management report produced by the Office.

The current contract expired on 30 June 2014. A new contract for the period 1 July 2014 to 30 June 2019 is currently being negotiated.

Management of human resources, use of consultants and disability action plan reporting are included in the Department of Treasury and Finance annual report.

Financial inter-relationship with Funds SA

Funds SA manages the investments for each scheme in accordance with sections 17 and 19 of the *Superannuation Act 1988*, sections 10 and 11 of the *Southern State Superannuation Act 2009*, and the provisions of the *Superannuation Funds Management Corporation of South Australia Act 1995*.

Provisions exist for the Super SA Board to comment on the investment strategy proposed by Funds SA, and there is a close working relationship between the senior management of Funds SA and Super SA. The Super SA Board and Funds SA Board meet annually and the senior management team from the two offices meet bi-monthly, to discuss investment policies, strategy and performance.

The current service level agreement between Funds SA and the Office was executed in February 2011.

Information provided by Funds SA on market and investment trends can be found on the Super SA website. Super SA maintains fact sheets on investment choice which can also be found on the website.

Funds SA reports separately on its operating costs, including all costs associated with investment management, in its annual report to the Treasurer. Funds SA costs are deducted before the investment unit prices/earning rates are declared.

Membership

The total number of accounts increased by 2 679 to 208 794 during the year. This figure includes Triple S, Pension (including Superannuants), Lump Sum and SA Ambulance Service schemes. This figure also includes investors in the Super SA Income Stream and Flexible Rollover Product.

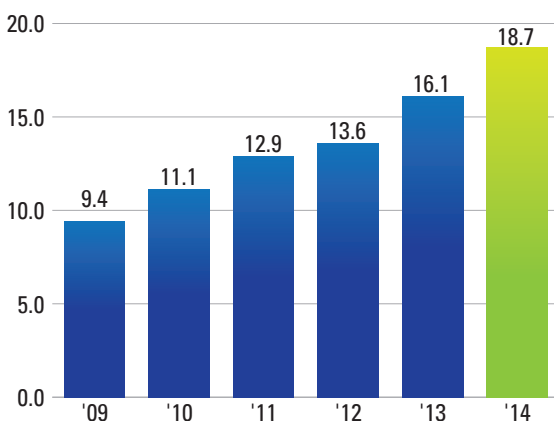
Unit prices explained

Units represent a share of the underlying investments in an investment option. An account balance is calculated by multiplying the number of units held by the prevailing unit price. A change in the unit price reflects changes in the value of the underlying investments. The investment return is calculated from the difference between the previous year's 30 June unit price and the current 30 June unit price.

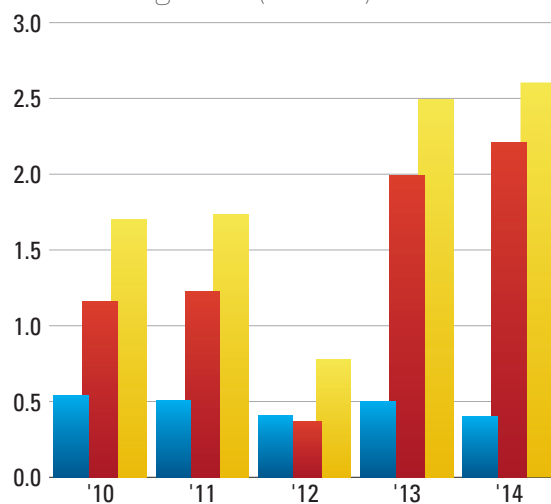
Assets Under Management

The value of total assets under management increased 16% to \$18.7 billion as at 30 June 2014, compared with \$16.1 billion as at 30 June 2013. The management of the investments for each scheme is undertaken by Funds SA.

Assets Under Management as at 30 June from 2009 to 2014 (\$ billion)



Contribution of cashflows and investment earnings to the movement in total Assets Under Management (\$ billion)



	2010 (\$b)	2011 (\$b)	2012 (\$b)	2013 (\$b)	2014 (\$b)
Net Cashflows	0.540	0.506	0.406	0.501	0.398
Investment Earnings	1.158	1.229	0.368	1.992	2.207
Total Movement	1.698	1.735	0.774	2.493	2.605

Financial year ended 30 June

Cashflows and investment earnings have positively contributed to assets under management over each of the past five years.

Total scheme membership

Schemes	2012-13	2013-14
Pension Scheme	2 224	1 803
Superannuants	15 471	15 438
Lump Sum Scheme	5 880	5 399
Triple S	174 329	176 381
SA Ambulance	901	875
Income Stream	4 142	5 230
Flexible Rollover Product	3 168	3 668
TOTAL	206 115	208 794

Investment Review

ANOTHER STRONG YEAR OF INVESTMENT RETURNS FOR SUPER SA MEMBERS

Investment option returns 2013-14

Due to the strong performance of shares and growth alternatives over the past year, options with higher allocations to such assets have outperformed options with more defensive allocations over the period. Nonetheless, solid returns have been recorded across all options with the exception of Cash, which has produced a positive but much more subdued return for the year reflecting the current low interest rate environment globally.

Investment returns for Triple S, Lump Sum¹ and Pension Schemes² (%)

Investment options	1yr %	3yrs % p.a.	5yrs % p.a.	7yrs % p.a.	10yrs % p.a.
High Growth	16.12	11.38	11.90	2.80	7.57
Growth	14.90	10.92	11.28	3.25	7.47
Socially Responsible	13.31	10.32	9.71	n.a.	n.a.
Balanced	13.82	10.42	10.96	3.73	7.45
Moderate	12.06	9.53	10.09	4.39	n.a.
Conservative	10.29	8.95	9.54	5.10	7.17
Capital Defensive	8.02	7.63	8.26	5.80	n.a.
Cash	2.85	3.69	4.00	4.54	5.00

¹ Lump Sum Scheme Employer component is invested in the Growth option. ² Pension Scheme is invested in the Growth option.

Investment returns for Super SA Income Stream (%)

Investment options	1yr %	3yrs % p.a.	5yrs % p.a.	7yrs % p.a.
High Growth	16.05	11.40	12.24	2.83
Growth	14.30	10.53	11.11	3.08
Socially Responsible	13.87	10.87	10.12	n.a.
Balanced	13.25	10.07	10.76	3.53
Moderate	11.45	9.13	9.81	4.29
Conservative	9.47	8.45	9.37	4.86
Capital Defensive	7.14	7.00	7.95	5.45
Cash	2.86	3.70	4.00	4.54

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Investment returns for Flexible Rollover Product and SA Ambulance Service Superannuation Scheme ³ (%)

Investment options	1yr %	3yrs % p.a.	5yrs % p.a.	7yrs % p.a.
High Growth	14.26	9.87	10.28	2.17
Growth	12.67	9.20	9.80	2.49
Socially Responsible	11.98	9.33	8.72	n.a.
Balanced	11.47	8.59	9.26	2.82
Moderate	9.95	7.85	8.50	3.60
Conservative	8.20	7.29	8.12	4.15
Capital Defensive	6.10	5.96	6.81	4.66
Cash	2.42	3.14	3.39	3.85

³ SA Ambulance Service Superannuation Scheme is invested in the Balanced option.

Investment markets 2013-14

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

This environment particularly affects the more defensive options, such as Capital Defensive and Conservative, which have material allocations to cash. The changes reallocate some of the Cash allocation to Fixed Interest, as the Fixed Interest asset class offers more attractive expected returns whilst providing defensive characteristics for the options. The risk classifications and risk levels for these options remain unchanged.

Strategy changes for 2014-15

Funds SA have made some changes to the strategic asset allocations of the Capital Defensive, Conservative and Balanced options from 1 July 2014. The changes reflect the low interest rate environment which is expected to remain for an extended period of time, reducing expected returns from the cash asset class.

Triple S and Lump Sum strategic asset allocations: Capital Defensive, Conservative and Balanced investment options (%)

	Capital Defensive %	Conservative %	Balanced %
Cash	15 (-10)	10 (-5)	2 (-1)
Fixed interest	38 (+10)	23 (+5)	11 (+1)
Inflation Linked Securities	15	19	12
Diversified Strategies Income	16	17	15
Property	6	9	12
Australian Equities	5	11	20
International Equities	5	11	20
Diversified Strategies Growth	0	0	8

Investment Review ^{CONT'D}

Income Stream and Flexible Rollover Product strategic asset allocations: Capital Defensive, Conservative and Balanced investment options

	Capital Defensive %	Conservative %	Balanced %
Cash	15 (-10)	10 (-5)	2 (-1)
Fixed Interest	38 (+10)	23 (+5)	11 (+1)
Inflation Linked Securities	15	19	12
Diversified Strategies Income	16	17	15
Property	6	9	12
Australian Equities	6	12	22
International Equities	4	10	18
Diversified Strategies Growth	0	0	8

There are no changes to the investment strategies of the remaining Super SA investment options. Information on all Super SA investment options can be found on the Investments page of the Super SA website.

Indirect Investment Cost Ratios¹

Funds SA's tax-exempt funds	2009–10	2010–11	2011–12	2012–13	2013–14
	%	%	%	%	%
Cash	0.07	0.06	0.06	0.06	0.06
Capital Defensive	0.27	0.35	0.28	0.26	0.33
Conservative	0.32	0.41	0.34	0.33	0.38
Moderate	0.34	0.42	0.36	0.44	0.51
Balanced	0.49	0.54	0.49	0.52	0.60
Socially Responsible ²	0.85	0.83	0.81	0.82	0.82
Growth	0.52	0.57	0.52	0.58	0.67
High Growth	0.61	0.62	0.58	0.61	0.68

¹ Funds SA's Indirect Cost Ratio (ICR) reflects the ratio of costs expressed as a percentage of average funds managed.

² Reflects the ICR incurred since inception of the fund March 2009.

The Indirect Cost Ratios comprise investment management fees and Funds SA administration fees which are charged to each option and are deducted before unit prices are declared.

For the 2013–14 financial year, the increase in ICRs for the Capital Defensive and Conservative options reflect changes to the Capital Defensive options' strategic asset allocation and an increase in the forecast for Funds SA's Diversified Strategies Income asset class, which includes exposure to alternative strategies. The ICRs achieved are broadly in line with forecasts, with the slight increase in fees for the tax-exempt portfolios largely related to performance fees paid in the Diversified Strategies Growth and Diversified Strategies Income asset classes.

Total fees charged to Super SA schemes over the past five years are shown in the table opposite.

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Total Investment and Administration Fees

Type of Fee	2010		2011		2012		2013		2014	
	Fees \$000's	ICR ¹ %	Fees \$000's	ICR ¹ %	Fees \$000's	ICR ¹ %	Fees \$000's	ICR ¹ %	Fees \$000's	ICR ¹ %
Investment Fees ²										
Investment Management Expenses	49 799	0.45	62 641	0.51	59 523	0.45	73 002	0.48	101 638	0.57
Funds SA Administration Fee	4 053	0.04	3 567	0.03	4 005	0.03	4 398	0.03	4 560	0.03
Total Investment Fees	53 852	0.49	66 208	0.54	63 528	0.48	77 400	0.51	106 198	0.60
Super SA Fees										
Member Administration Fee ³	10 423	0.16	10 884	0.14	11 042	0.12	11 866	0.11	14 443	0.12
Defined Benefit Administration Cost ⁴	5 329	0.14	5 492	0.13	4 955	0.12	4 985	0.11	2 926	0.06
Total Super SA Fees⁵	15 752	0.15	16 376	0.13	15 997	0.12	16 851	0.11	17 369	0.10
Total Fees	69 604	0.64	82 584	0.67	79 525	0.60	94 251	0.62	123 567	0.70

¹The Indirect Cost Ratio reflects the ratio of costs expressed as a percentage of average funds managed for the relevant schemes.

²Funds SA's Fund Manager and Administration fees are supplied by Funds SA.

³Super SA's Member Administration fee applies to Triple S, FRP and Income Stream and the ICR reflects the ratio of costs expressed as a percentage of average funds managed for these schemes.

⁴Represents the total administration costs of the Lump Sum, Pension and SA Ambulance schemes. The ICR reflects the ratio of costs expressed as a percentage of average funds managed for these schemes.

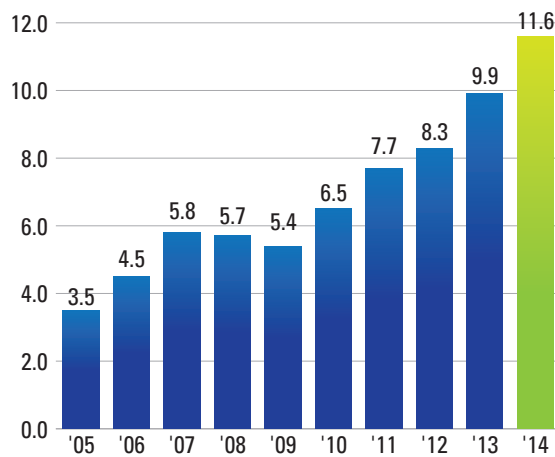
⁵The methodology used to calculate the ICRs for the Member Administration fee and the Defined Benefit Administration Cost has changed. As a result, the ICRs for previous years differ from last years' report. However, there is no change to the total ICR of administering the Super SA schemes.

Triple S

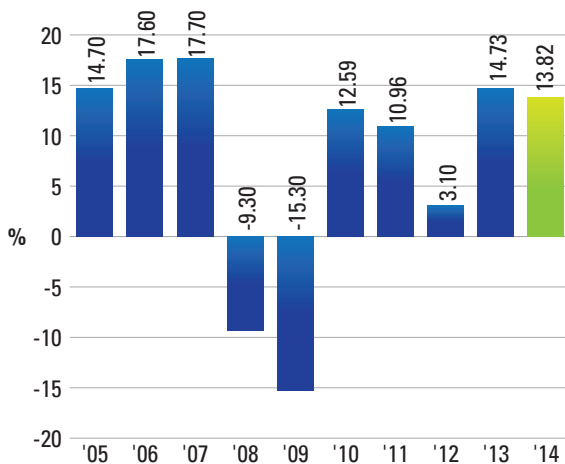
ANOTHER DOUBLE-DIGIT INVESTMENT RETURN FOR THE TRIPLE S BALANCED OPTION.

Employees of the SA public sector who are not members of any other State Government superannuation scheme automatically become members of Triple S from the day they commence employment. The scheme commenced on 1 July 1995. Full details of the scheme and benefits are contained in the Product Disclosure Statement (PDS).

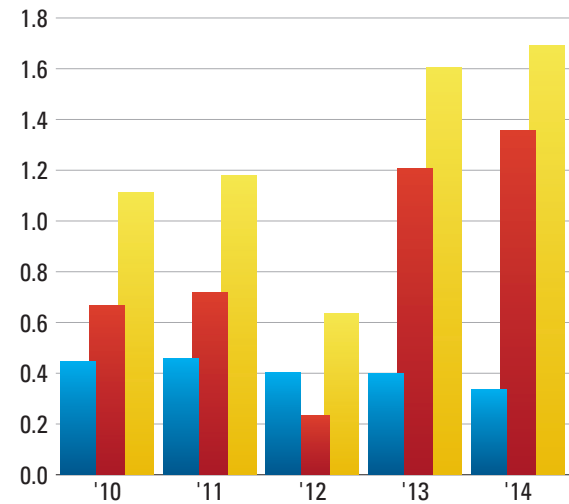
Assets Under Management - Triple S (\$ billion)



Triple S investment return for the Balanced option from 2005 to 2014



Contribution of cashflows and investment earnings to the movement in Assets Under Management (\$ billion)



	2010 (\$b)	2011 (\$b)	2012 (\$b)	2013 (\$b)	2014 (\$b)
Net Cashflows	0.446	0.459	0.403	0.398	0.334
Investment Earnings	0.666	0.720	0.233	1.207	1.358
Total Movement	1.112	1.179	0.636	1.605	1.692

Financial Year ended 30 June

Cashflows and investment earnings have positively contributed to assets under management over each of the past five years.

Triple S investment performance

The Triple S investment objectives provide a guide to the risk and return outcomes of each investment option. For more information about investments, visit the Investment section of the Super SA website. The Balanced option is the default option for the Triple S Scheme. Returns by investment option are displayed in the table on the following page.

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Triple S investment returns from 2005 to 2014 (%)¹

Investment Option	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
High Growth	15.60	21.60	21.70	-13.00	-20.50	12.91	12.46	-0.60	19.70	16.12
Growth	15.20	19.40	19.50	-11.17	-17.51	12.21	11.44	1.99	16.45	14.90
Socially Responsible	n.a.	n.a.	n.a.	n.a.	9.87	8.98	8.64	-0.46	19.04	13.31
Balanced (default)	14.70	17.60	17.70	-9.30	-15.30	12.59	10.96	3.10	14.73	13.82
Moderate	n.a.	n.a.	n.a.	-6.85	-10.34	12.11	9.75	4.46	12.26	12.06
Conservative	13.20	11.70	11.60	-3.83	-6.63	12.06	8.83	6.93	9.66	10.29
Capital Defensive	9.30	8.50	8.40	0.72	-0.97	11.00	7.46	9.26	5.66	8.02
Cash	5.80	5.90	6.50	6.19	5.64	3.85	5.07	4.80	3.44	2.85

¹ Investment returns over 3, 5, 7 and 10 years are shown on page 16 of this report.

Active Triple S members by Investment Option 2013-14

Investment Option	June 2013 investment option 1	June 2013 investment option 2 ¹	June 2014 investment option 1	June 2014 investment option 2 ¹
High Growth	3 882	39	3 917	213
Growth	1 808	53	1 940	132
Socially Responsible	113	10	224	76
Balanced (default)	103 394	96	105 508	0
Moderate	420	56	552	97
Conservative	1 420	177	1 275	161
Capital Defensive	1 314	206	767	74
Cash	2 047	237	1 294	142
Total	114 398	874	115 477	895

¹ These members have elected to split their investment between two options.

Triple S contributory and non-contributory membership breakdown 2011 to 2014

Type of membership	June 2011	June 2012	June 2013	June 2014
Defined benefit members salary sacrificing	3 228	3 058	2 343	2 319
Triple S members salary sacrificing only	5 263	5 524	6 577	7 635
Triple S members salary sacrificing and making after-tax contributions	3 830	3 870	3 994	3 991
Triple S members making after-tax contributions only	19 123	18 474	17 450	16 348
Total contributory membership	31 444	30 926	30 364	30 293
Total non-contributory membership (incl. spouse members)	80 779	82 504	84 034	86 091
Preserved members	58 779	59 768	59 931	59 997
Total Membership	171 002	173 198	174 329	176 381

Pension Scheme

THE STATE GOVERNMENT PAID \$357.4 MILLION IN 2013–14 TO MEET ITS PAST SERVICE LIABILITY FOR PENSION AND LUMP SUM SCHEMES.

The Pension Scheme is a voluntary membership scheme that closed to new members in May 1986. Members elect to make personal contributions to the scheme and receive an employer-financed benefit. This is a defined benefit scheme where member benefits are calculated as a percentage of final salary. Most benefits are independent of the investment earnings of the scheme. Benefits are generally payable in the form of a fortnightly income. The scheme does have provision for eligible members to commute their fortnightly pension (that is, take a lump sum).

Pension scheme CPI adjustment

Consumer Price Index (CPI) adjustments of pension payments occur twice yearly, in October and April. An adjustment of 0.20% was made in October 2013 reflecting CPI (Adelaide) movement for the December quarter 2012 to June quarter 2013 period. An adjustment of 2.05% was applied in April 2014, which reflects the movement in CPI (Adelaide) for the June quarter 2013 to December quarter 2013 period.

Investment return

The Pension Scheme member accounts are adjusted at the end of each financial year to reflect the investment earnings achieved by Funds SA for the South Australian Superannuation Fund. The Fund is invested in the Growth option.

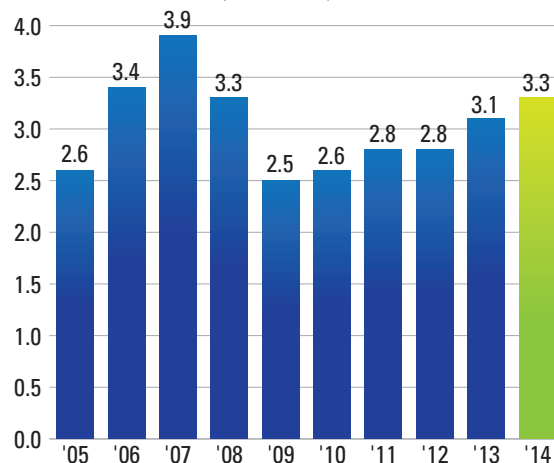
Unfunded liability – Pension and Lump Sum schemes

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

During the 2013–14 year, the State Government transferred \$357.4¹ million into the Employer Account to meet its past service superannuation liabilities in respect of the schemes.

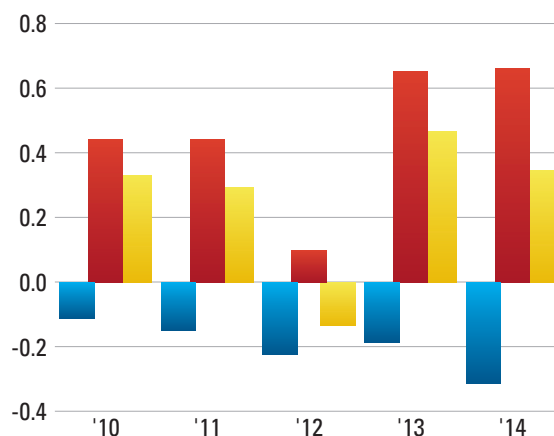
¹ Please note this sum was contributed in respect of both the Pension Scheme and Lump Sum Scheme.

Assets Under Management – Pension Scheme (\$ billion)



Net Asset Movement – Pension and Lump Sum schemes

Contribution of cashflows and investment earnings to the movement in Assets Under Management (\$ billion)



	2010 (\$b)	2011 (\$b)	2012 (\$b)	2013 (\$b)	2014 (\$b)
Net Cashflows	-0.112	-0.149	-0.233	-0.186	-0.315
Investment Earnings	0.442	0.441	0.098	0.652	0.660
Total Movement	0.330	0.292	-0.135	0.466	0.345

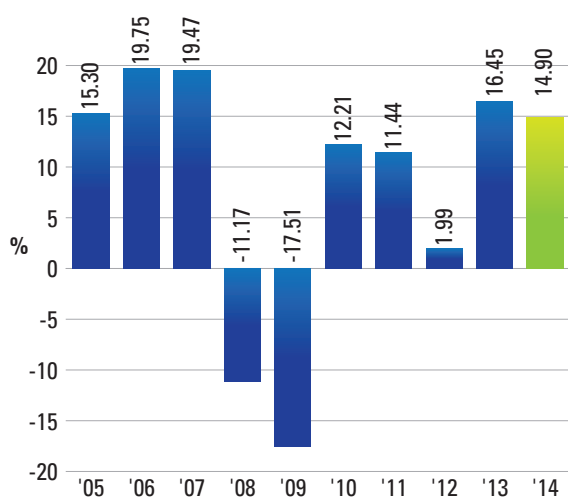
Financial Year ended 30 June

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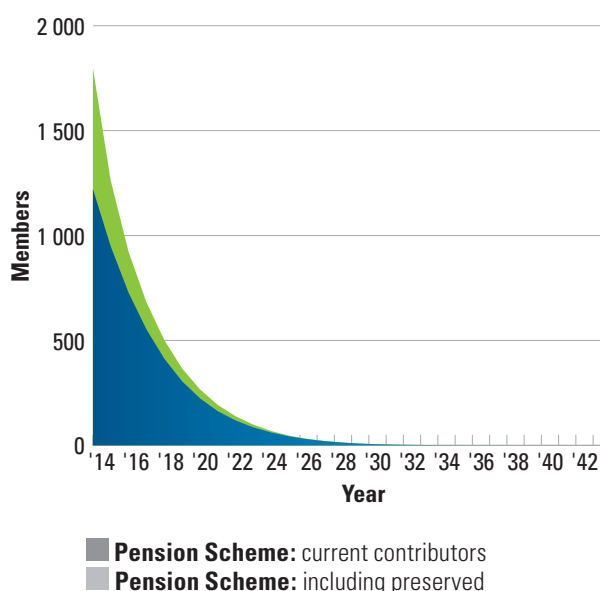
Membership of Pension Scheme at 30 June from 2009 to 2014

Year	Contributory	Preserved	Superannuants	Total
2009	3 269	1 163	15 115	19 547
2010	2 748	1 038	15 332	19 118
2011	2 383	915	15 359	18 657
2012	1 945	776	15 433	18 154
2013	1 548	676	15 471	17 695
2014	1 226	577	15 438	17 241

Pension Scheme investment return from 2005 to 2014



Projected membership of Pension Scheme



Actuarial review

An actuarial review of the South Australian Superannuation Fund (Pension and Lump Sum schemes) as at 30 June 2013 was completed in June 2014. The review looked comparatively at the cost of the Pension and Lump Sum schemes against the proportion of benefits that can be met from the South Australian Superannuation Fund. Actuarial reviews are undertaken every three years as required by section 21 of the *Superannuation Act 1988*. The following recommendations made by the actuary to the funding status of the Pension Scheme were adopted by the Board:

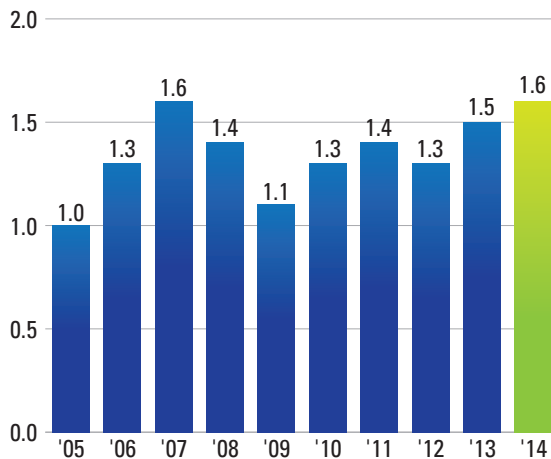
- > The employer contribution rate for the employer share of the future service cost of the Pension Scheme be maintained at 26.0% of contributors' salaries.
- > The Prescribed Proportion of the future Pension Scheme benefits that can be met from the Fund be maintained at 14.0%.

Lump Sum Scheme

STRONG INVESTMENT RETURNS ACHIEVED IN THE GROWTH OPTION.

The Lump Sum Scheme is a voluntary membership scheme that closed to new members in May 1994. Members elect to make personal contributions to the scheme and receive an employer-financed benefit. The benefits are payable in the form of a lump sum. Full details of the scheme and benefits are contained in the Product Disclosure Statement (PDS).

Assets Under Management - Lump Sum Scheme (\$ billion)



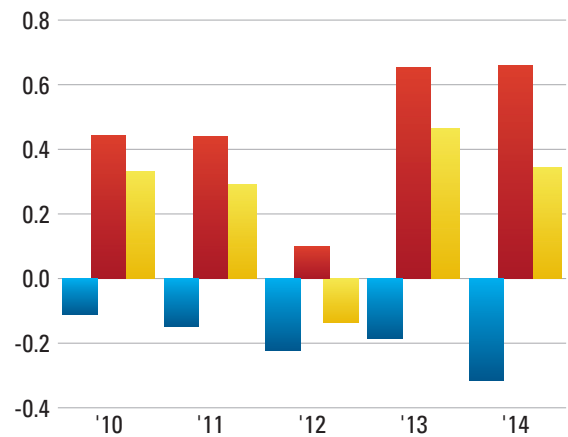
Actuarial Review

An actuarial review of the South Australian Superannuation Fund (Pension and Lump Sum schemes) as at 30 June 2013 was completed in June 2014. The review looked at the cost of the Pension and Lump Sum schemes against the proportion of benefits that can be met from the South Australian Superannuation Fund. Actuarial reviews are undertaken every three years as required by section 21 of the *Superannuation Act 1988*. The following recommendation made by the actuary to the funding status of the Lump Sum Scheme was adopted by the Treasurer:

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

Net Asset Movement - Pension and Lump Sum schemes

Contribution of cashflows and investment earnings to the movement in Assets Under Management (\$ billion)



	2010 (\$b)	2011 (\$b)	2012 (\$b)	2013 (\$b)	2014 (\$b)
Net Cashflows	-0.112	-0.149	-0.233	-0.186	-0.315
Investment Earnings	0.442	0.441	0.098	0.652	0.660
Total Movement	0.330	0.292	-0.135	0.466	0.345

Financial Year ended 30 June

Unfunded liability - Pension and Lump Sum schemes

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

During the 2013–14 year, the State Government transferred \$357.4¹ million into the Employer Account to meet its past service superannuation liabilities in respect of the schemes.

¹ Please note this sum was contributed in respect of both the Pension Scheme and Lump Sum Scheme.

Membership of Lump Sum Scheme at 30 June from 2009 to 2014

Year	Contributory	Preserved	Total
2009	5 826	1 984	7 810
2010	5 391	1 935	7 326
2011	5 030	1 855	6 885
2012	4 630	1 731	6 361
2013	4 262	1 618	5 880
2014	3 871	1 528	5 399

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Lump Sum Scheme investment returns from 2005 to 2014 (%)¹

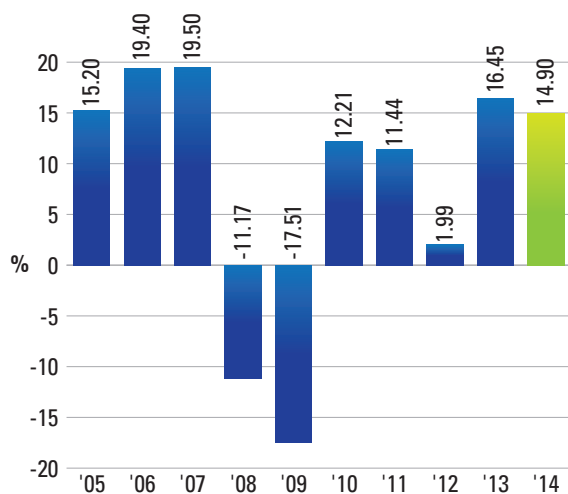
Investment option	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
High Growth	15.60	21.60	21.70	-13.00	-20.50	12.91	12.46	-0.60	19.70	16.12
Growth (default)	15.20	19.40	19.50	-11.17	-17.51	12.21	11.44	1.99	16.45	14.90
Socially Responsible	n.a.	n.a.	n.a.	n.a.	9.87	8.98	8.64	-0.46	19.04	13.31
Balanced	14.70	17.60	17.70	-9.30	-15.30	12.59	10.96	3.10	14.73	13.82
Moderate	n.a.	n.a.	n.a.	-6.85	-10.34	12.11	9.75	4.46	12.26	12.06
Conservative	13.20	11.70	11.60	-3.83	-6.63	12.06	8.83	6.93	9.66	10.29
Capital Defensive	9.30	8.50	8.40	0.72	-0.97	11.00	7.46	9.26	5.66	8.02
Cash	5.80	5.90	6.50	6.19	5.64	3.85	5.07	4.80	3.44	2.85

¹ Investment returns over 3, 5, 7 and 10 years are shown on page 16 of this report.

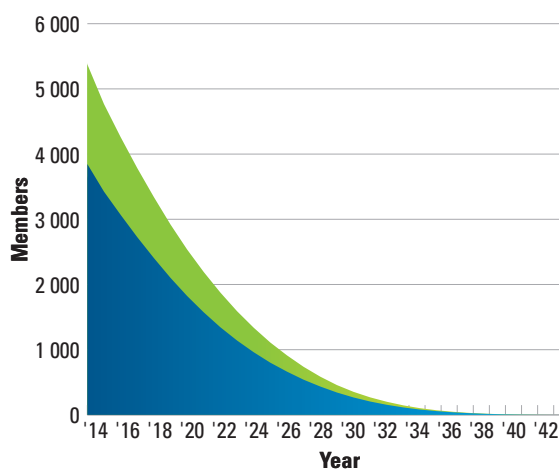
Investment Options

There is a choice of investment options for the member component of the Lump Sum Scheme, with Growth being the default option. The employer component is only invested in the Growth option. Returns by investment option are displayed in the table above.

Lump Sum Scheme investment return for Growth option from 2005 to 2014



Projected membership of Lump Sum Scheme



■ Lump Sum Scheme: current contributors
 ■ Lump Sum Scheme: including preserved

Lump Sum Scheme members by investment option 2013-14

Investment Option	June 2013	June 2014
High Growth	168	171
Growth (default)	4 878	4 515
Socially Responsible	7	16
Balanced	180	225
Moderate	63	69
Conservative	198	164
Capital Defensive	193	114
Cash	193	125
Total	5 880	5 399

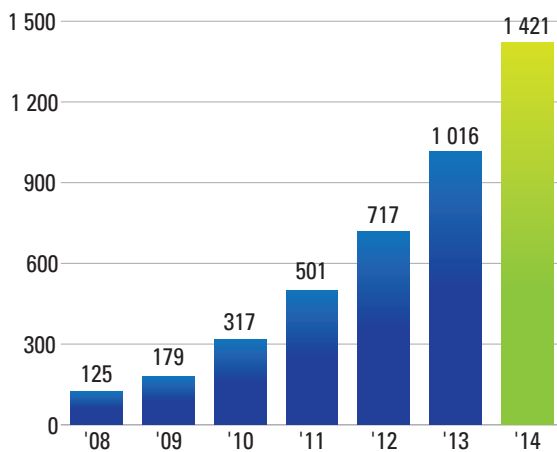
Super SA Income Stream

A 26% INCREASE IN THE NUMBER OF INVESTORS IN THE INCOME STREAM OVER THE PAST YEAR.

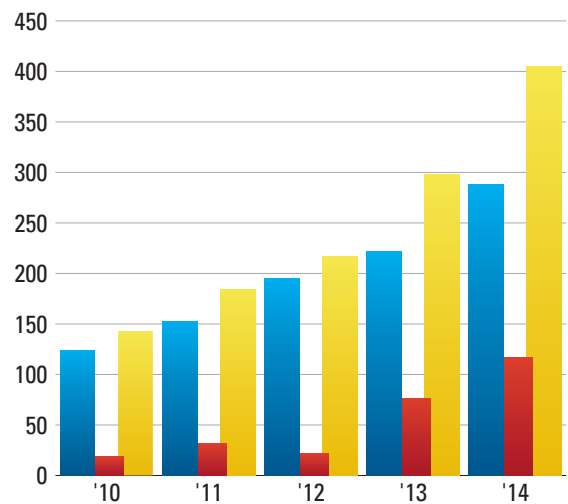
The Super SA Income Stream was launched on 1 April 2005 as a post-retirement product. It is designed for Super SA members to roll in their lump sum payment. This enables them to continue to receive investment earnings and draw-down their super as a regular payment.

Full details of the product and benefits are contained in the Product Disclosure Statement (PDS).

Assets Under Management – Super SA Income Stream (\$ million)



Contribution of cashflows and investment earnings to the movement in Assets Under Management (\$ million)



	2010 (\$m)	2011 (\$m)	2012 (\$m)	2013 (\$m)	2014 (\$m)
Net Cashflows	124	152	195	222	288
Investment Earnings	19	32	22	76	117
Total Movement	143	184	217	298	405

Financial Year ended 30 June

The Super SA Income Stream has continued to experience an increase in assets under management, with cashflows being the major contributor over each of the past five years.

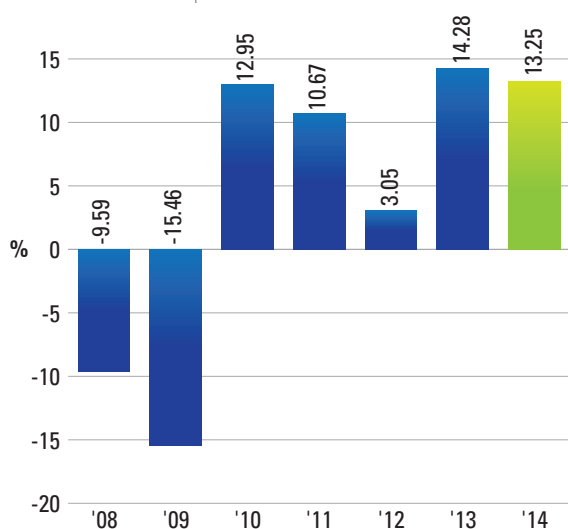
ANNUAL REPORT 2013-14

Super SA Income Stream investment returns from 2008 to 2014 (%)¹

Investment option	2008	2009	2010	2011	2012	2013	2014
High Growth	-13.80	-20.85	14.78	12.27	-0.25	19.43	16.05
Growth	-11.56	-17.40	12.77	11.21	1.92	15.91	14.30
Socially Responsible	n.a.	n.a.	9.30	8.74	-0.01	19.68	13.87
Balanced (default)	-9.59	-15.46	12.95	10.67	3.05	14.28	13.25
Moderate	-6.96	-9.72	12.11	9.58	4.31	11.81	11.45
Conservative	-3.92	-7.34	12.95	8.64	6.60	9.31	9.47
Capital Defensive	0.65	-1.73	11.53	7.25	8.66	5.24	7.14
Cash	6.20	5.64	3.85	5.07	4.80	3.44	2.86

¹ Investment returns over 3, 5 and 7 years are shown on page 16 of this report.

Super SA Income Stream investment return for Balanced option from 2008 to 2014



Super SA Income Stream investment earnings

The Super SA Income Stream is fully funded and the investments are based on a price per unit. The Balanced option is the default option for the Super SA Income Stream product. Returns by investment option are displayed in the table above.

Investor numbers in Super SA Income Stream from 2009 to 2014

2009	2010	2011	2012	2013	2014
1 373	1 610	2 337	3 236	4 142	5 230

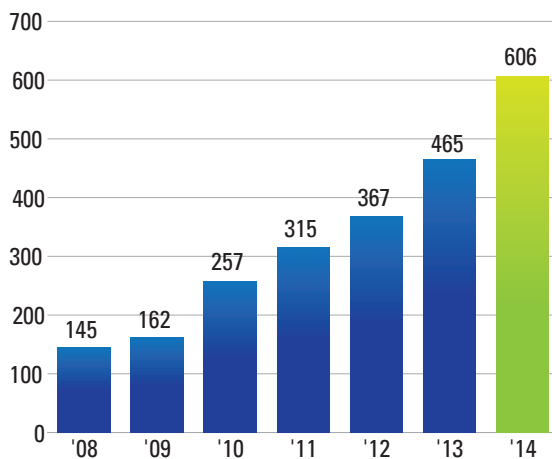
Flexible Rollover Product

INVESTOR NUMBERS IN THE FLEXIBLE ROLLOVER PRODUCT INCREASED BY 15.8% IN 2013–14.

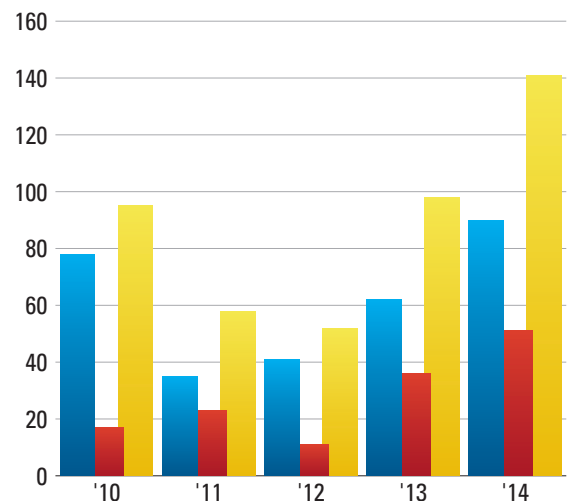
The Flexible Rollover Product (FRP) is designed as a short to medium-term super product that allows investors to manage their super both before and in retirement. Because it is a super product, the guidelines governing FRP are consistent with the Commonwealth legislation governing super.

Full details of the product and benefits are contained in the Product Disclosure Statement (PDS).

Assets Under Management - Flexible Rollover Product (\$ million)



Contribution of cashflows and investment earnings to the movement in Assets Under Management (\$ million)



	2010 (\$m)	2011 (\$m)	2012 (\$m)	2013 (\$m)	2014 (\$m)
Net Cashflows	78	35	41	62	90
Investment Earnings	17	23	11	36	51
Total Movement	95	58	52	98	141

Financial Year ended 30 June

The Flexible Rollover Product has continued to experience an increase in funds under management, with cashflows being the major contributor over each of the past five years.

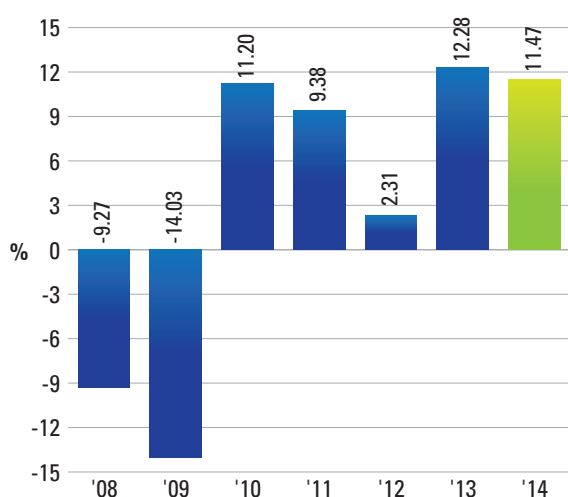
ANNUAL REPORT 2013-14

Flexible Rollover Product investment returns from 2008 to 2014 (%)¹

Investment option	2008	2009	2010	2011	2012	2013	2014
High Growth	-13.42	-17.68	10.82	10.97	-0.92	17.17	14.26
Growth	-11.21	-16.20	11.51	9.93	1.32	14.05	12.67
Socially Responsible	n.a.	n.a.	7.86	7.76	-0.36	17.13	11.98
Balanced (default)	-9.27	-14.03	11.20	9.38	2.31	12.28	11.47
Moderate	-6.67	-8.75	10.53	8.46	3.51	10.22	9.95
Conservative	-3.77	-6.52	11.18	7.63	5.62	8.06	8.20
Capital Defensive	0.48	-1.52	9.90	6.34	7.36	4.44	6.10
Cash	5.26	4.77	3.27	4.28	4.07	2.93	2.42

¹ Investment returns over 3, 5 and 7 years are shown on page 17 of this report.

Flexible Rollover Product investment return for Balanced option from 2008 to 2014



Flexible Rollover Product investment earnings

The Flexible Rollover Product is fully funded and the investments are based on a price per unit. The Balanced option is the default option for the Flexible Rollover Product. Returns by investment option are displayed in the table above.

Investor numbers in Flexible Rollover Product from 2009 to 2014

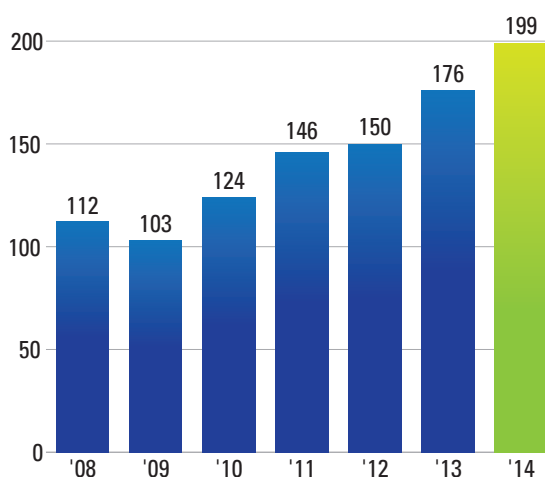
2009	2010	2011	2012	2013	2014
1 530	2 113	2 434	2 793	3 168	3 668

SA Ambulance Service Superannuation Scheme

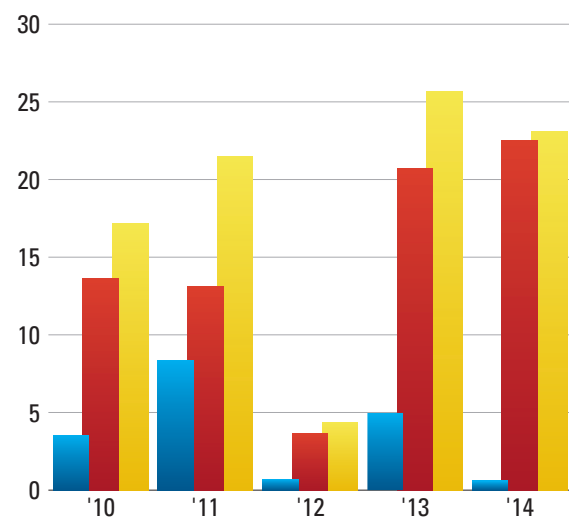
ANOTHER YEAR OF STRONG INVESTMENT RETURNS FOR THE SA AMBULANCE SUPERANNUATION SCHEME.

From 1 July 2008, the SA Ambulance Service Superannuation Scheme was closed to new members. From this date all new employees of the SA Ambulance Service became members of the Triple S Scheme.

Assets Under Management – SA Ambulance Service Superannuation Scheme (\$ million)



Contribution of cashflows and investment earnings to the movement in Assets Under Management (\$ million)



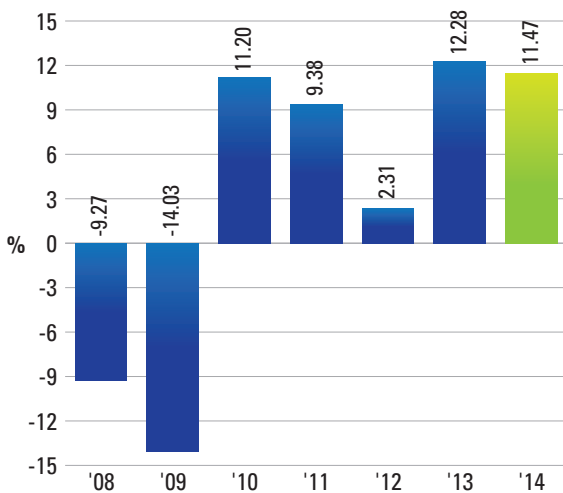
	2010 (\$m)	2011 (\$m)	2012 (\$m)	2013 (\$m)	2014 (\$m)
Net Cashflows	3.543	8.370	0.700	4.970	0.590
Investment Earnings	13.602	13.124	3.667	20.706	22.526
Total Movement	17.145	21.494	4.367	25.676	23.116

Financial Year ended 30 June

Investment

The SA Ambulance Service Superannuation Scheme is invested in a Balanced option. Full details of the scheme and benefits are contained in the Product Disclosure Statement (PDS).

SA Ambulance Service Superannuation Scheme investment return from 2008 to 2014



Membership of SA Ambulance Service Superannuation Scheme from 2009 to 2014

2009	2010	2011	2012	2013	2014
1 251	990	957	928	901	875

Actuarial review

The SA Ambulance Service Superannuation Scheme is actuarially reviewed every three years.

The most recent actuarial review of the fund supporting the scheme was performed as at 30 June 2011.

The purpose of an actuarial review is to:

- > Examine the financial condition of the fund.
- > Assess the adequacy of the current employer contribution level.
- > Prepare a report for the purpose of the Australian Accounting Standard AAS25.
- > Satisfy the requirements of the Trust Deed.

The next actuarial review will be undertaken in 2014.

Super SA Board

AS AT 30 JUNE 2014



Mr Philip Jackson

Presiding Member

Appointed by the Governor until 8 September 2016.

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

Disclosure of Interests

Member of the Board of the Sexual Health Information Networking and Education South Australia (SHINE SA) Inc.

Presiding Member, Southern Select Super Corporation



Ms Virginia Deegan

Appointed by the Governor on the Minister for Finance's nomination until 11 July 2015.

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

Fellow of CPA Australia (FCPA).

Disclosure of Interests

Member, State Procurement Board

Member, Central Adelaide Local Health Network Advisory Council

Member, Southern Select Super Corporation



Ms Deborah Black

Appointed by the Governor on the Minister for Finance's nomination until 11 July 2015.

Principal, Blackforrest Consulting.

Disclosure of Interests

Member, State Procurement Board

Director, Adelaide Cemeteries Authority

Member, Innovation and Business Skills Australia Board

Member, Southern Select Super Corporation



Ms Jan McMahon

Member Elected Representative until 1 October 2015.

General Secretary of the Public Service Association of SA.

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

Disclosure of Interests

Director, Superannuation Funds Management Corporation of South Australia

Chairperson, Health Partners Ltd

Director, People's Choice Credit Union

Member, SA Unions

Member, Australian Council of Trade Unions

Director, Financial Solutions Australasia Pty Ltd

Director, Australian Central Services Pty Ltd

Director, Let's Talk Home Loans Group Pty Ltd

Secretary, SA Government Superannuation Federation

Member, Southern Select Super Corporation



Dr Bill Griggs AM ASM

Member Elected Representative until 1 October 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, Southern Select Super Corporation

Member, WorkCover Corporation of South Australia

Super SA Board CONT'D

Role and composition

The Board is responsible to the Minister for Finance for all aspects of the administration of the *Superannuation Act 1988* (Pension and Lump Sum schemes), and the *Southern State Superannuation Act 2009* (Triple S Scheme), except for the management and investment of the funds.

The Board acts as the Trustee of the SA Ambulance Service Superannuation Scheme and is responsible for administering the Trust Deed and Rules.

The Board comprises five members:

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

Each Board member's term is for a maximum of three years.

On 14 August 2013 Mr Kevin Cantley resigned as a Member and on 5 September 2013 Ms Deborah Black was appointed by the Governor to fill the vacancy on the Board for a term ending on 11 July 2015.

Each member, except the Presiding Member, has a deputy appointed by the Governor, who attends meetings in their absence. As at 30 June 2014 the deputy members were:

- > Ms Liz Hlipala, Deputy to Ms Virginia Deegan (appointed until 11 July 2015)
- > Ms Leah York, Deputy to Ms Jan McMahon (appointed until 10 October 2015)
- > Mr Aaron Chia, Deputy to Dr Bill Griggs (appointed until 10 October 2015).

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

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

The Board undertook a self-assessment of its performance in April and May 2014 as a component of the Super SA Financial Management Compliance Program.

Board committees



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

The Board convenes two subcommittees to fulfil its administrative responsibilities.

Audit and Finance Committee

The Audit and Finance Committee assists the Board 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 completed a review of its Terms of Reference in November 2013. The revised Terms of Reference were formally approved and adopted by the Board in November 2013.

Membership of the committee for the 2013–14 year was as follows:

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

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

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

Member Services Committee

The Member Services Committee develops and monitors the strategic direction of:

- > marketing
- > communication
- > member services.

The Member Services Committee completed a review of its Terms of Reference in September 2013. The amended Terms of Reference were formally approved and adopted by the Board in September 2013.

Membership of the committee for the 2013–14 year was as follows:

- > Ms Jan McMahon, Convenor
- > Ms Leah York, Committee Member
- > Dr Bill Griggs, Committee Member
- > Mr Stephen Rowe, ex-officio member until December 2013
- > Mr Anthony Steele, ex-officio member January to May 2014
- > Mr John Montague, ex-officio member from June 2014.

The Presiding Member attends and participates in committee meetings as an observer.

The Director, Member, Insurance and Account Services; Director, Strategy and Business Management; and the Manager, Marketing and Communications act as advisers to the Committee. Meetings are held at least three times per year and all Board members are welcome to attend.

Board remuneration

The Governor determines the Board's remuneration. Remuneration levels are set in accordance with Government Guidelines, which have been made in consultation with the Commissioner for Public Employment.

The current remuneration fixed for appointees to the Board is:

- > **Presiding Member:** \$ 37 148 per annum
- > **Other Members:** \$24 765 per annum
- > **Deputy Members:** \$1 031 per meeting for attending Board meetings on behalf of the Board Member (up to a maximum of \$12 382 per annum).

Deputy Members serving as members of the Board's Member Services Committee receive a fee of \$3 714 per annum. Board Members serving on the Member Services Committee do not receive any additional remuneration.

Board and Deputy Members who are SA public sector employees do not receive fees for their Board or Committee membership.

Board education and training

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

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

Board meeting attendance

The Board met 11 times during the year. Under section 9 (3) of the *Superannuation Act 1988*, three members constitute a quorum of the Board.

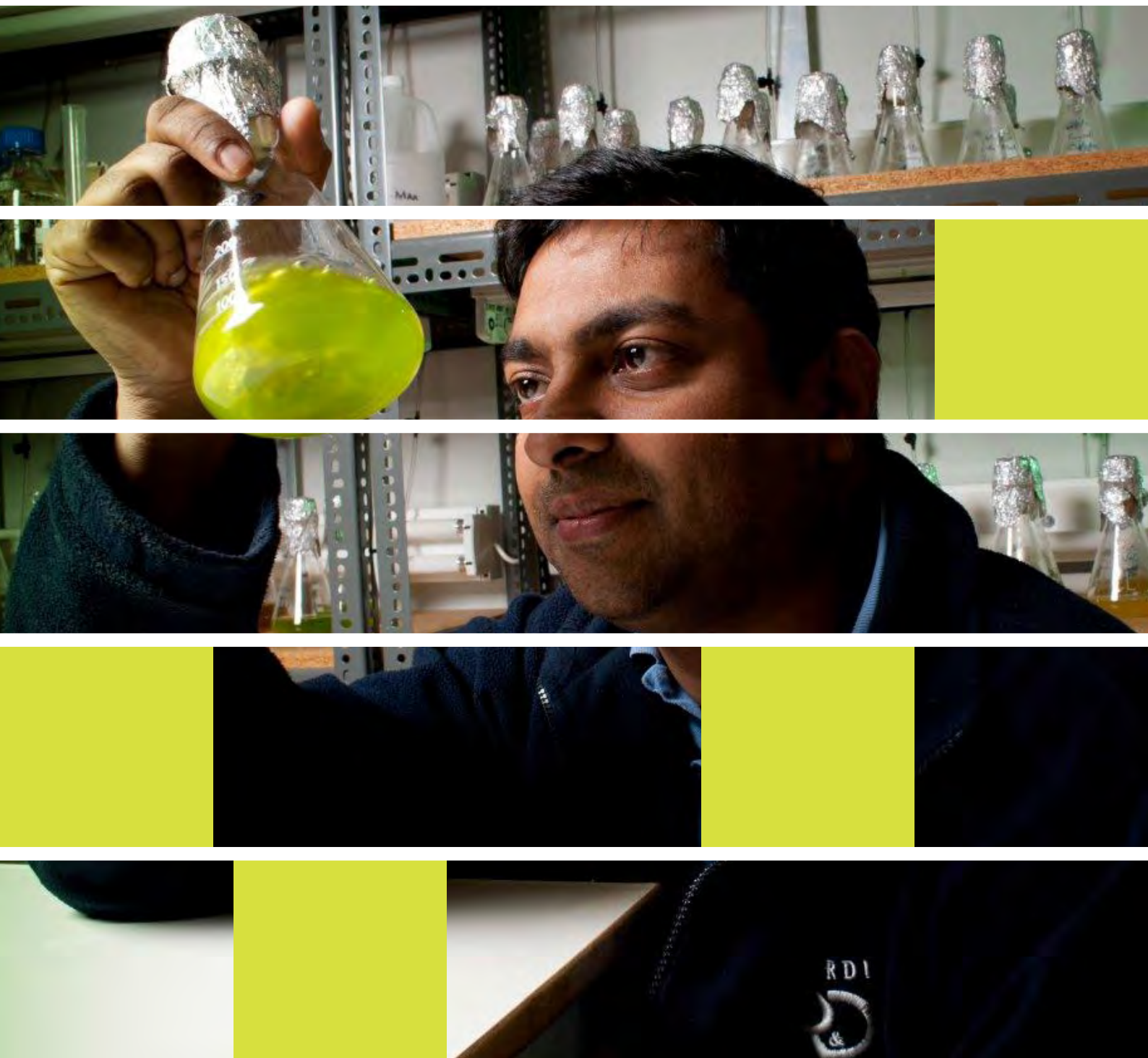
Super SA Board CONT'D

Board and committee meeting attendance July 2013 to June 2014

Trustee	Board meetings			Audit and Finance Committee		Member Services Committee		
	Eligible to attend	Attended	Deputy attended	Eligible to attend	Attended	Eligible to attend	Attended	Deputy attended
Philip Jackson ¹	11	9		4	4		1 ²	
Virginia Deegan	11	11		4	4			
Bill Griggs	11	10				3	1	2
Jan McMahon	11	9	2			3	3	
Deborah Black	9	7						
Kevin Cantley	1	1						
Committee Members								
John Wright				4	4			
Leah York						3	3	
John Montague						1	1	
Anthony Steele						1	1	
Stephen Rowe						1	1	

¹The Presiding Member does not have a Deputy.

²Philip Jackson attended the March 2014 Member Services Committee meeting as an observer.



Photograph courtesy of the South Australian Research and Development Institute (SARDI).

Corporate Governance

Changes to Acts and Regulations

During 2013–14 the following amendments were made to the legislation that is administered by the Super SA Board.

Statutes Amendment and Repeal (Superannuation) Act 2012 (No 37 of 2012)

This Act took effect on 19 November 2012 making a number of miscellaneous amendments to state superannuation legislation. The Act also provided for the repeal of the *Unclaimed Superannuation Benefits Act 1997* as a result of the State Government agreeing with the Commonwealth that there should be a central Commonwealth body collecting all unclaimed superannuation money.

Accordingly, provisions were inserted into the *Southern State Superannuation Act 2009* and *Superannuation Act 1988* for unclaimed money to be paid to the Commonwealth pursuant to the *Superannuation (Unclaimed Money and Lost Members) Act 1999 (Cwth Act)*. However, these unclaimed money provisions were originally suspended to allow time for the Commonwealth to make appropriate regulations under the Commonwealth Act to enable the State Government to opt in to the Commonwealth regime. The unclaimed money provisions have now commenced and, as a result, Super SA has an obligation as at the “unclaimed money” day falling on 30 June 2014 to report and pay unclaimed money to the Commissioner of Taxation by 31 October 2014.

- > *Assent*: 25 October 2012
- > *Date of operation*: 15 June 2014 (unclaimed money provisions)

Southern State Superannuation Variation Regulations 2013 (No 292 of 2013)

These Regulations amended the *Southern State Superannuation Regulations 2009* to clarify that members of the South Australian Ambulance Service Superannuation Scheme are able to salary sacrifice to Triple S. These regulations also overcame a technical difficulty with the former definition of “casual member”.

- > *Regulation made on*: 19 December 2013
- > *Date of operation*: 19 December 2013

Superannuation Variation Regulations 2013 (No 293 of 2013)

These Regulations amended the *Superannuation Regulations 1988* to:

- > Provide that persons who are spouse members of Triple S, and persons with investments in post-retirement products through Triple S, are also eligible to take part in Super SA Board elections. This was a technical amendment only, which was necessary for the purposes of consistency with the category of persons entitled to take part in Super SA Board elections under the *Superannuation Act 1988*.
- > Enable the Electoral Commissioner to determine not to send a ballot paper in respect of the election of a board member to the Super SA Board to a “lost member” within the meaning of the *Superannuation (Unclaimed Money and Lost Members) Act 1999 (Cwth Act)*, thereby saving unnecessary postage costs.
- > Exclude two new “payments” from the definition of “salary”. These payments are the “one-off” payment of \$1 000 paid to all eligible public sector employees pursuant to the “South Australian Public Sector Wages Parity Enterprise Agreement: Salaried 2012”, and any payment derived from an entitlement to a “skills and experience retention leave entitlement” for public sector employees, which the person has determined to convert to cash in lieu of taking the leave.
- > Prescribe the “Office of the National Rail Safety Regulator” as an employer for the purposes of section 5 of the *Superannuation Act 1988*.
 - > *Regulation made on*: 19 December 2013
 - > *Date of operation*: 19 December 2013

Amendments to SA Ambulance Service Superannuation Scheme Trust Deed

The SA Ambulance Service Superannuation Scheme Trust Deed was amended with effect from 1 January 2014 to introduce a “terminal illness” benefit. This benefit comprises an amount equal to the member’s total and permanent disablement benefit and is payable immediately in respect of a member who is suffering from an illness or condition that is likely, in the opinion of at least two medical practitioners, to result in the death of the person within 12 months.

Risk Management

Deloitte has been appointed to provide Internal Audit services to Super SA as part of Super SA's focus on audit, risk and compliance.

During 2013–14 Super SA continues its integrated audit, risk and compliance function that includes compliance testing, incident management, Financial Management Compliance Program, and the Risk Management Strategy and Plan.

Internal Audit projects completed during 2013–14 include Fraud Risk Management, Internal Data Security, Contract Management, Business Continuity Planning and Disaster Recovery and Governance.

Progress and deliverables are monitored by the Audit and Finance Committee on a quarterly basis.

Fraud

The Board 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 Board 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 Board's knowledge there have been no instances of fraud in 2013–14.

During the year mandatory fraud awareness and prevention training organised in conjunction with the Department of Treasury and Finance was attended by staff who were due to attend.

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

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

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

Heads of Government Agreement

The South Australian and Commonwealth Governments have entered into a Heads of Government Agreement to enable certain public sector schemes to be exempt from the Commonwealth's *Superannuation Industry (Supervision) (SIS) Act 1993*. Each scheme is, however, deemed to be a complying fund in terms of the SIS Act.

As a result of the agreement, the schemes established under the *Superannuation Act 1988* and the *Southern State Superannuation Act 2009* are exempt public sector schemes in terms of the Commonwealth legislation.

In terms of the agreement, the South Australian Government has made a commitment to ensure that the exempt SA public sector schemes conform to the principles of the Commonwealth's retirement income policy objectives. The Super SA Board has embraced this commitment, increasing the quality and nature of communications to keep the members of the schemes well informed. The Office endeavours to ensure that all communications are in accordance with the *Financial Services Reform Act 2001*.

Major Commonwealth initiatives

The Super SA Board continues to monitor the progress of Commonwealth legislation affecting superannuation. Changes to the schemes administered by the Board are considered whenever new Commonwealth legislation is enacted.

During this year, Super SA has again been involved in discussions with the Commonwealth Government on aspects of the Commonwealth's Stronger Super package of superannuation reforms through representation on various industry working parties. In particular, Super SA has been closely involved in negotiations around the implications of the MySuper and SuperStream measures for constitutionally protected public sector superannuation schemes.



Photograph courtesy of South Australia Police (SAPOL).

Corporate Governance ^{CONT'D}

Complaints, Appeals and Freedom of Information

There has been continuous improvement in staff and member awareness of the approach to complaint handling within Super SA. In the event that an issue needs to be escalated, members are encouraged to lodge a formal complaint in accordance with the defined process.

As Super SA services 208,000 members it is noteworthy that there were only 76 written complaints received and handled through the complaints process during the 2013-14 year.

Member complaints during the period have prompted the following changes and improvements to the services offered by Super SA:

- > Accessing Super Fact Sheet and Easy Roll In Form – text updated to emphasise portability restrictions of funds until resignation from SA public sector employment.
- > Case Management approach in Claims – adopted to improve turnaround times partly as a result of members lodging complaints about the length of the process and the way the claim was handled.
- > Department of Treasury and Finance (DTF) System outages (which impacts member secure online access) – Super SA has been monitoring and addressing this issue with DTF to reduce outage times for members seeking to view their account online over the weekend.
- > Recovery of overpayments policy – (In progress) – There were two instances where the recovery of an overpayment amount of a superannuation pension generated written complaints from the family of the deceased. In both cases, the families were disappointed by the letter requesting payment of the small amount overpaid to the deceased superannuant. Based on Crown Law advice, this process was reviewed during 2014. In addition, the Audit and Finance Committee endorsed the modification of Board Policy SUP04 to enable a more flexible recovery process including that any overpayments totalling less than \$500 will not be pursued.

There were 14 appeals considered by the Super SA Board during 2013-14. Five of these appeals related to administrative matters while the rest related to insurance claims.

During 2013-14, there were two applications received requesting access to member information, under the *Freedom of Information Act 1991*. All other Freedom of Information (FOI) requests received and processed originated from the Department of Treasury and Finance, and Super SA was asked to provide information.

Corporate Governance ^{CONT'D}

Policy review

The Super SA Board continued its policy review program during 2013–14 with the following policies being updated:

- > Premium for Income Protection (Temporary Disability) Insurance – Triple S
- > Opting out of Income Protection Insurance – Triple S
- > Members Email address protocol
- > Temporary Disability (Income Protection) – Extending Benefits Beyond the Initial Prescribed Period
- > Risk Management Policy
- > Financial Management & Compliance Framework
- > Income Stream Administration Fees
- > Triple S Administration Fees
- > Flexible Rollover Product Administration Fees
- > Charging proportions to contributors' accounts and the Fund.

During 2013–14 the following six new policies were approved by the Board:

- > Liquidity Management
- > General Reserve
- > Operational Risk Reserve
- > Board Training
- > Insurance Reserve Southern State Superannuation Scheme and Flexible Rollover Product
- > Insurance Reserve SA Ambulance Service Superannuation Scheme.

During 2013–14 the following four policies were revoked by the Board:

- > Capital and Development Reserve
- > Board Election Reserve
- > Office Administration Reserve
- > Operational Risk Reserve – Triple S.

The policy review program will continue into 2014–15.

Policy documents

The policy documents as at 30 June 2014:

Freedom of Information

- > Release of Member Information Including Freedom of Information.

Invalidity

- > Assessing Temporary Disability (Income Protection) Claims

- > Temporary Disability (Income Protection) Extending Benefits Beyond the Initial Prescribed Period
- > Claim for Disability Benefits – Payment Medical Expense
- > Invalid Superannuants That Are “Fit for Work”
- > Assessing Total and Permanent Disablement Claims – Triple S
- > Assessing Total and Permanent Disablement Claims – Pension and Lump Sum
- > Premium for Income Protection (Temporary Disability) Insurance – Triple S
- > Opting out of Income Protection Insurance – Triple S.

Contributions

- > Acceptance of Rollovers
- > Leave Without Pay – Pension and Lump Sum Schemes
- > Leave Without Pay – Triple S
- > Variation to Member Contribution Rate
- > Member Contributions Underpaid and Overpaid
- > Maintaining Benefits After Salary Reduction
- > Day Contribution Rates Fixed Each Financial Year
- > Collection of Contributions from Agencies – Triple S.

Investment

- > Exit Rates – Pension Scheme
- > Exit Rates – Lump Sum Scheme
- > Exit Rates – Triple S
- > Exit Rates – SA Ambulance Service Superannuation Scheme
- > Investment Choice
- > Retirement Product Transactions
- > Unit Price Adjustment
- > Liquidity Management.

Enquiries/ Disputes

- > Recovery of Overpayment
- > Complaints Process
- > Appeals Process.

Benefits Payable

- > Income Assessing Invalidity and Retrenchment Superannuants
- > Payments and Deductions for Superannuants
- > Indexation of UK Pensions (Paid to Former Officers of the Agent General in London, England)
- > Extension of Time to Commute Pension
- > Indexation of Salary for Preserved Benefit
- > Identity Check for Payment of Benefits
- > Death Benefit – Benefit of \$15 000 or Less
- > Pension And Lump Sum Schemes – Removal or Variation Of Conditions.

Additional Insurance

- > Voluntary Insurance – Weight Policy
- > Voluntary Insurance – Smoking Policy
- > Voluntary Insurance – Limitation Policy
- > Opting Out of Income Protection Insurance – Triple S
- > Premium for Income Protection Insurance – Triple S.

Fees

- > Triple S Administration Fees
- > Charging Proportions to Contributors' Account and the Fund
- > Dissolution of Marriage – Fees
- > Flexible Rollover Product Administration Fees
- > Income Stream Administration Fees.

General

- > Fraud and Theft
- > Risk Management Policy
- > Members Email Address Protocol
- > Operational Risk Reserve
- > Financial Management and Compliance Framework
- > Income Recipients with no Current Address
- > General Reserve
- > Board Training
- > Insurance Reserve – Southern State Superannuation Scheme and Flexible Rollover Product
- > Insurance Reserve – SA Ambulance Service Superannuation Scheme.

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

Product Disclosure Statements undergo continual review to ensure the information is current at all times.

Whistleblowers Act

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

Unclaimed monies

The Super SA Board was required under the *Unclaimed Superannuation Benefits Act 1997* to pay unclaimed entitlements to the Treasurer. Unclaimed superannuation entitlements are defined as such once all of the following conditions have been met:

- > A member of a fund has reached the eligibility age for an age pension (Commonwealth Age Pension rules apply for males and females).
- > Under the governing rules of the fund, a benefit (other than a pension or annuity) is immediately payable in respect of the member.
- > The member has not applied to have his or her entitlements in the fund paid.
- > The entitlement is unable to be paid to the member because the fund, after making reasonable efforts, is unable to find the member.

A payment of \$259 184.51 unclaimed entitlements was made to the Treasurer on 24 April 2014.

Super SA makes reasonable efforts to find members by undertaking matching with the State Electoral Roll and members' former agencies before the entitlements are classified as unclaimed.

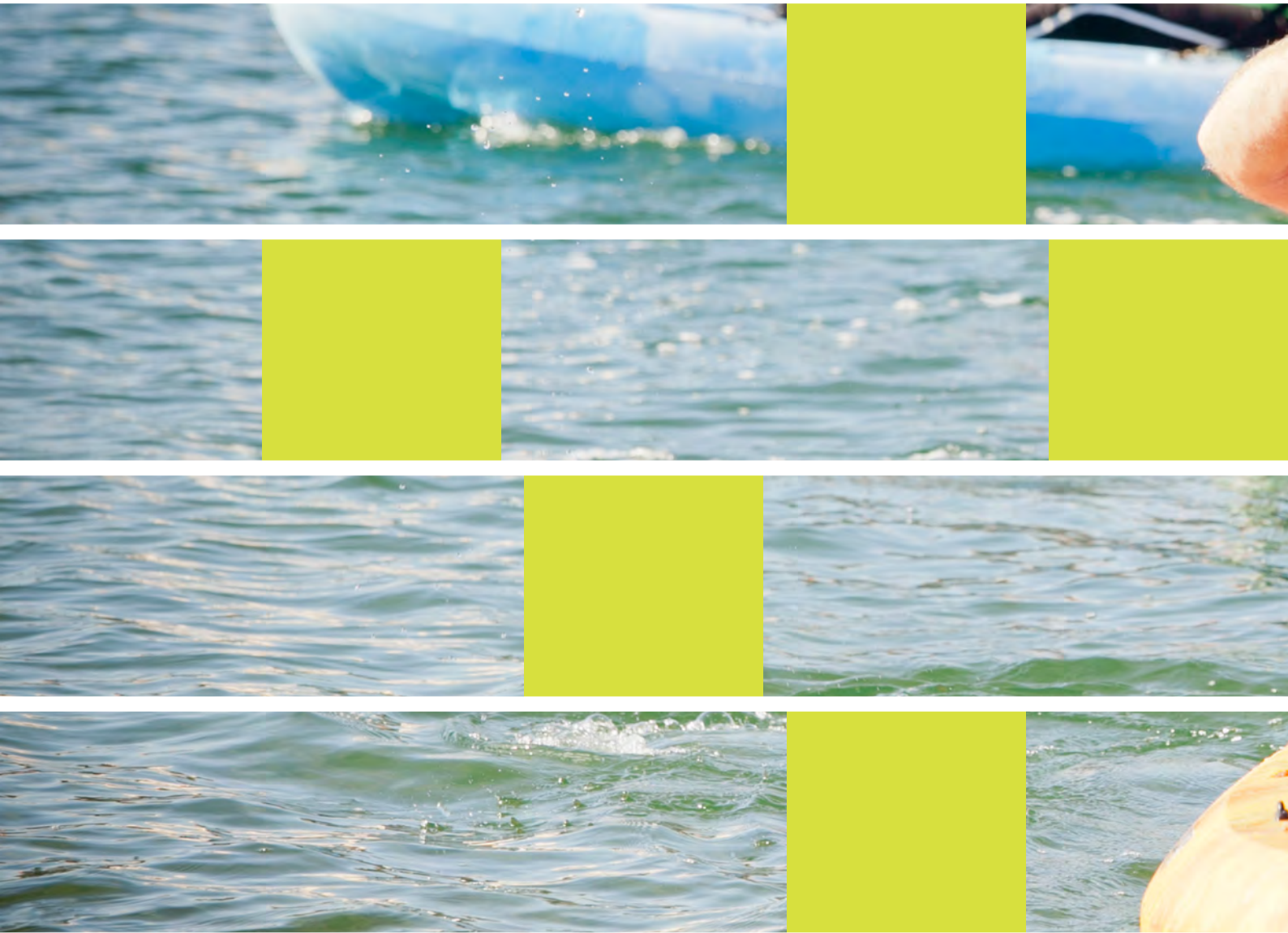
From 15 June 2014, the *Unclaimed Superannuation Benefits Act 1997* was repealed as a result of the Government agreeing that the Australian Taxation Office will be the central body collecting all unclaimed superannuation money pursuant to the *Superannuation (Unclaimed Money and Lost Members) Act 1999 (Cwth Act)*. The Super SA Board is now required to report and pay unclaimed money to the ATO in accordance with their Commonwealth legislation.

Special attribution

Section 25 of the *Superannuation Act 1988* provides that the Minister for Finance may, in appropriate cases, attribute additional contribution points, or additional contribution months to a contributor.

Attributions have been used as part of the negotiations for senior appointments to the public service and statutory appointments, or to resolve inconsistencies that may occur in the administration of the entitlements.

There were no special attributions in the year ending 30 June 2014.

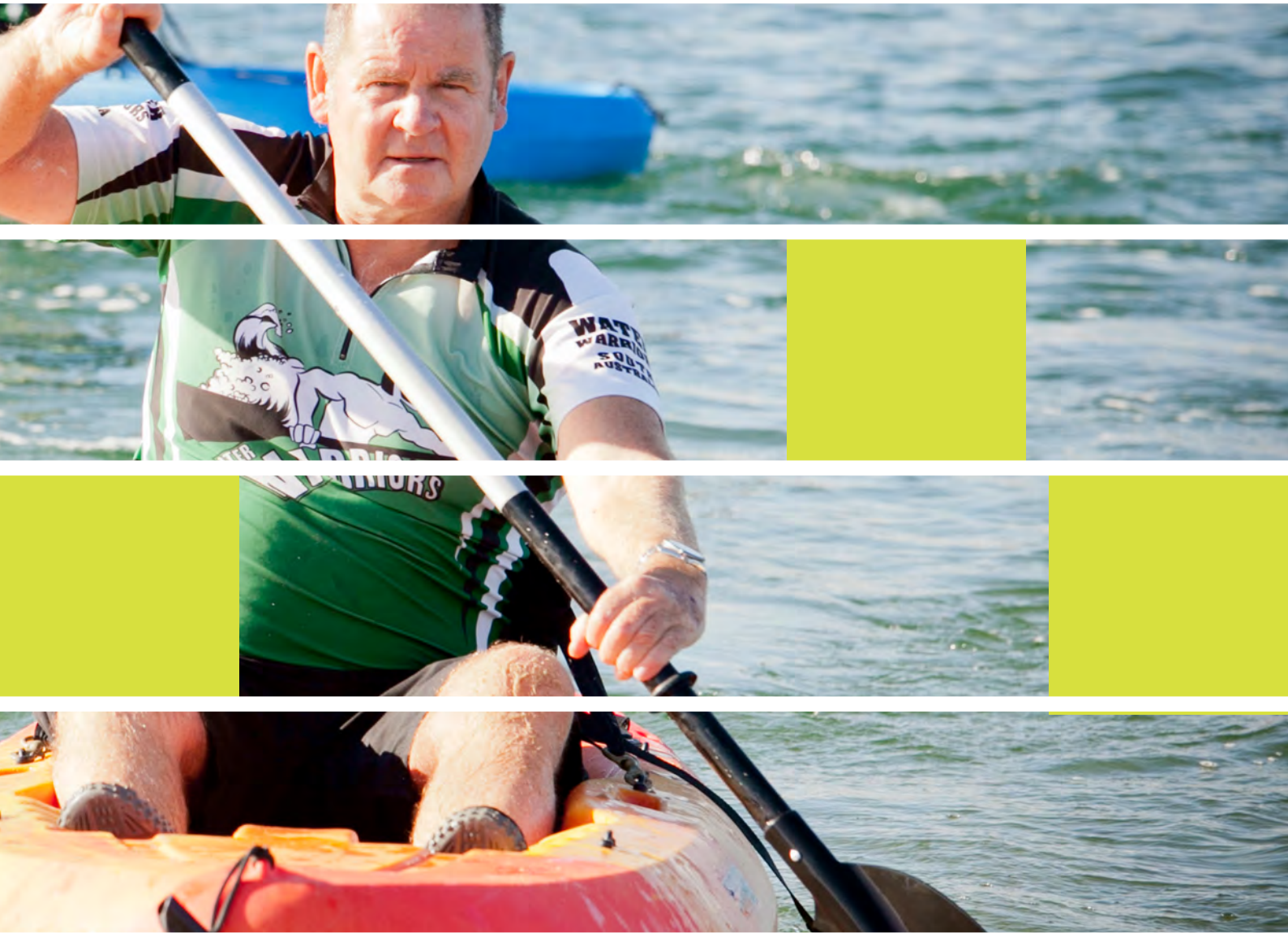


Appendix 1 – Financial Statements for the Year Ended 30 June 2014

THE AUDITOR-GENERAL HAS AUDITED THE FOLLOWING FINANCIAL STATEMENTS AND NOTES FOR THE:

- > Super SA Board
- > South Australian Superannuation Scheme
- > Southern State Superannuation Scheme
- > Super SA Retirement Investment Fund and
- > South Australian Ambulance Service Superannuation Scheme.

The independent audit reports from the Auditor-General for the statements are also included.



Dave, Super SA member.

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INDEPENDENT AUDITOR'S REPORT

Government of South Australia

Auditor-General's Department

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

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

- a Statement of Comprehensive Income for the year ended 30 June 2014
- a Statement of Financial Position as at 30 June 2014
- a Statement of Changes in Equity for the year ended 30 June 2014
- a Statement of Cash Flows for the year ended 30 June 2014
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Governance, Board and Corporate Support, State Superannuation Office.

The members of the South Australian Superannuation Board's Responsibility for the Financial Report

The members of the South Australian Superannuation 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 South Australian Superannuation 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 South Australian Superannuation 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 the South Australian Superannuation Board as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'Neill
AUDITOR-GENERAL
26 September 2014

South Australian Superannuation Board

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note No.	2014 \$'000	2013 \$'000
Expenses			
Administration expenses		16 921	16 505
Other expenses	4	17	53
Total expenses		16 938	16 558
Income			
Revenues from fees and charges	5	17 913	19 251
Interest revenues	6	342	426
Total income		18 255	19 677
Total comprehensive result	10	1 317	3 119

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note No.	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	7	13 498	17 520
Receivables	8	41	1 868
Non current assets			
Receivables	8, 16	512	-
Total assets		14 051	19 388
Current liabilities			
Payables	9	534	2 008
Total liabilities		534	2 008
Net assets		13 517	17 380
Equity			
Retained earnings	10	512	-
Reserves	10	13 005	17 380
Total Equity		13 517	17 380

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

FINANCIAL STATEMENTS

South Australian Superannuation Board

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Note No.	Retained earnings \$'000	Reserves \$'000	Total \$'000
Balance at 30 June 2012		-	14 261	14 261
Total comprehensive result for 2012-13		3 119	-	3 119
Transferred to reserves		(3 119)	3 119	-
Balance at 30 June 2013		-	17 380	17 380
Total comprehensive result for 2013-14		1 317	-	1 317
Transferred to reserves	10	(805)	805	-
Transferred from reserves	10	-	(5 180)	(5 180)
Balance at 30 June 2014		512	13 005	13 517

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Note No.	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Cash outflows			
Administration expenses		18 395	15 341
Other expenses		17	107
Cash used in operations		18 412	15 448
Cash inflows			
Interest		340	426
Fees and charges		19 730	20 250
Cash generated from operations		20 070	20 676
Net cash provided by operating activities	12	1 658	5 228
Cash flows from financing activities			
Cash outflows			
Provision of Loan to the Minister for Finance	16	500	-
Transfers from reserves	10	5 180	-
Cash used in financing activities		5 680	-
Net cash (used in) financing activities		(5 680)	-
Net (decrease)/increase in cash and cash equivalents		(4 022)	5 228
Cash and cash equivalents at the beginning of the period		17 520	12 292
Cash and cash equivalents at the end of the period	7, 12	13 498	17 520

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

South Australian Superannuation Board

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South Australian Superannuation Board

Note 1 Objectives and funding

a) Objectives of the South Australian Superannuation Board

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

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

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

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

Note 2 Summary of significant accounting policies

a) Statement of compliance

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

The Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Board is a not-for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2014. Refer to Note 3.

b) Basis of preparation

The preparation of the financial statements requires:

- accounting policies selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency, the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies.
 - board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis.

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

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

South Australian Superannuation Board

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and comparative information is presented.

c) Comparative information

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

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

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

d) Rounding

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

e) Taxation

The Board is not subject to income tax.

The Board is not registered for Goods and Services Tax (GST) and no GST is recoverable or payable to the Australian Taxation Office (ATO).

f) Events after the reporting period

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

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

g) Income and expenses

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

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

The following are specific recognition criteria:

Income

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

Interest comprises of the interest received on the cash held in the Board's Deposit Account, with the Department of Treasury and Finance, which receives interest at the applicable SA Government rate. Interest is recognised when it is earned.

Expenses

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

South Australian Superannuation Board

h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes deposits held in the deposit account.

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

Cash is measured at nominal value.

i) Receivables

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

j) Payables

Payables include creditors and accrued expenses.

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

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

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

Note 3 New and revised accounting standards and policies

The Board did not voluntarily change any of its accounting policies during 2013-14.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the period ending 30 June 2014. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

Note 4 Other expenses

	2014	2013
	\$'000	\$'000
Other expenses ⁽ⁱ⁾	17	53
Total other expenses	17	53

(i) Other expenses includes amounts paid or due and payable to the Auditor-General's Department for the audit of the Board for the reporting period which were \$15,600 (2013 \$15,200). No other services have been provided by the Auditor-General's Department.

South Australian Superannuation Board

Note 5 Fees and charges

	2014	2013
	\$'000	\$'000
Recovery of administration fees	17 913	17 751
Other income ⁽ⁱ⁾	-	1 500
Total fees and charges	17 913	19 251

(i) Other Income - The Board Policy "Operational Risk Reserve – Triple S" proposes that between \$1m - \$1.5m be transferred from the Triple S Insurance Reserve to the Operational Risk Reserve over a 5 year period until it represents 0.125% of total assets of the Triple S Scheme. This has ceased as at December 2013, refer note 10.

Note 6 Interest revenues

	2014	2013
	\$'000	\$'000
Bank account	330	426
Loan	12	-
Total interest revenues	342	426

Note 7 Cash and cash equivalents

	2014	2013
	\$'000	\$'000
Cash at bank	13 498	17 520
Total cash and cash equivalents	13 498	17 520

Interest Rate Risk

Cash at bank earns a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

South Australian Superannuation Board

Note 8 Receivables

	2014	2013
	\$'000	\$'000
Current Receivables		
Recovery of Super SA Select Set-up Costs	-	317
Sundry debtors	24	1 534
Audit fee recovery	17	17
Total Current Receivables	41	1 868
Non-Current Receivables		
Loan Receivable ⁽ⁱ⁾	512	-
Total Non-Current Receivables	512	-
Total receivables	553	1 868

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

(i) Refer note 16

Note 9 Payables

	2014	2013
	\$'000	\$'000
Audit fee payable	17	17
Administration fee payable	517	1 991
Total payables	534	2 008

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

South Australian Superannuation Board

Note 10 Retained earnings and reserves

	Opening Balance \$'000	Total Comprehensive Result \$'000	Transfers To Reserve \$'000	2014 \$'000	2013 \$'000
Retained Earnings	-	1 317	(805)	512	-
Reserves	Opening Balance \$'000	Transfers To Reserve \$'000	Transfers From Reserve \$'000	2014 \$'000	2013 \$'000
<u>Board Election Reserve (i)</u>					
South Australian Superannuation Scheme	47	-	(47)	-	47
Southern State Superannuation Scheme	60	1	(61)	-	60
<u>Office Administration Reserve (ii)</u>					
South Australian Superannuation Scheme	2 976	29	(3 005)	-	2 976
Southern State Superannuation Scheme	4 919	48	(4 967)	-	4 919
<u>Capital & Development Reserve (iii)</u>					
South Australian Superannuation Scheme	1 760	17	(1 777)	-	1 760
Southern State Superannuation Scheme	2 488	26	(2 514)	-	2 488
<u>Triple S Operational Risk Reserve (iv)</u>					
Southern State Superannuation Scheme	5 130	50	(5 180)	-	5 130
<u>General Reserve (v)</u>	-	13 005	-	13 005	-
Total Reserves	17 380	13 176	(17 551)	13 005	17 380

The transfers to/from Reserves are transfers from Equity based on specific Reserve balances and purposes which are outlined below:

- i. The *Board Election Reserve* represents amounts which have been put aside for the three yearly board election costs. The Transfers to Reserve amount represents interest allocated up to December 2013. Now closed; see note (v).
- ii. The *Office Administration Reserve* represents amounts which are to be used on the approval of the Board for specified purposes and any unspent funds are returned to this reserve on a yearly basis. The Transfers to Reserve amount represents interest allocated up to December 2013. Now closed; see note (v).
- iii. The *Capital and Development Reserve* represents amounts which have been put aside for future capital replacement costs. A loan of \$0.5 million was transferred from the reserve and provided to the Minister for Finance for the establishment of the Super SA Select fund. The Transfers to Reserve amount represents interest allocated up to December 2013. Now closed; see note (v).
- iv. The *Triple S Operational Risk Reserve* represents amounts held as part of the Board's Risk Management Policy that states that the Board is committed to minimising risk, adopting appropriate risk controls and managing, amongst other risks, operational risk. The Transfers to Reserve amount represents interest allocated up to December 2013.

The funding of this reserve is from the Triple S Insurance Reserve. The Board determined that an amount between \$1 million - \$1.5 million will be deducted each year for a period of approximately five years. The amount transferred from the Insurance Reserve will be assessed each year and will also take into account the triennial actuarial assessment of the insurance pool to ensure sufficient reserve is held in the Insurance Reserve. The Board determined to cease this process and elected to establish an Operational Risk Reserve within each scheme where funds were available to do so. The balance of this reserve as at 31 December 2013 was transferred to the Triple S Scheme as a result.

- v. The *General Reserve* was established in December 2013. The funding was received by transferring the 31 December 2013 balances of the *Board Election Reserve*, *Office Administration Reserve* and the *Capital and Development Reserve* into the *General Reserve*. The Transfers to Reserve amount represents these transfers, interest allocated from January 2014 to June 2014 plus the refund from DTF of the under spent SLA fee for 2013-14.

South Australian Superannuation Board

Note 11 Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2013-14 financial year were:

The South Australian Superannuation Board

Philip Jackson (Presiding Member)	1 July 2013 - 30 June 2014
Kevin Cantley* (John Wright* - Deputy)	1 July 2013 - 14 August 2013
Bill Griggs* (Aaron Chia* - Deputy)	1 July 2013 - 30 June 2014
Virginia Deegan (Liz Hlipala - Deputy)	1 July 2013 - 30 June 2014
Jan McMahon (Leah York** - Deputy)	1 July 2013 - 30 June 2014
Deborah Black	5 September 2013 - 30 June 2014

The number of members whose remuneration received or receivable falls within the following bands:

	2014	2013
\$0	2	2
\$1 - \$9 999	1	1
\$20 000 - \$29 999	3	2
\$30 000 - \$39 999	1	-
\$40 000 - \$49 999	-	1
Total number of members	7	6

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$107,000 (2013 \$99,000).

Amounts paid to a superannuation plan for board/committee members were \$16,000 (2013 \$8,000)

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

* In accordance with the Department of Premier and Cabinet Circular Number 016, government employees did not receive any remuneration for board/committee duties during the financial year.

**Ms L York is a deputy for Jan McMahon and was eligible for sitting fees for attending meetings during the year.

Note 12 Cash flow reconciliation

	2014	2013
	\$'000	\$'000
Reconciliation of cash and cash equivalents - at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	13 498	17 520
Balance as per the Statement of Cash Flows	13 498	17 520
Reconciliation of total comprehensive result to net cash provided by operating activities:		
Total comprehensive result	1 317	3 119
Movement in operational assets and liabilities		
Decrease in receivables	1 815	998
(Decrease)/Increase in payables	(1 474)	1 111
Net cash provided by operating activities	1 658	5 228

South Australian Superannuation Board

Note 13 Financial instruments

The Board holds all cash in a Deposit Account with the Department of Treasury and Finance which receives interest at the applicable SA Government rate. There are no fair value differences as carrying values approximate fair value and there is minimal exposure to interest rate or market risk due to the nature of the financial assets and liabilities held.

A Loan has been made from the Board to the Minister for Finance. (refer to note 16)

Note 14 Transactions within SA Government

	2014	2013
	\$'000	\$'000
Total Expenses	16 938	16 558
Total Income	18 255	19 677
Receivables	553	1 868
Payables	534	2 008
Total Transactions within SA Government	36 280	40 111

Note 15 Events after the reporting period

There were no significant events after the reporting period.

Note 16 Loan to the Minister for Finance

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

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

The repayment of the loan by the Trustee from the Fund, together with interest, will be in accordance with Schedule 2 of the Regulations. If at the end of the financial year the Fund has a net surplus, the interest receivable in that year must be received on or before 31 July of the following financial year. If the Fund does not have a net surplus at the end of the financial year, the interest receivable for that year will be capitalised into the principal amount receivable. At the end of 2013-14 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount receivable was \$12,083.

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

South Australian Superannuation Board

Certification of the financial statements

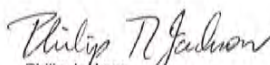
We certify that the attached general purpose financial statements for the South Australian Superannuation Board (the Board):

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

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



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Phillip Jackson
PRESIDING MEMBER
SA SUPERANNUATION BOARD



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

Date 18/7/14

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and subsection 20AB(2) of the *Superannuation Act 1988*, I have audited the accompanying financial report of the South Australian Superannuation Scheme for the financial year ended 30 June 2014. The financial report comprises:

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

The members of the South Australian Superannuation Board's Responsibility for the Financial Report

The members of the South Australian Superannuation 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 South Australian Superannuation 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 South Australian Superannuation Board, as well as the overall presentation of the financial report.

INDEPENDENT AUDITOR'S 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 the South Australian Superannuation Scheme as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'Neill
AUDITOR-GENERAL
26 September 2014

South Australian Superannuation Scheme
Operating Statement for the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
REVENUE:			
Investment Revenue		692 817	677 300
Other Revenue	17	37 644	36 352
CONTRIBUTION REVENUE:			
Contributions for Past Service Liability	1(d)	360 907	411 973
Contributions by Employers		77 205	86 309
Contributions by Members		25 472	28 329
Rollovers from Other Schemes		1 588	1 396
Government Co-Contributions	18	64	372
Total Contribution Revenue		465 236	528 379
Total Revenue		1 195 697	1 242 031
EXPENSES:			
Direct Investment Expenses	4	32 562	25 341
Co-Contributions Transferred to Other Scheme	18	64	372
Higher Education Superannuation Costs	20	9 263	9 258
Administration Expenses	5	2 543	4 591
Benefits Expense	8	787 337	826 710
Total Expenses		831 769	866 272
OPERATING RESULT FOR THE PERIOD		363 928	375 759

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

Statement of Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
INVESTMENTS:			
Inflation Linked Securities A		372 841	350 550
Property A		685 409	662 615
Australian Equities A		1 156 496	1 110 530
International Equities A		1 325 617	1 212 392
Long Term Fixed Interest		81 820	80 366
Short Term Fixed Interest		35 454	49 263
Diversified Strategies - Growth A		411 221	376 292
Diversified Strategies - Income		680 348	597 708
Cash		142 807	107 978
Socially Responsible		2 662	1 492
	10	4 894 675	4 549 186
OTHER ASSETS:			
Cash and Cash Equivalents	12	9 285	6 493
Contributions Receivable	3	2 010	2 034
Other Revenue Receivable	16	8 511	6 652
Receivables	19	426	304
		20 232	15 483
Total Assets		4 914 907	4 564 669
CURRENT LIABILITIES:			
Benefits Payable		16 791	10 141
Payables	13	155	9 395
Total Liabilities		16 946	19 536
NET ASSETS AVAILABLE TO PAY BENEFITS	6	4 897 961	4 545 133
Less: LIABILITY FOR ACCRUED BENEFITS	8	10 491 614	10 502 714
EXCESS OF LIABILITIES OVER NET ASSETS		(5 593 653)	(5 957 581)

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

FINANCIAL STATEMENTS

South Australian Superannuation Scheme
Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 Inflows (Outflows) \$'000	2013 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Contributions Received:			
Contributions for Past Service Liability		359 417	411 973
Contributions by Employers		77 217	86 574
Contributions by Members		25 511	28 407
Rollovers from Other Schemes		1 592	1 396
Government Co-Contributions		<u>64</u>	<u>372</u>
		463 801	528 722
GST recovered from the ATO		146	251
Other Income:			
Reimbursement from Other Sources:			
Public Authorities		37 010	34 603
Temporary Disability Reimbursements		40	28
Interest Revenue		<u>232</u>	<u>298</u>
		37 282	34 929
Benefits Paid:			
Pensions		(574 775)	(553 204)
Commutation of Pension Benefits		(25 810)	(32 693)
Lump Sums		<u>(191 327)</u>	<u>(161 064)</u>
		(791 912)	(746 961)
Administration Expenses		(2 708)	(5 619)
Co-Contributions Transferred to Other Scheme		(64)	(372)
Higher Education Superannuation Costs		<u>(18 520)</u>	<u>-</u>
Net Cash (used in) Operating Activities	11	<u>(311 975)</u>	<u>(189 050)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		806 178	678 459
Payments to Funds SA		<u>(491 411)</u>	<u>(492 067)</u>
Net Cash provided by Investing Activities		<u>314 767</u>	<u>186 392</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		<u>2 792</u>	<u>(2 658)</u>
CASH AND CASH EQUIVALENTS AT 1 JULY		<u>6 493</u>	<u>9 151</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	<u>9 285</u>	<u>6 493</u>

South Australian Superannuation Scheme

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) South Australian Superannuation Scheme

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

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

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5 and 6 percent. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme, to meet the minimum requirements of the Commonwealth legislation.

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

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

(b) South Australian Superannuation Board

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

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

(c) Superannuation Funds Management Corporation of South Australia

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

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

(d) Funding Arrangements

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a Special Deposit Account with DTF established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with section 47C and 47D of the Act. During the year ended 30 June 2014 no payments (2013 \$Nil) were made to the Consolidated Account.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government Departments, Statutory Authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 26 percent (2013 26 percent) for old scheme contributors and 14.75 percent (2013 14.75 percent) for new scheme contributors.

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

South Australian Superannuation Scheme

Funding Arrangements (Continued)

(i) State Government Departments

State Government Departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account. During the reporting period \$56.373 million (2013 \$64.335 million) was received or receivable from State Government Departments.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2014 the Government transferred a total of \$357.4 million (2013 \$370.5 million) into the Account. Current Government policy is that it will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

(ii) Statutory Authorities

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

- **State Government Liability for Statutory Authorities**
These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in Note 1(d)(i).

- **Employer Contribution Accounts**
Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment performed every three years. The Treasurer deposits these monies in the Account into what are referred to as the Employer Contribution Accounts. The Treasurer seeks reimbursement from the Employer Contribution Account balances as benefits are paid.

Contributions of \$2.396 million (2013 \$2.304 million) have also been received from SA Water, \$528,000 (2013 \$508,000) from WorkCoverSA and \$583,000 (2013 \$561,000) from Forestry SA to fund their accrued superannuation liabilities.

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

Of the total contributions received from Statutory Authorities, \$18.333 million (2013 \$20.074 million) relates to amounts received or receivable from SA Government entities and \$2.499 million (2013 \$1.9 million) relates to amounts received from non SA Government entities.

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

2. 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 Scheme's financial statements in 2016-17. The Scheme does not plan to adopt this standard early and the extent of the impact has not yet been determined.

South Australian Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

(b) Basis of Valuations of Assets and Liabilities

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

(i) Inflation Linked Securities A

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

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

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed Property Trusts

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

Unlisted property vehicles

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

(iii) Australian Equities A

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

(iv) International Equities A

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

(v) Fixed Interest

The Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

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

(ix) Socially Responsible Investment

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

(c) Taxation

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

South Australian Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

(d) Operation of Investment Portfolio

Funds SA operates a multi-layered notional utilisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2014, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

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

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

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.

(e) Revenue

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

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

(f) Receivables and Payables

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

Other receivables are carried at nominal amounts due that approximate fair value. Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2014 but who had not been paid until after 30 June 2014.

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of the 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 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.

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

(h) Comparative Information

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

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

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

3. Contributions Receivable

	2014	2013
	\$'000	\$'000
Contributions Receivable by Members	424	462
Contributions Receivable by Employers	<u>1 586</u>	<u>1 572</u>
	<u>2 010</u>	<u>2 034</u>

4. Direct Investment Expenses

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

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

South Australian Superannuation Scheme

5. Administration Expenses

	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2014 \$'000	2013 \$'000
Administration Expenses (i)	1 329	1 087	2 416	4 432
Bank Fees	8	-	8	27
Other Expenses (ii)	41	34	75	109
Consultancy Expenses (iii)	32	12	44	23
Total Administration Expenses	1 410	1 133	2 543	4 591

- (i) Administration Expenses comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a share of the administration cost from the Scheme. The cost is recovered in two components:
- Subsection 17(7) of the Act requires that the Fund meet a prescribed portion of these costs, currently 30 percent.
 - 70 percent of costs were deducted from the employer contributions received during the year.
- (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 Scheme for the reporting period totalled \$74,800 (2013 \$95,200). No other services were provided by the Auditor-General's Department.
- (iii) Consultancy Expenses are in relation to actuarial services provided by PricewaterhouseCoopers regarding the valuation of accrued benefits liability in accordance with AAS25.

6. Net Assets available to Pay Benefits

Net assets available to pay benefits consist of the combined balances of the South Australia Superannuation Fund and the South Australian Superannuation Scheme Contribution Account. Movements in the balances of these accounts are detailed below:

	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2014 \$'000	2013 \$'000
(a) SA Superannuation Fund Account (Employee Component)				
Funds held at 1 July	1 304 017	628 758	1 932 775	1 768 144
Add: Contributions	5 141	20 331	25 472	28 329
Rollovers from Other Schemes	470	1 118	1 588	1 396
Investment Revenue	197 412	86 228	283 640	284 333
Government Co-contributions	4	60	64	372
Other Revenue	37	31	68	86
	203 084	107 768	310 832	314 516
Less: Benefits Paid	86 030	66 568	152 598	137 609
Direct Investment Expenses	9 219	3 996	13 215	10 515
Co-Contributions Transferred to Other Scheme	4	60	64	372
Administration Expenses	419	336	755	1 389
	95 672	70 960	166 632	149 885
Funds held at 30 June	1 411 409	665 566	2 076 975	1 932 775
(b) SA Superannuation Scheme Contribution Account (Employer Component)			2014 \$'000	2013 \$'000
Funds held at 1 July			2 612 358	2 325 144
Add: Employer Contributions:				
State Government Departments		56 373		64 335
Statutory Authorities		20 832		21 974
Contribution for Past Service Liability		360 907		411 973
			438 112	498 282
Investment Revenue			409 177	392 967
Other Revenue - Public Authorities			37 324	36 025
Other Revenue - Interest Received			156	201
Other Revenue - Temporary Disability			96	40
			884 865	927 515
Less: Benefits Paid:				
Old Scheme Contributors		520 759		508 578
New Scheme Contributors		125 080		104 437
Direct Investment Expenses		19 347		14 826
Higher Education Superannuation Costs		9 263		9 258
Administration Expenses		1 788		3 202
			676 237	640 301
Funds held at 30 June			2 820 986	2 612 358
Total Net Assets Available to Pay Benefits			4 897 961	4 545 133

FINANCIAL STATEMENTS

South Australian Superannuation Scheme

7. Benefits Paid/Payable

	Old Scheme Division	New Scheme Division	Total 2014	Old Scheme Division	New Scheme Division	Total 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Pensions:						
Funded from: SA Superannuation Fund	80 511	96	80 607	77 336	94	77 430
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	26 519	-	26 519	25 079	-	25 079
Public Authorities	33 360	2	33 362	33 122	3	33 125
SA Government Employer Account	435 190	738	435 928	418 322	890	419 212
Gross Scheme Costs	575 580	836	576 416	553 859	987	554 846
Commutations:						
Funded from: SA Superannuation Fund	3 613	-	3 613	4 529	-	4 529
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	5 159	-	5 159	6 839	-	6 839
Public Authorities	595	-	595	1 106	-	1 106
SA Government Employer Account	16 443	-	16 443	19 877	-	19 877
Gross Scheme Costs	25 810	-	25 810	32 351	-	32 351
Lump Sums:						
Funded from: SA Superannuation Fund	1 834	64 556	66 390	1 535	53 789	55 324
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	761	29 204	29 965	979	26 231	27 210
Public Authorities	57	3 404	3 461	140	1 691	1 831
SA Government Employer Account	2 675	88 933	91 608	2 989	75 129	78 118
Gross Scheme Costs	5 327	186 097	191 424	5 643	156 840	162 483
Retrenchments:						
Funded from: SA Superannuation Fund	-	79	79	6	88	94
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	-	195	195	-	245	245
Public Authorities	-	-	-	33	-	33
SA Government Employer Account	-	-	-	92	-	92
Gross Scheme Costs	-	274	274	131	333	464
Targeted Separation Packages:						
Funded from: SA Superannuation Fund	72	1 837	1 909	-	232	232
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	-	494	494	-	-	-
Public Authorities	-	-	-	-	-	-
SA Government Employer Account	-	2 110	2 110	-	248	248
Gross Scheme Costs	72	4 441	4 513	-	480	480
Total Benefits Paid/Payable	606 789	191 648	798 437	591 984	158 640	750 624
Total Benefit Payments:						
Funded from: SA Superannuation Fund	86 030	66 568	152 598	83 406	54 203	137 609
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	32 439	29 893	62 332	32 897	26 476	59 373
Public Authorities	34 012	3 406	37 418	34 401	1 694	36 095
SA Government Employer Account	454 308	91 781	546 089	441 280	76 267	517 547
Gross Scheme Costs	606 789	191 648	798 437	591 984	158 640	750 624

8. Liability for Accrued Benefits

The accrued liabilities of the Scheme as determined by Ms Catherine Nance, Fellow of the Institute of Actuaries of Australia from PricewaterhouseCoopers are shown below.

For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2014.

For the employee funded, defined contribution component for new scheme contributors, the accrued liability is the balance of the employees' contribution accounts as at 30 June 2014.

The expected future benefit payments have been determined using the 2013 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been allowed for. In accordance with Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans", the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI of 2.5 percent.

South Australian Superannuation Scheme

Liability for Accrued Benefits (continued)

	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2014 \$'000	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2013 \$'000
Changes in the Liability for Accrued Benefits:						
Liability for Accrued Benefits at 1 July	8 669 602	1 833 112	10 502 714	8 664 300	1 762 328	10 426 628
Add: Benefits Expense (i)	585 554	201 783	787 337	597 286	229 424	826 710
Less: Benefits Paid (ii)	606 789	191 648	798 437	591 984	158 640	750 624
Liability for Accrued Benefits at 30 June	8 648 367	1 843 247	10 491 614	8 669 602	1 833 112	10 502 714
Represented by:						
SA Superannuation Fund	1 217 167	672 788	1 889 955	1 222 987	628 824	1 851 811
SA Superannuation Scheme Contribution A/C:						
Employer Contribution Accounts	1 256 136	381 034	1 637 170	1 265 551	404 048	1 669 599
SA Government Employer Account	5 855 786	777 772	6 633 558	5 857 469	785 765	6 643 234
Public Authorities	319 278	11 653	330 931	323 595	14 475	338 070
Total	8 648 367	1 843 247	10 491 614	8 669 602	1 833 112	10 502 714

- (i) This figure represents the change in Liability for Accrued Benefits plus Benefits Paid for the year.
(ii) Refer to Note 7.

Although the total liability for accrued benefits shown above is \$10.492 billion, the SA Government is only responsible for funding the SA Government Employer Account of \$6.634 billion and part of the Employer Contribution Accounts. The remaining liability includes the members fund, commercial entities and the Commonwealth share of the universities.

Pursuant to the Act, actuarial reviews of the Scheme must be conducted on a three yearly basis to address the cost of the Scheme to the Government and the proportion of future benefits that can be met from the Fund. The last review was carried out as at 30 June 2013 by Ms Catherine Nance, Fellow of the Institute of Actuaries of Australia from PricewaterhouseCoopers. Her report to the Minister dated June 2014, was tabled in Parliament on 3 July 2014. These reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

9. Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which contributors would be entitled to receive on termination of their Scheme membership.

Resigning contributors have two options in the Old Scheme Division (Pension Scheme) and a third option in the New Scheme Division (Lump Sum Scheme). Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, with their employer Superannuation Guarantee entitlement preserved in the Scheme. Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement as at the date of resignation and will be increased during preservation in line with increases in investment earnings and the CPI. Alternatively, Lump Sum Scheme members can transfer their benefit to another scheme where the employer benefit is equal to twice the member balance (at standard rates) plus a productivity component.

The vested benefits shown below assume that all resignation benefits will be taken in the form of preserved or transferred benefits. The value of vested benefits has been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

As for accrued benefits, vested benefits have been calculated as at 30 June 2014.

	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2014 \$'000	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2013 \$'000
SA Superannuation Fund	1 205 968	672 788	1 878 756	1 205 368	628 824	1 834 192
SA Superannuation Scheme Contribution A/C:						
Employer Contribution Accounts	1 245 852	414 718	1 660 570	1 242 328	422 223	1 664 551
SA Government Employer Account	5 796 654	858 523	6 655 177	5 772 073	848 276	6 620 349
Public Authorities	318 968	12 557	331 525	322 247	15 055	337 302
Total	8 567 442	1 958 586	10 526 028	8 542 016	1 914 378	10 456 394

FINANCIAL STATEMENTS

South Australian Superannuation Scheme

10. Summary of Investments

The Interests of the Fund and the South Australian Superannuation Scheme Contribution Account in the Unithised Investment Portfolio of Funds SA are as follows:	Fund-Old Scheme Division \$'000	Fund-New Scheme Division \$'000	Scheme Cont'n Accounts \$'000	Total 2014 \$'000	2013 \$'000
Inflation Linked Securities A	105 967	53 775	213 099	372 841	350 550
Property A	198 421	87 963	399 025	685 409	662 615
Australian Equities A	335 185	147 253	674 058	1 156 496	1 110 530
International Equities A	384 068	169 188	772 361	1 325 617	1 212 392
Long Term Fixed Interest	22 354	14 510	44 956	81 820	80 366
Short Term Fixed Interest	7 570	12 661	15 223	35 454	49 263
Diversified Strategies - Growth A	120 019	49 844	241 358	411 221	376 292
Diversified Strategies - Income	195 786	90 835	393 727	680 348	597 708
Cash	32 625	44 574	65 608	142 807	107 978
Socially Responsible	-	2 662	-	2 662	1 492
Total	1 401 995	673 265	2 819 415	4 894 675	4 549 186

11. Reconciliation of Operating Result to Net Cash (used in) Operating Activities

	2014 \$'000	2013 \$'000
Operating Result	363 928	375 759
Investment Revenue	(692 817)	(677 300)
Direct Investment Expenses	32 562	25 341
Decrease in Contributions Receivable	23	344
(Increase) in Other Revenue Receivable	(1 859)	(1 435)
(Increase) in Receivables	(122)	(85)
Increase in Benefits Payable	6 650	3 697
(Decrease)/Increase in Payables	(9 240)	8 543
(Decrease)/Increase in Liability for Accrued Benefits	(11 100)	76 086
Net Cash (used in) Operating Activities	(311 975)	(189 050)

12. Reconciliation of Cash and cash equivalents

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

	2014 \$'000	2013 \$'000
Cash and Cash Equivalents per Statement of Financial Position	9 285	6 493
Cash and Cash Equivalents per Statement of Cash Flows	9 285	6 493

13. Payables

	2014 \$'000	2013 \$'000
Audit Fees	80	109
Bank Fee	-	1
Contributions Refundable	27	-
Health Commissions	-	1
Higher Education Superannuation Costs	-	9 258
Overseas Pensions	15	15
Returned Benefit Payments	28	11
Other Payables	5	-
	155	9 395

14. PAYG Withholding Tax

There was \$Nil (2013 \$Nil) PAYG Withholding Tax due on benefit payments which had not been remitted to the Commissioner of Taxation as at 30 June 2014.

15. Benefit Entitlements

Contributors' benefit entitlements are specified by the Superannuation Act 1988.

South Australian Superannuation Scheme

16. Other Revenue Receivable

	2014 \$'000	2013 \$'000
Public Authorities	8 411	6 607
Temporary Disability	100	45
	<u>8 511</u>	<u>6 652</u>

17. Other Revenue

	2014 \$'000	2013 \$'000
Interest	224	287
Public Authorities	37 324	36 025
Temporary Disability	96	40
	<u>37 644</u>	<u>36 352</u>

18. Government Co-Contributions

During the 2013-14 financial year, the Scheme received Co-contributions from the ATO amounting to \$64,000 (2013 \$372,000). Whilst members of the Scheme are eligible to receive the Co-contribution, the contributions are not retained in the Scheme and are immediately transferred to the Southern State Superannuation Scheme upon receipt for crediting to members' existing or newly created accounts.

19. Receivables

	2014 \$'000	2013 \$'000
Interest	16	23
Benefit Repayments	369	219
GST Recovered from the ATO	28	39
Overpaid Pensions	13	23
	<u>426</u>	<u>304</u>

20. Higher Education Superannuation Costs

An amount of \$9.263 million (2013 \$9.258 million) was paid to the Commonwealth Government which related to the South Australian share of the 2013-14 higher education superannuation costs under the Commonwealth – State agreement. This agreement provides that the employer component of the superannuation benefits payable to former employees of South Australian Universities who were members of one of the main State Schemes, be shared.

21. Financial Instruments

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

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

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

- market risk
- credit risk
- liquidity risk

South Australian Superannuation Scheme

Financial Instruments (Continued)

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

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

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

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

a) Market Risk

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

I. Currency risk

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

The Scheme's currency risk is managed by Funds SA which has invested in assets denominated in foreign currencies.

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

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset sector are 50 percent hedged to Australian dollars.

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

II. Interest rate risk

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

Funds SA manages interest rate risk through:

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

III. Other market price risk

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

As the Scheme's financial instruments are valued at 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.

South Australian Superannuation Scheme

Financial Instruments (Continued)

IV. Sensitivity analysis

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

2014

Investment Option	Sensitivity variable	Standard Deviation	Change in Investment assets \$'000
High Growth	Nominal standard deviation	12.1%	2 882
Growth	Nominal standard deviation	9.9%	469 462
Balanced	Nominal standard deviation	8.6%	3 593
Moderate	Nominal standard deviation	6.6%	933
Conservative	Nominal standard deviation	4.8%	1 459
Capital defensive	Nominal standard deviation	3.0%	566
Cash	Nominal standard deviation	1.5%	315
Socially Responsible	Nominal standard deviation	10.6%	282
Total			479 492

2013

Investment Option	Sensitivity variable	Standard Deviation	Change in Investment assets \$'000
High Growth	Nominal standard deviation	12.9%	1 998
Growth	Nominal standard deviation	10.5%	459 249
Balanced	Nominal standard deviation	9.1%	2 782
Moderate	Nominal standard deviation	7.0%	879
Conservative	Nominal standard deviation	5.0%	1 675
Capital defensive	Nominal standard deviation	3.0%	1 012
Cash	Nominal standard deviation	1.2%	576
Socially Responsible	Nominal standard deviation	11.1%	166
Total			468 337

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

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

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

South Australian Superannuation Scheme

Financial Instruments (Continued)

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 Scheme.

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

The Scheme does not have any assets which are past due or impaired.

c) Liquidity Risk

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

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

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 Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2014	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits payable	16 791	16 791	16 791
Payables	155	155	155
Vested benefits (see below)	10 526 028	10 526 028	10 526 028
Total	10 542 974	10 542 974	10 542 974

30 June 2013	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits Payable	10 141	10 141	10 141
Payables	9 395	9 395	9 395
Vested benefits (see below)	10 456 394	10 456 394	10 456 394
Total	10 475 930	10 475 930	10 475 930

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

South Australian Superannuation Scheme

Financial Instruments (Continued)

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 Scheme</i>	Level 2 \$'000
30 June 2014	
Unlisted managed investment schemes	
Funds SA	4 894 675
	<hr/>
	4 894 675
30 June 2013	
Unlisted managed investment schemes	
Funds SA	4 549 186
	<hr/>
	4 549 186

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.

22. Related Parties

Details of the members of the Board and their remuneration for the 2013-14 financial year are disclosed in the notes to the Board's Financial Report.

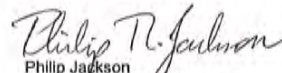
South Australian Superannuation Scheme
Certification of the Financial Report

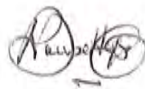
We certify that the attached general purpose financial report for the South Australian Superannuation Scheme:

- 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 Scheme; and
- presents a true and fair view of the financial position of the Scheme as at 30 June 2014 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Scheme 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
SA SUPERANNUATION BOARD



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

Date 10/3/14

INDEPENDENT AUDITOR'S REPORT

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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and subsection 15(3) of the *Southern State Superannuation Act 2009*, I have audited the accompanying financial report of the Southern State Superannuation Scheme for the financial year ended 30 June 2014. The financial report comprises:

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

The members of the South Australian Superannuation Board's Responsibility for the Financial Report

The members of the South Australian Superannuation 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 South Australian Superannuation 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 South Australian Superannuation 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 the Southern State Superannuation Scheme as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'Neill
AUDITOR-GENERAL
26 September 2014

Southern State Superannuation Scheme
Operating Statement for the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
REVENUE:			
Investment Revenue		1 421 898	1 252 941
Other Revenue		390	480
CONTRIBUTION REVENUE:			
Contributions by Members	1(a)	137 539	107 195
Contributions by Employers	1(a)	895 038	808 045
Rollovers from Other Schemes		199 338	177 389
Government Co-Contributions		1 840	5 606
Total Contribution Revenue		1 233 755	1 098 235
Total Revenue		2 656 043	2 351 656
EXPENSES:			
Direct Investment Expenses	3	64 368	46 420
Transfer to Board Reserves		-	1 500
Insurance Administration Expenses	13	2 103	1 184
Administration Expenses	4	10 424	9 964
Total Expenses		76 895	59 068
BENEFITS ACCRUED AS A RESULT OF OPERATIONS		2 579 148	2 292 588

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

Statement of Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
INVESTMENTS:			
Inflation Linked Securities A		1 140 748	979 181
Property A		1 397 878	1 239 665
Australian Equities A		2 409 998	2 107 359
International Equities A		2 779 367	2 318 586
Long Term Fixed Interest		547 161	414 550
Short Term Fixed Interest		417 998	398 188
Diversified Strategies - Growth A		732 671	613 688
Diversified Strategies - Income		1 566 346	1 262 500
Cash		588 171	582 456
Socially Responsible		43 372	16 247
		11 623 710	9 932 420
OTHER ASSETS:			
Cash and Cash Equivalents	5	20 278	12 864
Contributions Receivable	6	18 422	16 299
Receivables	7	151	141
Total Assets		38 851	29 304
		11 662 561	9 961 724
CURRENT LIABILITIES:			
Benefits Payable	8	30 444	25 792
Payables	9	184	1 592
Total Liabilities		30 628	27 384
NET ASSETS AVAILABLE TO PAY BENEFITS	10	11 631 933	9 934 340
REPRESENTED BY:			
LIABILITY FOR ACCRUED BENEFITS:			
Allocated to Members' Accounts	11,17	11 470 116	9 791 834
Not Allocated to Members' Accounts	12	(13 006)	(685)
		11 457 110	9 791 149
RESERVES:			
Death, Invalidity and Income Protection Insurance Reserve	13	147 329	132 197
Administration Fee Reserve	14	2 833	10 994
Operational Risk Reserve	15	24 661	-
		174 823	143 191
		11 631 933	9 934 340

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

FINANCIAL STATEMENTS

Southern State Superannuation Scheme
Statement of Cash Flows for the year ended 30 June 2014

	Note	Inflows (Outflows) \$'000	2014 Inflows (Outflows) \$'000	2013 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Contributions Received:				
Contributions by Members		137 361		107 173
Contributions by Employers		893 110		807 475
Rollovers from Other Schemes		199 387		177 003
Government Co-Contributions		<u>1 840</u>		<u>5 606</u>
			<u>1 231 698</u>	<u>1 097 257</u>
GST Recovered from the ATO			639	610
Interest Revenue			401	489
Benefits Paid:				
Retirement		(424 770)		(328 517)
Resignation		(401 471)		(318 821)
Invalidity		(23 161)		(17 438)
Death		(19 060)		(11 009)
Payments to Unclaimed Monies		(656)		(1 515)
Transfers to Select Fund		(475)		(800)
Temporary Disability		<u>(12 344)</u>		<u>(9 980)</u>
			<u>(881 937)</u>	<u>(688 080)</u>
Insurance Administration Expenses			(2 248)	(1 184)
Administration Expenses			<u>(10 940)</u>	<u>(12 381)</u>
Net Cash provided by Operating Activities	18		<u>337 613</u>	<u>396 711</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Transfers to Operational Risk Reserve			5 180	-
Payments from Operational Risk Reserve			(120)	-
Transfers from Insurance Reserve			<u>(1 500)</u>	-
Net Cash provided by Financing Activities			<u>3 560</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts from Funds SA			293 876	251 485
Payments to Funds SA			<u>(627 635)</u>	<u>(649 811)</u>
Net Cash (used in) Investing Activities			<u>(333 759)</u>	<u>(398 326)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD			<u>7 414</u>	<u>(1 615)</u>
CASH AND CASH EQUIVALENTS AT 1 JULY			<u>12 864</u>	<u>14 479</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	5		<u>20 278</u>	<u>12 864</u>

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

Southern State Superannuation Scheme

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) *Southern State Superannuation Scheme*

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

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

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 9.25 percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where the member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent.

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

(b) *South Australian Superannuation Board*

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

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

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

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

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

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

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

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

(d) *Funding Arrangements*

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

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

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.

Southern State Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

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 Scheme's financial statements in 2016-17. The Scheme 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 Scheme have been measured at net market value as provided by Funds SA.

(i) Inflation Linked Securities A

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

Internally managed Internal 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 at balance date was performed by an independent valuer.

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed property trusts

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

Unlisted property vehicles

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

(iii) Australian Equities A

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

(iv) International Equities A

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

(v) Fixed Interest

The Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuations of private equity investments are based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

Southern State Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

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

(ix) Socially Responsible Investment

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

- (c) **Operation of Investment Portfolio**
Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2014, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

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

During the financial year all of the above investment options were available to members of the Southern State Superannuation Scheme.

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.

- (d) **Revenue**
Superannuation contributions and other revenue are recognised on an accrual basis where this can be reliably measured.

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

- (e) **Receivables and Payables**
Contributions receivable are contributions relating to the 2013-14 financial year received by the Scheme after 30 June 2014.

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

Other payables are recognised when the Scheme 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 Scheme with appropriate notification, but where the benefits had not been paid prior to year end.

- (f) **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.

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

- (g) **Comparative Information**
The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

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

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

FINANCIAL STATEMENTS

Southern State Superannuation Scheme

3. Direct Investment Expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. In 2013-2014 the increase in direct investment expenses was largely attributable to:

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

4. Administration Expenses

	2014	2013
	\$'000	\$'000
Administration Expenses (i)	10 302	9 865
Other Expenses (ii)	89	99
Consultancy Expenses (iii)	33	-
	<u>10 424</u>	<u>9 964</u>

- (i) Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act requires the amount to be paid from the Southern State Superannuation Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2014, the charge was \$1.35 per week per member for all members, active and non-active. The charge for a member with an aggregate balance of \$1,000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's employer contribution account with a minimum of \$10. This charge is included on member annual statements. For the year ended 30 June 2014 the amount charged to members' employer contribution accounts was \$11.953 million (2013 \$11.279 million).

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2014, based on actual costs of administering the Scheme, amounted to \$10.302 million (2013 \$9.865 million).

- (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 Scheme for the reporting period totalled \$74,800 (2013 \$72,800). No other services were provided by the Auditor-General's Department.
- (iii) Consultancy Expenses are in relation to actuarial services provided by Mercer Consulting (Australia) Pty Ltd for the provision of updated Certificates for the Scheme, and PricewaterhouseCoopers for the triennial review of the self-insurance arrangements.

5. Reconciliation of Cash

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

	2014	2013
	\$'000	\$'000
Cash and Cash Equivalents per Statement of Financial Position	20 278	12 864
Cash and Cash Equivalents per Statement of Cash Flows	<u>20 278</u>	<u>12 864</u>

6. Contributions Receivable

	2014	2013
	\$'000	\$'000
Contributions from Members	1 378	1 200
Contributions from Employers	17 044	15 099
	<u>18 422</u>	<u>16 299</u>

7. Receivables

	2014	2013
	\$'000	\$'000
GST to be Recovered from the ATO	117	97
Interest	34	44
	<u>151</u>	<u>141</u>

Southern State Superannuation Scheme

8. Benefits Payable

	2014	2013
	\$'000	\$'000
Benefits Payable	30 444	25 792

9. Payables

	2014	2013
	\$'000	\$'000
Audit Fees	78	91
Other Payables	87	1
Contributions Refundable	19	-
Transfer to Triple S Operational Risk Reserve	-	1 500
	184	1 592

10. Net Assets Available to Pay Benefits

	2014	2013
	\$'000	\$'000
Funds held at 1 July	9 934 340	8 345 529
<i>Add:</i> Contributions by Members	136 576	106 137
Spouse Contributions	963	1 058
Employer Contributions	895 038	808 045
Rollovers from Other Schemes	199 338	177 389
Government Co-Contributions	1 840	5 606
Investment Revenue	1 421 898	1 252 941
Other Revenue	390	480
Transfer to Operational Risk Reserve	5 180	-
	2 661 223	2 351 656
<i>Less:</i> Benefits Paid and Payable	886 614	703 777
Direct Investment Expense	64 368	46 420
Administration Expenses	10 424	9 964
Payments from Operational Risk Reserve	121	-
Insurance Administration Expenses	2 103	1 184
Transfer to Board - Triple S Operational Risk Reserve	-	1 500
	963 630	762 845
Total Net Assets Available to Pay Benefits as at 30 June 2014	11 631 933	9 934 340

11. Allocated to Members' Accounts

The value of funds which have been formally allocated to member accounts equals the Vested Benefits as per Note 17. The formal allocation of earnings to members' accounts has been determined for the 2014 year.

12. 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 investors on a cash basis.

13. Death, Invalidation and Income Protection Insurance Reserve

The Scheme provides an insurance benefit based on units of cover, subject to certain limitations, in the event of death or invalidity before age 65. An Income Protection Insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 60.

The *Standard Insurance* benefit of two units of cover costs \$1.50 per week and is compulsory for most members of the scheme except casual employees who elect to opt out of insurance and those who opted out of an additional unit of cover under Item 1 Schedule 3 of the repealed *Southern State Superannuation Regulations 1995*, and those who are special category members in terms of Regulation 28. Police Officers and operations employees of the SA Ambulance Service, who commenced employment after 1 July 2008 or former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme, are required to have at least 6 units of Standard Insurance cover. The value of a unit of Standard Insurance for members up to age 34 years is \$75,000. The value of a unit declines from age 35. For those members who want the value of a unit of insurance to be fixed, irrespective of age, there is an option of fixed insurance where costs increase with age. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to \$1.5 million and casual employees up to \$750,000.

FINANCIAL STATEMENTS

Southern State Superannuation Scheme

Death, Invalidation and Income Protection Insurance Reserve (Continued)

As required by Section 17 of the repealed Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2013. The actuary concluded that the cost of standard cover exceeds the standard cover premium by \$0.25 per unit per week; an expected premium subsidy of \$3.3 million per annum results. There are sufficient reserves to maintain the current premium subsidy for at least the next three years. In accordance with section 17 of the Act, a report will be obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2016.

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

	2014	2013
	\$'000	\$'000
Opening balance of the Death, Invalidation and Income Protection Insurance Reserve	132 197	114 142
<i>Add: Investment Earnings on Insurance Reserve @ 13.82% (i)</i>	<i>18 255</i>	<i>16 898</i>
Premiums and Charges	<u>24 765</u>	<u>24 196</u>
	<u>43 020</u>	<u>41 094</u>
<i>Less: Benefit Payments</i>		
Invalidity	7 091	6 358
Death	4 780	3 988
Disability Pensions	12 381	10 005
Administration Fees (ii)	2 103	1 184
Actuarial Review of Insurance Pool	33	-
Transfer to Triple S Operational Risk Reserve	1 500	1 500
TPD legal Costs	-	4
	<u>27 888</u>	<u>23 039</u>
Net Transfer Value to the Death, Invalidation and Income Protection Insurance Reserve	<u>15 132</u>	<u>18 055</u>
Closing balance of Reserve	147 329	132 197

(i) The Insurance Reserve is notionally invested in the Balanced Option.

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

14. 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.

	2014	2013
	\$'000	\$'000
Opening balance of Administration Fee Reserve	10 994	8 249
<i>Add: Investment earnings on Admin Fee Reserve @ 13.82% (i)</i>	<i>1 177</i>	<i>1 320</i>
Premiums and Charges		
- Member Fees	11 952	11 279
- Switching Fees	6	10
	<u>13 135</u>	<u>12 609</u>
<i>Less: Payments</i>		
Administration Fees (ii)	10 302	9 864
Transfer to Operational Risk Reserve (iii)	10 994	-
Net Transfer Value (from)/to the Administration Fee Reserve	<u>(8 161)</u>	<u>2 745</u>
Closing balance of Reserve	2 833	10 994

(i) The Administration Fee Reserve is notionally invested in the Balanced Option.

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

(iii) The opening balance of the reserve was transferred to contribute to the establishment of the Scheme's Operational Risk Reserve (refer Note 15).



Southern State Superannuation Scheme

15. Operational Risk Reserve

The Operational Risk Reserve was established in the Scheme in December 2013 using existing reserves. In accordance with Prudential Standard SPS114 it is to be accumulated to 0.25% of funds under management by June 2016, it is currently 0.21% of funds under management.

	2014 \$'000	2013 \$'000
Opening balance of Operational Risk Reserve	-	-
Add: Investment earnings on Operational Risk Reserve @ 5.88% (i)	1 010	-
Transfer to Reserve (ii)	23 771	-
	<u>24 781</u>	-
Less: Payments from Reserve	120	-
Net Transfer Value to the Reserve	24 661	-
Closing balance of Reserve	<u>24 661</u>	-

(i) The Operational Risk Reserve is notionally invested in the Balanced Option (established December 2013).

(ii) This is made up of \$5.180 million transferred from the existing Triple S Operational Risk Reserve invested with the Board, \$10.994 million transferred from the Scheme's Administration Fee Reserve (refer Note 14), \$1.5 million transferred from the Scheme's Insurance Reserve (refer Note 13) and \$6.097 million recognised from the Scheme's Sundry Revenue and Fee surplus.

16. Liability for Accrued Benefits

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

	2014 \$'000	2013 \$'000
Liability for Accrued Benefits at 1 July	9 934 340	8 345 529
Add: Increase in Accrued Benefits	2 584 207	2 292 588
Less: Benefits Paid and Payable	886 614	703 777
Liability for Accrued Benefits at 30 June	<u>11 631 933</u>	<u>9 934 340</u>

17. Vested Benefits

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

	2014 \$'000	2013 \$'000
Vested Benefits	<u>11 470 116</u>	<u>9 791 834</u>

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

	2014 \$'000	2013 \$'000
Benefits Accrued as a Result of Operations	2 579 148	2 292 588
Benefits Paid and Payable	(886 614)	(703 777)
Investment Revenue	(1 421 898)	(1 252 941)
Direct Investment Expense	64 368	46 420
(Increase) in Contributions Receivable	(2 123)	(592)
(Increase) in Receivables	(10)	(87)
Increase/(Decrease) in Payables	91	(559)
Increase in Benefits Payable	4 651	15 659
Net Cash provided by Operating Activities	<u>337 613</u>	<u>396 711</u>

19. Benefit Entitlements

Benefit entitlements are specified by the *Southern State Superannuation Act 2009*.

Southern State Superannuation Scheme

20. Financial Instruments

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

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

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

- market risk
- credit risk
- liquidity risk.

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

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

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

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

a) Market Risk

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

I. Currency Risk

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

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

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

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars
- Foreign currency exposures over the developed markets component of the international equities asset sector are 50 percent hedged to Australian dollars.

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

II. Interest rate risk

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

Funds SA manages interest rate risk through:

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

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 Scheme'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.

Southern State Superannuation Scheme

Financial Instruments (Continued)

IV. Sensitivity analysis

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

2014

Investment Option	Sensitivity variable	Standard Deviation	Change in Investment assets \$'000
High Growth	Nominal standard deviation	12.1%	99 001
Growth	Nominal standard deviation	9.9%	33 796
Balanced	Nominal standard deviation	8.6%	826 760
Moderate	Nominal standard deviation	6.6%	8 475
Conservative	Nominal standard deviation	4.8%	14 587
Capital defensive	Nominal standard deviation	3.0%	4 596
Cash	Nominal standard deviation	1.5%	3 327
Socially Responsible	Nominal standard deviation	10.6%	4 597
Total			995 139

2013

Investment Option	Sensitivity variable	Standard Deviation	Change in Investment assets \$'000
High Growth	Nominal standard deviation	12.9%	85 058
Growth	Nominal standard deviation	10.5%	27 637
Balanced	Nominal standard deviation	9.1%	737 108
Moderate	Nominal standard deviation	7.0%	5 265
Conservative	Nominal standard deviation	5.0%	13 283
Capital defensive	Nominal standard deviation	3.0%	7 205
Cash	Nominal standard deviation	1.2%	3 749
Socially Responsible	Nominal standard deviation	11.1%	1 803
Total			881 108

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

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

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

b) Credit Risk

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

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

The Scheme does not have any assets which are past due or impaired.

c) Liquidity Risk

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

FINANCIAL STATEMENTS

Southern State Superannuation Scheme

Financial Instruments (Continued)

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

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 Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2014	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits payable	30 444	30 444	30 444
Payables	184	184	184
Vested benefits (see below)	11 470 116	11 470 116	11 470 116
Total	11 500 744	11 500 744	11 500 744

30 June 2013	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits payable	25 792	25 792	25 792
Payables	1 592	1 592	1 592
Vested benefits (see below)	9 791 834	9 791 834	9 791 834
Total	9 819 218	9 819 218	9 819 218

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

d) **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 Scheme</i>	Level 2 \$'000
30 June 2014	
Unlisted managed investment schemes	
Funds SA	11 623 710
	<hr/>
	11 623 710
30 June 2013	
Unlisted managed investment schemes	
Funds SA	9 932 420
	<hr/>
	9 932 420
	<hr/>

Southern State Superannuation Scheme

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.

21. **Related Parties**

Details of the members of the Board and their remuneration for the 2013-14 financial year are disclosed in the notes to the Board's Financial Report.

**Southern State Superannuation Scheme
Certification of the Financial Report**

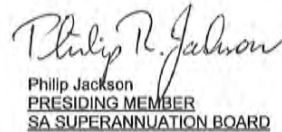
We certify that the attached general purpose financial report for the Southern State Superannuation Scheme:

- 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 Scheme; and
- presents a true and fair view of the financial position of the Scheme as at 30 June 2014 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Scheme 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
SA SUPERANNUATION BOARD



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

Date 15/9/14

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 9 of schedule 3 of the *Superannuation Act 1988*, I have audited the accompanying financial report of the South Australian Ambulance Service Superannuation Scheme for the financial year ended 30 June 2014. The financial report comprises:

- a Statement of Changes in Net Assets for the year ended 30 June 2014
- a Statement of Net Assets as at 30 June 2014
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Governance, Board and Corporate Support, State Superannuation Office.

The members of the South Australian Superannuation Board's Responsibility for the Financial Report

The members of the South Australian Superannuation 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 South Australian Superannuation 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 South Australian Superannuation 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 the South Australian Ambulance Service Superannuation Scheme as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'Neill
AUDITOR-GENERAL
26 September 2014

SA Ambulance Service Superannuation Scheme

Statement of Changes in Net Assets for the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS at the beginning of the period		176 871	151 639
REVENUE:			
Investment Revenue		23 611	21 561
Other Revenue		16	24
Contribution Revenue:			
Contributions by Employers	3	10 800	12 243
Contributions by Members		1 320	1 457
Rollovers from Other Schemes		185	183
Spouse Contributions		4	7
Government Co-Contributions		12	15
Total Contribution Revenue		12 321	13 905
Total Revenue		35 948	35 490
EXPENSES:			
Direct Investment Expenses	5	1 086	855
Administration Expenses	4	383	394
Benefit Expenses	6	10 444	5 477
Total Expenses		11 913	6 726
INCOME TAX EXPENSE	11(a),(b)	3 383	3 532
NET INCREASE IN FUNDS		20 652	25 232
NET ASSETS AVAILABLE TO PAY BENEFITS at the end of the period	10	197 523	176 871

The Statement of Changes in Net Assets should be read in conjunction with the accompanying notes

Statement of Net Assets as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
INVESTMENTS:			
Inflation Linked Securities B		21 961	18 251
Property B		22 398	21 865
Australian Equities B		43 375	39 118
International Equities B		40 878	35 762
Long Term Fixed Interest		10 433	8 060
Short Term Fixed Interest		7 246	6 763
Diversified Strategies Growth B		11 858	11 605
Diversified Strategies Income		27 413	26 073
Cash		13 147	8 097
		198 709	175 594
OTHER ASSETS:			
Cash and Cash Equivalents		486	1 389
Deferred Tax Assets	11(d)	4	1 077
Receivables		8	17
		498	2 483
Total Assets		199 207	178 077
CURRENT LIABILITIES:			
Benefits Payable		1	9
Payables		212	25
Current Tax Liability	11(c)	801	1 172
			1 014
NON-CURRENT LIABILITIES:			
Deferred Tax Liability	11(e)	670	-
		670	-
Total Liabilities		1 684	1 206
NET ASSETS AVAILABLE TO PAY BENEFITS	10	197 523	176 871

The Statement of Net Assets should be read in conjunction with the accompanying notes

SA Ambulance Service Superannuation Scheme

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) SA Ambulance Service Superannuation Scheme

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

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

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

(b) South Australian Superannuation Board

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

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

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

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

(d) Funding Arrangements

For the year ended 30 June 2014, contributory members contributed 5 percent of post tax salary or 5.9 percent of pre-tax salary. Members could also make additional voluntary contributions on either a pre-tax or post-tax basis. The employer contributed at the rate of 12 percent of member salaries. For members who were entitled to the SA Ambulance Service Award superannuation benefit under the Scheme, the employer contributed an additional 3 percent of salaries (3.72 percent for Elective Services employees and Emergency Services staff).

Non-contributory members are employees employed on a casual basis or those employees who elected prior to 30 June 2006 to not be a defined benefit member. Non-contributory members may make voluntary post-tax or pre-tax contributions. The employer contribution for non-contributory members is 9 percent of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

An Actuarial review as at 30 June 2011 determined the current employer contribution for the defined benefit scheme members of 12 percent can be maintained. This amount was deemed sufficient to fund the ongoing liabilities of the scheme. The 12 percent employer contribution comprises: 10.16 percent for the defined benefit employer contribution; 0.63 percent represents administration expenses; and 1.21 percent represents insurance premiums. The components, which comprise contributions by employers, are provided in Note 3.

From 1 July 2006, the insurance cover for Death, Total and Permanent Disablement and Income Protection was provided as a self-insurance arrangement within the fund. As a result of the 2011 Self Insurance review, the insurance contribution has been reduced from 1.77 percent to 1.21 percent, and of this; 0.91 percent represents insurance premiums for Death, Total and Permanent Disablement and Serious Ill-Health cover; and 0.30 percent represents premiums for Income Protection cover.

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.

SA Ambulance Service Superannuation Scheme

2. Summary of Significant Accounting Policies (Continued)

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 Scheme's financial statements in 2016-17. The Scheme 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 Scheme have been measured at net market value as provided by Funds SA.

(i) Inflation Linked Securities B

The Inflation Linked Securities portfolio invests in discretely managed portfolios and pooled funds, both of which are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

(ii) Property B

The Property B portfolio comprises two sub-sectors:

Listed Property Trusts

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

Unlisted Property Vehicles

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

(iii) Australian Equities B

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

(iv) International Equities B

Assets held in the International Equities B asset sector are all externally managed and comprise pooled vehicles (unlisted unit trusts). Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Fixed Interest

The Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuations of private equity investments are based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

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

SA Ambulance Service Superannuation Scheme

2. Summary of Significant Accounting Policies (Continued)

(c) Income Tax

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

Current Tax

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

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(d) Operation of Investment Portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2014, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

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

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options. The SA Ambulance Service Superannuation Scheme is fully invested in the Balanced option.

(e) Revenue

Superannuation contributions, transfers and rollovers from other schemes are brought to account on an accrual basis where this can be reliably measured. Other revenue is brought to account on an accrual basis.

Spouse contributions are additional voluntary contributions by members on behalf of an eligible spouse. Government co-contributions are additional contributions made by the Federal Government on behalf of eligible members. Rollovers from other schemes are contributions received by the Board from external funds on behalf of the SA Ambulance Service members.

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

(f) Receivables and Payables

Receivables are carried at nominal amounts due which approximate fair value.

Benefits payable comprises the entitlements of members who ceased employment prior to year end but had not been paid at that time.

SA Ambulance Service Superannuation Scheme

2. Summary of Significant Accounting Policies (Continued)

(g) Goods and Services Tax

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

Receivables and payables in the Statement of Net Assets are shown inclusive of GST.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and cash on hand.

(i) Comparative Information

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

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

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

3. Contributions by Employers

	2014	2013
	\$'000	\$'000
Employer Contributions	9 828	11 183
Insurance Premiums	639	697
Administration Expenses	333	363
	10 800	12 243

4. Administration Expenses

	2014	2013
	\$'000	\$'000
Administration Fees ⁽ⁱ⁾	346	362
Other Expenses ⁽ⁱⁱ⁾	24	28
Consultancy Expenses ⁽ⁱⁱⁱ⁾	13	4
	383	394

(i) Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly.

(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 Scheme for the reporting period totalled \$22,500 (2013 \$21,900). No other services were provided by the Auditor-General's Department.

(iii) Consultancy Expenses are in relation to actuarial services provided by Mercer Consulting (Australia) Pty Ltd regarding the self-insurance arrangements and provision of updated Certificates for the Scheme.

5. Direct Investment Expenses

Direct Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment. In 2013-14 the increase in investment management expenses were largely attributable to:

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

6. Benefit Expenses

	2014	2013
	\$'000	\$'000
Retirement	7 766	4 413
Resignation	1 236	549
Total and Permanent Disablement	1 341	70
Serious ill Health	-	300
Salary Continuance	101	145
	10 444	5 477

FINANCIAL STATEMENTS

SA Ambulance Service Superannuation Scheme

7. Liability for Accrued Benefits

Actuarial valuations to determine the liability for accrued benefits are conducted at least every three years. The most recent actuarial valuation was undertaken as at 30 June 2011 and the next review to be undertaken as at 30 June 2014. The liability was determined on the basis of the present value of the expected future payments that will arise from membership of the Scheme up to 30 June 2011. The figure reported has been determined by reference to the expected future salary level increases (4 percent) and by application of the market-based, risk-adjusted discount rate (7 percent).

	2011 \$'000	2008 \$'000
Liability for Accrued Benefits	<u>141 768</u>	<u>112 247</u>

8. Vested Benefits

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

	2014 \$'000	2013 \$'000
Vested Benefits	<u>186 044</u>	<u>168 537</u>

9. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

10. Net Assets Available To Pay Benefits

(a) Assets Available To Pay Benefits	2014 \$'000	2013 \$'000
Funds held at 1 July	<u>172 658</u>	<u>148 126</u>
Add:-		
Contributions by Members	1 320	1 457
Contributions by Employers	10 161	11 546
Investment Revenue	23 365	21 114
Transfers from Insurance Reserve	3 000	-
Rollovers from Other Schemes	185	183
Spouse Contributions	4	7
Government Co-Contributions	12	15
Other Revenue	16	24
	<u>38 063</u>	<u>34 346</u>
Less:-		
Benefit Expenses	9 908	5 033
Direct Investment Expense	1 086	855
Administration Expenses	377	394
Income Tax Expense	3 383	3 532
	<u>14 754</u>	<u>9 814</u>
Assets Available To Pay Benefits	<u>195 967</u>	<u>172 658</u>
(b) Insurance Reserve	2014 \$'000	2 013 \$'000
Opening Balance of Insurance Reserve	<u>4 213</u>	<u>3 513</u>
Add:		
Employer Fees	639	697
Investment Revenue	229	447
	<u>868</u>	<u>1 144</u>
Less:		
Total and Permanent Disablement	435	-
Serious ill Health	-	300
Temporary Disablement	101	144
	<u>536</u>	<u>444</u>
Less:		
Transfer to the Scheme	3 000	-
Transfer to Operational Risk Reserve	476	-
Administration Expenses	6	-
	<u>3 482</u>	<u>-</u>
Closing Balance of Insurance Reserve	<u>1 063</u>	<u>4 213</u>
(c) Operational Risk Reserve	2014 \$'000	2 013 \$'000
Opening Balance of Operational Risk Reserve	<u>-</u>	<u>-</u>
Add:		
Transfer from Insurance Reserve	476	-
Investment Revenue	17	-
	<u>493</u>	<u>-</u>
Closing Balance of Operational Risk Reserve	<u>493</u>	<u>-</u>
Net Assets Available To Pay Benefits	<u>197 523</u>	<u>176 871</u>

SA Ambulance Service Superannuation Scheme

11. Taxation

	2014 \$'000	2013 \$'000
(a) Major components of Tax Expense		
Current income tax		
Current tax charge	1 725	2 225
Adjustment to current tax for prior periods	(54)	(103)
Deferred income tax		
Relating to the originating and reversal of temporary differences	1 712	1 410
Income Tax Expense	<u>3 383</u>	<u>3 532</u>
(b) Income Tax Expense		
Changes in net assets before tax	<u>24 217</u>	<u>28 764</u>
Tax applicable at the rate of 15% (2013: 15%)	3 633	4 315
Tax effect of income and losses that are not assessable/or deductible in determining taxable income		
Investment revenue	(792)	(721)
Member contributions	(204)	(222)
Transfers in	(28)	(27)
Tax effect of expenses that are not deductible in determining taxable income		
Benefit Expenses	1 567	821
Tax effect of other adjustments		
Imputation and foreign tax credits	(739)	(531)
Over provision prior period	(54)	(103)
Income Tax Expense	<u>3 383</u>	<u>3 532</u>
(c) Current Tax Liabilities		
Balance at beginning of year	1 172	1 278
Income tax paid - prior periods	(1 087)	(1 139)
Income tax paid - current period	(924)	(1 053)
Current years income tax provision	1 725	2 225
(Over) provision prior period	(85)	(139)
Current Tax Liability	<u>801</u>	<u>1 172</u>
(d) Deferred Tax Assets		
The amount of deferred tax assets recognised in the Statement of Net Assets at reporting date is made up as follows:		
Accrued expenses	4	4
Realised capital losses carried forward (discounted)	-	1 773
Unrealised capital losses/(gains) carried forward (discounted)	-	(700)
Deferred Tax Assets	<u>4</u>	<u>1 077</u>
(e) Deferred Tax Liabilities		
The amount of deferred tax liability recognised in the Statement of Net Assets at reporting date is made up as follows:		
Realised capital losses carried forward (discounted)	(1 759)	-
Unrealised capital gains carried forward (discounted)	2 429	-
Deferred Tax Liability	<u>670</u>	<u>-</u>

12. Related Parties

The Board acts as Trustee for the SA Ambulance Service Superannuation Scheme. For details of Board membership and remuneration refer to the Super SA Board's financial report.

SA Ambulance Service Superannuation Scheme

13. Financial Instruments

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

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

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

- market risk
- credit risk
- liquidity risk.

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

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

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

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

a) Market Risk

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

I. Currency risk

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

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

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

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset sector are 50 percent hedged to Australian dollars.

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

II. Interest rate risk

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

Funds SA manages interest rate risk through:

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

III. Other market price risk

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

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Statement of Changes in Net Assets, 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.

SA Ambulance Service Superannuation Scheme

Financial Instruments (Continued)

IV. Sensitivity analysis

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

2014

Investment Option	Sensitivity variable	Standard Deviation	Change in Investment assets \$'000
Balanced	Nominal standard deviation	7.7%	15 301
Total			15 301

2013

Investment Option	Sensitivity variable	Standard Deviation	Change in Investment assets \$'000
Balanced	Nominal standard deviation	8.1%	14 223
Total			14 223

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

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

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

b) Credit Risk

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

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

The Scheme does not have any assets which are past due or impaired.

c) Liquidity Risk

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

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

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemptions 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 Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the tables are the contractual undiscounted cash flows.

SA Ambulance Service Superannuation Scheme

Financial Instruments (Continued)

30 June 2014	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits Payable	1	1	1
Payables	212	212	212
Current tax liabilities	801	801	801
Vested benefits (see below)	186 044	186 044	186 044
Total	187 058	187 058	187 058

30 June 2013	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits Payable	9	9	9
Payables	25	25	25
Current tax liabilities	1 172	1 172	1 172
Vested benefits (see below)	168 537	168 537	168 537
Total	169 743	169 743	169 743

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

d) 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 Scheme</i>	Level 2 \$'000
30 June 2014	
Unlisted managed investment schemes	
Funds SA	198 709
	<hr/>
	198 709
30 June 2013	
Unlisted managed investment schemes	
Funds SA	175 594
	<hr/>
	175 594
	<hr/>

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.

Handwritten mark

SA Ambulance Service Superannuation Scheme

Certification of the Financial Report

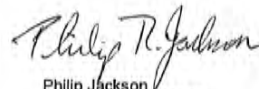
We certify that the attached general purpose financial report for the SA Ambulance Service Superannuation Scheme:

- 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 Scheme; and
- presents a true and fair view of the financial position of the Scheme as at 30 June 2014 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Scheme 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
SA SUPERANNUATION BOARD



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

Date 10/9/14

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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**To the Presiding Member
South Australian Superannuation Board
Super SA Retirement Investment Fund**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and subsection 15(3) of the *Southern State Superannuation Act 2009*, I have audited the accompanying financial report of the Super SA Retirement Investment Fund for the financial year ended 30 June 2014. The financial report comprises:

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

The members of the South Australian Superannuation Board's Responsibility for the Financial Report

The members of the South Australian Superannuation 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 South Australian Superannuation 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 South Australian Superannuation 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 the Super SA Retirement Investment Fund as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'Neill
AUDITOR-GENERAL
26 September 2014

FINANCIAL STATEMENTS

Super SA Retirement Investment Fund
Operating Statement for the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
REVENUE:			
Investment Revenue		172 704	115 075
Other Revenue		3 243	2 652
CONTRIBUTION REVENUE:			
Contributions by Investors	1(a)	70 831	47 488
Government Co-Contributions		84	138
Rollovers from Other Schemes		645 179	500 841
Total Contribution Revenue		716 094	548 467
Total Revenue		892 041	666 194
EXPENSES:			
Direct Investment Expenses	3	8 183	4 784
Administration Expenses	4	1 916	718
Total Expenses		10 099	5 502
INCOME TAX EXPENSE	16 (a), (b)	59 173	44 417
BENEFITS ACCRUED AS A RESULT OF OPERATIONS		822 769	616 275

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

Statement of Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
INVESTMENTS:			
Inflation Linked Securities B		220 260	158 472
Property B		183 851	132 895
Australian Equities B		331 574	214 946
International Equities B		320 435	200 001
Long Term Fixed Interest		99 311	57 479
Short Term Fixed Interest		116 547	98 814
Diversified Strategies - Growth B		75 637	52 571
Diversified Strategies - Income		257 757	186 330
Cash		386 279	368 155
Socially Responsible		35 041	11 301
		2 026 692	1 480 964
OTHER ASSETS:			
Cash and Cash Equivalents	5	21 888	22 339
Deferred Tax Assets	16 (d)	2	1 209
Receivables	11	114	63
		22 004	23 611
Total Assets		2 048 696	1 504 575
CURRENT LIABILITIES:			
Benefits Payable	6	6 659	7 287
Payables	12	46	36
PAYG Withholding Tax		77	49
Current Tax Liabilities	16 (c)	16 071	16 487
		22 853	23 859
NON-CURRENT LIABILITIES:			
Deferred Tax Liabilities	16 (e)	2 191	-
		2 191	-
Total Liabilities		25 044	23 859
NET ASSETS AVAILABLE TO PAY BENEFITS	7	2 023 652	1 480 716
REPRESENTED BY:			
LIABILITY FOR ACCRUED BENEFITS:			
Allocated to Investors' Accounts	8,14	2 019 583	1 475 753
Not Allocated to Investors' Accounts	9	(1 526)	2 306
		2 018 057	1 478 059
RESERVES			
	10	5 595	2 657
	13	2 023 652	1 480 716

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

Super SA Retirement Investment Fund
Statement of Cash Flows for the year ended 30 June 2014

	Note	Inflows (Outflows) \$'000	2014 Inflows (Outflows) \$'000	2013 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Contributions Received:				
Contributions by Investors		70 833		47 487
Government Co-Contributions		84		138
Rollovers from Other Schemes		<u>645 164</u>		<u>501 487</u>
			716 081	549 112
GST Recovered from the ATO			83	40
Interest Revenue			643	666
Benefits Paid:				
Full Withdrawal		(36 996)		(35 692)
Death		(1 919)		(643)
Partial Withdrawal		(59 773)		(51 201)
Income Stream Pension Payments		(83 771)		(57 343)
Income Stream Commutations		<u>(98 004)</u>		<u>(73 073)</u>
			(280 463)	(217 952)
Administration Expenses			(1 992)	(874)
Income Tax Expenses			<u>(56 190)</u>	<u>(42 173)</u>
Net Cash provided by Operating Activities	15		<u>378 162</u>	<u>288 819</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts from Funds SA			240 286	216 394
Payments to Funds SA			<u>(618 899)</u>	<u>(500 560)</u>
Net Cash (used in) Investing Activities			<u>(378 613)</u>	<u>(284 166)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS HELD			(451)	4 653
CASH AND CASH EQUIVALENTS AT 1 JULY			<u>22 339</u>	<u>17 686</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	5		<u>21 888</u>	<u>22 339</u>

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

Super SA Retirement Investment Fund

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) **Super SA Retirement Investment Fund (the Fund)**

The Flexible Rollover Product and the Super SA Income Stream Product were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994*.

The Fund continues in existence under Section 30(9) of the *Southern State Superannuation Act 2009* ("the Act") which provides that the Governor may make regulations enabling the South Australian Superannuation Board ("the Board") to provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Part 3 Division 4 of the *Southern State Superannuation Regulations 2009* ("the Regulations") provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

The Fund comprises of two different products; the Flexible Rollover Product and the Income Stream.

The Flexible Rollover Product may receive after-tax investor contributions and rollovers from investors.

The Income Stream may only receive rollovers from investors.

The Fund offers investors the opportunity to reinvest funds, providing them with tax advantages, low fees and choice of investment options.

The Fund is only available to investors who have retired, are reaching retirement age, or have terminated employment with the SA public sector. The Fund allows investors in the Flexible Rollover Product to maintain their current insurance through the Triple S Scheme, and provides access to non-preserved benefit amounts.

Benefits, represented by the balances of investors' accounts, are available to investors. The balance of individual investor entitlements is provided on annual statements forwarded to each investor.

Investor contributions are deposited by the Treasurer into the Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

(b) **South Australian Superannuation Board**

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and Section 45 of the Regulations, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and Income Stream.

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

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

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

(d) **Funding Arrangements**

Investments by investors in one or more of the products available in the Fund are paid to the Board, and invested by Funds SA. All investments are the personal property of the investor who makes the investment, and, as such, are subject to tax on investment earnings where applicable.

2. 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 in 2016-17. The Fund does not plan to adopt this standard early and the extent of the impact has not yet been determined.

Super SA Retirement Investment Fund

Summary of Significant Accounting Policies (Continued)

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

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

(i) Inflation Linked Securities B

The Inflation Linked Securities B portfolio invests in discretely managed portfolios and pooled funds, both of which are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

(ii) Property B

Property B portfolio comprises two sub-sectors:

Listed property trusts

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

Unlisted property vehicles

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

(iii) Australian Equities B

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

(iv) International Equities B

Assets held in the International Equities B asset sector are all externally managed and comprise pooled vehicles (unlisted unit trusts). Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Fixed Interest

The Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprise investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuations of private equity investments are based on the most recent valuation performed by the fund managers plus or minus cashflows between the last valuation date and the reporting date. Both Australian and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

Diversified Strategies Income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

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

(ix) Socially Responsible Investment

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

Super SA Retirement Investment Fund

Summary of Significant Accounting Policies (Continued)

(c) **Income Tax**

The Board is a body corporate established under the *Superannuation Act 1988* (SA) and is responsible for the administration of a number of schemes that are constitutionally protected superannuation funds in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) of the Regulations to that Act. The constitutionally protected superannuation funds are exempt from income tax. The Fund, which comprises the Flexible Rollover Product and Income Stream, is subject to income tax.

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 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 utilisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2014, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

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

During the financial year all of the above investment options were available to investors in the Flexible Rollover Product and the Income Stream.

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.

(e) **Revenue**

Superannuation rollovers and investor contributions are brought to account when received.

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

(f) **Receivables and Payables**

Receivables are carried at nominal amounts due which approximate fair value.

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 investors who requested payment and had provided the Fund with appropriate notification, but where the benefits had not been paid prior to year end.

Super SA Retirement Investment Fund

Summary of Significant Accounting Policies (Continued)

(g) Goods and Services Tax

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

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

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

(h) Comparative Information

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

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

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

3. Direct Investment Expenses

Direct investment expenses comprise of fees paid to Funds SA. Funds SA advises the amount based on the Fund's proportionate investment.

In 2013-14 the increase in investment management expenses were largely attributable to:

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

4. Administration Expenses

	2014 \$'000	2013 \$'000
Administration Expenses (i)	1 882	704
Other Expenses (ii)	34	14
	<u>1 916</u>	<u>718</u>

(i) Administration expenses incurred by the Board 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 Board monthly. The charge for the year ended 30 June 2014, based on actual costs of administering the Fund, amounted to \$1.882 million (2013 \$704,000).

(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 \$29,900 (2013 \$6,800). No other services were provided by the Auditor-General's Department.

5. Reconciliation of Cash

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

	2014 \$'000	2013 \$'000
Cash and cash equivalents - Flexible Rollover Product	6 573	7 908
Cash and cash equivalents - Income Stream	15 315	14 431
Cash and cash equivalents per Statement of Financial Position	<u>21 888</u>	<u>22 339</u>
Cash and cash equivalents per Statement of Cash flows	<u>21 888</u>	<u>22 339</u>

6. Benefits Payable

	2014 \$'000	2013 \$'000
Benefits Payable - Flexible Rollover Product	1 804	1 875
Benefits Payable - Income Stream	4 855	5 412
	<u>6 659</u>	<u>7 287</u>

Super SA Retirement Investment Fund

7. Net Assets Available to Pay Benefits

	2014	2013
	\$'000	\$'000
(a) Income Stream		
Funds held at 1 July	1 014 728	716 860
Add: Rollovers from Other Schemes	375 266	294 278
Internal Transfers (i)	166 006	105 560
Investment Revenue	119 978	77 945
Other Revenue	2 785	2 268
	<u>664 035</u>	<u>480 051</u>
Less: Benefits Paid and Payable	181 205	133 392
Direct Investment Expense	5 724	3 276
Administration Expense	990	528
Internal Transfers (i)	37 863	21 641
Income Tax	29 443	23 346
	<u>255 225</u>	<u>182 183</u>
Funds held at 30 June	<u>1 423 538</u>	<u>1 014 728</u>
(b) Flexible Rollover Product		
Funds held at 1 July	465 988	369 575
Add: Contributions by Investors	70 251	46 541
Government Co-Contributions	84	138
Rollovers from Other Schemes	269 913	206 563
Internal Transfers (i)	33 099	18 579
Spouse Contributions	580	947
Investment Revenue	52 726	37 130
Other Revenue	458	384
	<u>427 111</u>	<u>310 282</u>
Less: Benefits Paid and Payable	98 628	88 602
Direct Investment Expense	2 459	1 508
Administration Expense	926	190
Internal Transfers (i)	161 242	102 498
Income Tax	29 730	21 071
	<u>292 985</u>	<u>213 869</u>
Funds held at 30 June	<u>600 114</u>	<u>465 988</u>
Total Net Assets Available to Pay Benefits	<u>2 023 652</u>	<u>1 480 716</u>

(i) Internal transfers are transfers between the Income Stream and the Flexible Rollover Product that do not appear in the Operating Statement as they occur within the Products. Difference in Internal Transfers between IS and FRP are due to transfers within the individual schemes, usually relating to family law splits.

8. Allocated to Investors' Accounts

The value of funds which have been formally allocated to investor accounts equals the Vested Benefits as per Note 14. The formal allocation of earnings to investors' accounts has been determined for the 2014 year.

9. Not Allocated to Investors' 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 investors on a cash basis.

10. Reserves

The surplus attributable to administration fees for both Income Stream and Flexible Rollover Product included in Funds Under Management was initially recognised in March 2014 as an Administration Reserve. The reserve is credited with administration fees deducted from member accounts and debited with the costs incurred in administering the funds. The reserve is invested in the Balanced option and earnings are applied based on the unit price for that option.

The surplus attributable to the insurance pool for the Flexible Rollover Product was initially recognised in March 2014 as an Insurance Reserve. This reserve is credited with insurance deductions from member accounts and debited with the value of benefits paid to members. The reserve is invested in the Balanced option and earnings are applied based on the unit price for that option.

The Operational Risk Reserves for Income Stream and Flexible Rollover Product were initially established at 31 December 2012 of 0.20 percent of Funds Under Management. The reserves are invested in the Balanced option and earnings are applied based on the unit price for that option.

Super SA Retirement Investment Fund

Reserves (Continued)

As at 30 June 2014 the Reserve account balances were as follows:

	2014 \$'000	2013 \$'000
Administration Reserves	1 793	-
Insurance Reserve	836	-
Operational Risk Reserves	2 966	2 657
	<u>5 595</u>	<u>2 657</u>

11. Receivables

	2014 \$'000	2013 \$'000
Refund from ATO for GST	25	9
Bank Interest Receivable	60	54
Overpaid Commutation Receivable	29	-
	<u>114</u>	<u>63</u>

12. Payables

	2014 \$'000	2013 \$'000
Rollovers Refundable to Other Schemes	12	28
BPAY Contributions Payable	1	-
Audit Fees Payable	33	8
	<u>46</u>	<u>36</u>

13. Liability for Accrued Benefits

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

	2014 \$'000	2013 \$'000
Liability for accrued benefits at 1 July	1 480 716	1 086 435
Add: Increase in Accrued Benefits	822 769	616 275
Less: Benefits Paid and Payable	279 833	221 994
Liability for Accrued Benefits at 30 June	<u>2 023 652</u>	<u>1 480 716</u>

14. Vested Benefits

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

	2014 \$'000	2013 \$'000
Vested Benefits - Income Stream	1 420 514	1 011 228
Vested Benefits - Flexible Rollover Product	599 069	464 525
	<u>2 019 583</u>	<u>1 475 753</u>

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

	2014 \$'000	2013 \$'000
Benefits Accrued as a Result of Operations	822 769	616 275
Benefits Paid and Payable	(279 833)	(221 994)
Investment Revenue	(172 704)	(115 075)
Direct Investment Expense	8 183	4 784
Investors Admin Fee Received	(2 594)	(1 997)
Decrease in Deferred Tax Assets	1 207	1 753
(Increase)/Decrease in Receivables	(51)	661
(Decrease)/Increase in Benefits Payable	(628)	4 010
Increase/(Decrease) in Payables	10	(111)
Increase in PAYG Withholding Tax	28	22
(Decrease)/Increase in Current Tax Liabilities	(416)	491
Increase in Deferred Tax Liabilities	2 191	-
Net Cash provided by Operating Activities	<u>378 162</u>	<u>288 819</u>

FINANCIAL STATEMENTS

Super SA Retirement Investment Fund

16. Income Tax

	2014	2013
	\$'000	\$'000
(a) Major Components of Tax Expense		
Current income tax		
Current tax charge	55 679	42 823
Adjustment to current tax for prior periods	152	(100)
Deferred income tax		
Relating to the originating and reversal of temporary differences	3 342	1 694
Income Tax Expense	59 173	44 417
(b) Income Tax Expense		
Benefits accrued before tax	881 954	660 692
Tax applicable at the rate of 15% (2013:15%)	132 293	99 104
Tax effect of expenses that are not deductible in determining taxable income		
Non deductible expenses	121	9
Tax effect of income/(losses) that is not assessable/deductible in determining taxable Income		
Investment revenue	(1 788)	(8 760)
Member Contributions and Transfer in	(48 612)	(39 270)
Exempt pension income	(18 106)	(3 502)
Tax effect of other adjustments		
Imputation and foreign tax credits	(4 887)	(3 064)
Over provision prior period	152	(100)
Income Tax Expense	59 173	44 417
(c) Current Tax Liabilities		
Balance at beginning of year	16 487	15 996
Income tax paid - current period	(39 608)	(26 336)
Income tax paid - prior periods	(16 583)	(15 838)
Current years income tax provision	55 679	42 823
Over provision prior period	96	(158)
	16 071	16 487
(d) Deferred Tax Assets		
The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date is made up as follows:		
Accrued Expenses	2	-
Realised capital losses carried forward (discounted)	-	3 066
Unrealised capital losses carried forward (discounted)	-	(1 857)
	2	1 209
(e) Deferred Tax Liabilities		
The amount of deferred tax assets/(liabilities) recognised in the Statement of Financial Position at reporting date is made up as follows:		
Realised capital losses carried forward (discounted)	(3 086)	-
Unrealised capital gains carried forward (discounted)	5 277	-
	2 191	-

Super SA Retirement Investment Fund

17. Financial Instruments

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

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

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

- market risk
- credit risk
- liquidity risk.

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

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

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

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

a) Market Risk

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

I. Currency Risk

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

The Fund's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

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

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset sector are 50 percent hedged to Australian dollars.

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

II. Interest rate risk

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

Funds SA manages interest rate risk through:

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

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.

FINANCIAL STATEMENTS

Super SA Retirement Investment Fund

*Financial Instruments (Continued)*IV. Sensitivity analysis

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

2014

Investment Option	Sensitivity variable	Standard Deviation	Change in Investment assets \$'000
High Growth	Nominal standard deviation	11.73%	8 815
Growth	Nominal standard deviation	9.58%	13 429
Balanced	Nominal standard deviation	8.34%	70 262
Moderate	Nominal standard deviation	6.42%	17 521
Conservative	Nominal standard deviation	4.66%	15 129
Capital defensive	Nominal standard deviation	2.97%	4 415
Cash	Nominal standard deviation	1.42%	2 679
Socially Responsible	Nominal standard deviation	10.16%	3 559
Total			135 809

2013

Investment Option	Sensitivity variable	Standard Deviation	Change in Investment assets \$'000
High Growth	Nominal standard deviation	12.30%	6 165
Growth	Nominal standard deviation	10.08%	10 084
Balanced	Nominal standard deviation	8.80%	45 386
Moderate	Nominal standard deviation	6.82%	10 195
Conservative	Nominal standard deviation	4.83%	10 706
Capital defensive	Nominal standard deviation	2.89%	5 613
Cash	Nominal standard deviation	1.16%	2 781
Socially Responsible	Nominal standard deviation	10.55%	1 193
Total			92 123

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

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

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

Super SA Retirement Investment Fund

Financial Instruments (Continued)

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.

c) Liquidity Risk

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

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

Funds SA manages liquidity risk as follows:

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

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

30 June 2014	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits Payable	6 659	6 659	6 659
Payables	46	46	46
PAYG Withholding Tax	77	77	77
Current Tax Liabilities	16 071	16 071	16 071
Vested Benefits (see below)	2 019 583	2 019 583	2 019 583
Total	2 042 436	2 042 436	2 042 436

30 June 2013	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits Payable	7 287	7 287	7 287
Payables	36	36	36
PAYG Withholding Tax	49	49	49
Current Tax Liabilities	16 487	16 487	16 487
Vested Benefits (see below)	1 475 753	1 475 753	1 475 753
Total	1 499 612	1 499 612	1 499 612

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.

Super SA Retirement Investment Fund

Financial Instruments (Continued)

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
30 June 2014	
Unlisted managed investment schemes	
Funds SA	2 026 692
	<hr/>
	2 026 692
30 June 2013	
Unlisted managed investment schemes	
Funds SA	1 480 964
	<hr/>
	1 480 964

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.

18. Related Parties

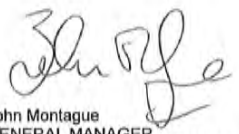
Details of the members of the Board and their remuneration for the 2013-14 financial year are disclosed in the notes to the Super SA Board's Financial Report.

**Super SA Retirement Investment Fund
Certification of the Financial Report**

We certify that the attached general purpose financial report for the Super SA Retirement Investment Fund:

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

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
SA SUPERANNUATION BOARD



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

Date 15/7/14

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Appendix 2 – Glossary

Accumulation Scheme

A superannuation scheme in which member entitlements are made up of a combination of: employer contributions (includes salary sacrifice); member contributions; rollovers received; co-contributions; less fees and charges; plus investment returns.

Triple S and the Flexible Rollover Product are accumulation schemes.

Administration fee

Is the annual fee deducted from each member's/investor's superannuation account to cover the cost of administering the scheme/product.

Administration system

The software programs used to administer superannuation accounts.

Accrued super

A term used when a member of Triple S has chosen to split their investment options (see Investment choice). The accrued super is invested in the first option, and includes the balance of the employer, member, rollover and co-contribution accounts, with investment earnings at the effective date of the decision to split investment options.

The second investment option is where all future contributions i.e. employer, member, rollover and co-contributions will be invested in. See Future contributions.

Active member

A Triple S active member is defined as a member who is either:

- > contributing from their after-tax or before-tax salary (salary sacrifice); and/or
- > receiving Superannuation Guarantee (SG) contributions; and/or
- > on Leave Without Pay (LWOP) and has notified Super SA of this; and/or
- > employed on a casual basis and has received Superannuation Guarantee contributions in the past 12 months.

After-tax contributions

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

Benefits

See Entitlements

Co-Contributions

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

Contribution points

Contribution points accumulated under the Pension and Lump Sum schemes are allocated in line with the rate of after-tax member contribution and hours of employment.

As a general rule, working full-time and making after-tax contributions at the standard rate will accumulate one point for each complete month that after-tax contributions are made.

Contributory

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

Pension and Lump Sum scheme members who elect to contribute to their super by making after-tax contributions to their account.

See After-tax contributions and Salary sacrificing.

Defined benefit scheme

A superannuation fund in which the benefits to be paid to the member are defined in advance of the member's retirement.

Super SA administers two closed, defined benefit schemes: the Pension Scheme and the Lump Sum Scheme.

- > *Pension Scheme:* Benefit payable, is a fortnightly pension calculated as a percentage (maximum 75%) of final salary at retirement.
- > *Lump Sum Scheme:* Is part defined benefit scheme, and part accumulation scheme. The employer component is a multiple (maximum 4.5) of final salary. A lump sum benefit is paid.

Employer account

The employer account funds the defined benefit component of the Pension and Lump Sum schemes.

Employer contribution

The employer contribution level is a percentage of member's salary deemed by the actuary as necessary to meet the defined benefit entitlement payable by a scheme.

Entitlements

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

Future contributions

Employer and member contributions, co-contributions and rollovers that may be made after the date an investment option split is effective in the future, as well as investment earnings on the contributions.

Income Protection Insurance

Provides a fortnightly income of up to 75% of a member's full-time salary while they are off work due to illness or temporary disablement, for a maximum period of up to 24 months or to age 60, whichever occurs first. If the member works part-time the salary is based on an average of hours over the past three years.

Invalidity

Where the Board is satisfied that a member's incapacity for all kinds of work is at least 60% and is likely to be permanent.

Investment choice

Members/investors are able to choose an investment option that suits their investment profile. There are eight investment options to choose from.

Triple S and Flexible Rollover Product: Members and spouse members of Triple S and Flexible Rollover Product investors who don't choose an investment option will be invested in the default "Balanced" option.

Members and spouse members of Triple S may choose to invest all of their accounts in a single investment option, or switch the balance of their accounts to another investment option or to switch all future transactions, contributions, rollovers in and fees or insurance premiums deducted into a second investment option from the date of the next determined unit price. Each Triple S member may have no more than two investment options at any one time.

Income Stream: Investors of the Super SA Income Stream who do not choose an investment option will be invested in the "Balanced" option.

Investors may choose to invest in one or two investment options. Where an investor chooses two investment options, they may elect from which investment option their regular income payments and/or any withdrawals will be made. Fees are deducted in proportion across both investment options.

Investors may elect to switch between investment options or change the investment option from which regular income payments will be made. No more than two investment options in total per investor can be maintained at any one time.

Lump Sum Scheme: Members of the Lump Sum Scheme who do not choose an investment option will have their Member Account and Rollover Account (if any) invested in the "Growth" option.

Members may elect to switch between investment options; however, the Member Account and Rollover Account (if any) must be invested in a single investment option.

Non-contributory

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

Preserved

An account becomes preserved if the member ceases employment with the SA public sector.

Preserved entitlements cannot be paid until the member meets one of the following conditions:

- > reaches age 55
- > becomes totally and permanently disabled
- > entered Australia on a temporary resident visa which has expired or been cancelled and has permanently left Australia
- > dies.

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. Salary sacrifice contributions are credited to the Employer Account in Triple S.

Superannuation Guarantee (SG)

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

Superannuants

A member of the Pension Scheme who is currently receiving their benefits paid as a fortnightly pension.

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.

Unfunded liability

Unfunded liability is the amount the State Government needs to pay to fund both its accruing and accrued past service superannuation liabilities for the defined benefit schemes. *See Defined benefit scheme.*

Appendix 3 – Service Providers

DURING THE 2013–14 FINANCIAL YEAR THE FOLLOWING ORGANISATIONS PROVIDED SERVICES TO THE SUPER SA BOARD.

Administration

Super SA

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

Strategic planning

PricewaterhouseCoopers

Freshwater Place
Level 19, 2 Southbank Boulevard
Southbank VIC 3006

KPMG

10 Shelley Street
Sydney NSW 2000

Actuarial

Mercer Human Resources Consulting Pty Ltd.

Level 5, 108 North Terrace
Adelaide SA 5000

Brett & Watson Pty Ltd.

157 Grenfell Street
Adelaide SA 5000

PricewaterhouseCoopers

Freshwater Place
Level 19, 2 Southbank Boulevard
Southbank VIC 3006

Taxation and accounting

Sharyn Long Chartered Accountants

Level 6, 216 St. Georges Terrace
Perth WA 6805

Ernst & Young

121 King William Street
Adelaide SA 5000

Internal audit and compliance

Ernst & Young

121 King William Street
Adelaide SA 5000

Deloitte

11 Waymouth Street
Adelaide SA 5000

Insurance claims

MLCOA

Level 2, 18 North Terrace
Adelaide SA 5000

Then...

THE SOUTH AUSTRALIAN SUPERANNUATION FUND WAS ESTABLISHED 87 YEARS AGO ON 1 MARCH 1927, AS A RESULT OF THE AMALGAMATION OF THE EARLIER ESTABLISHED PUBLIC SERVICE SUPERANNUATION FUND AND TEACHERS' FUND.

Now...

SUPER SA HAS BUILT ON THE SOLID FOUNDATIONS SET IN THOSE EARLY DAYS.

TODAY OUR VISION IS TO BE THE LEADING PROVIDER OF QUALITY SUPERANNUATION AND RELATED SERVICES IN SOUTH AUSTRALIA.

Contact Us...

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