



Super SA

2017-18 Annual Report

Super SA

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Date presented to Treasurer: 30 September 2018

2017-18 ANNUAL REPORT for the Super SA Board

To:

Hon. Rob Lucas MLC

Treasurer

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

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

Submitted on behalf of the Super SA Board by:



A handwritten signature in blue ink, enclosed in a blue oval. The signature appears to read "Rob Lucas".

Signature

26.9.18

Date

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Section A: Reporting required under the *Public Sector Act 2009*, the *Public Sector Regulations 2010* and the *Public Finance and Audit Act 1987*

Agency purpose or role

Vision Statement:

To be the leading provider of quality superannuation and related services in South Australia.

Objectives

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

Legislation administered by the agency

Superannuation Act 1988

Southern State Superannuation Act 2009

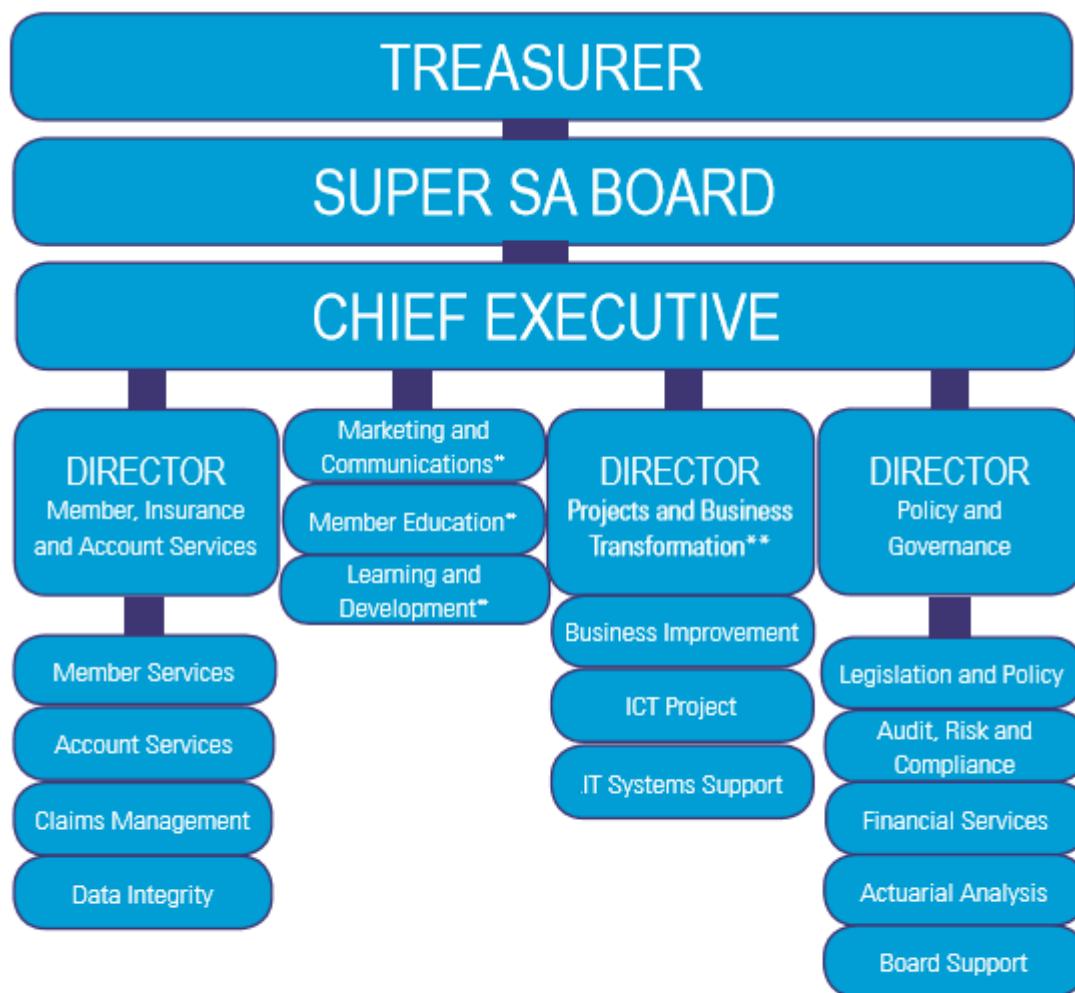
Parliamentary Superannuation Act 1974

Governors' Pensions Act 1976

Judges' Pensions Act 1971

Public Corporations (Southern Select Super Corporation) Regulations 2012

Organisation of the agency



* As at 30 June 2018 these teams reported directly to the Chief Executive.

** New position from June 2018. Previous position – Director of Strategy and Business Management concluded in May 2018.

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, a branch of the Department of Treasury and Finance, provides administrative services to the Board.

The annual budget for the operation of Super SA is presented to the Board for its approval. 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 Chief Executive of the Department of Treasury and Finance sets out specific performance standards. The Board monitors performance against the service level contract and the management plan through the quarterly management report produced by Super SA. The contract expires on 30 June 2019.

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

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

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

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

The current service level agreement between Funds SA and the Office was executed in October 2014, with amendments in March 2016. Funds SA provides this service under legislation. The agreement is reviewed on a three yearly basis or when a significant change occurs.

Employment opportunity programs

Program name	Result of the program
Jobs for Youth Program	1 x trainee commenced and successfully completed the program.

Fraud detected in the agency

Category/nature of fraud	Number of instances
Personal Identity Theft	1
Family Member Theft	1
Third party Corporate Credit Card Fraudulent Transactions	2

Strategies implemented to control and prevent fraud

Regular reporting on the internal control framework is provided to the Board from internal and external audit, through the Audit, Risk and Finance Committee as well as from the Chief Executive and the Board Secretary.

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

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/department-of-treasury-and-finance-annual-report-statistics>

Whistle-blowers' disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the <i>Whistle-blowers' Protection Act 1993</i>	0
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Data for previous years is available at: <https://data.sa.gov.au/data/dataset/department-of-treasury-and-finance-annual-report-statistics>

Financial performance of the agency

The following is a brief summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2017-18 are attached to this report.

The total number of members increased from 211 889 to 216 158 during the year. This figure includes Triple S, Pension and Lump Sum Schemes, Superannuants, the SA Ambulance Service Superannuation Scheme, the Super SA Income Stream and the Flexible Rollover Product. The value of total assets under management at 30 June 2018 was \$26.9 billion.

Since 30 June 2017, funds under management across the schemes and products administered by the Board increased by \$2.6 billion. This consists of increases in funds under management across the financial year within the Triple S Scheme from \$15.4 billion to \$17.2 billion, the Flexible Rollover Product from \$995 million to \$1.2 billion, the Income Stream from \$2.7 billion to \$3.2 billion, the SA Ambulance Service Superannuation Scheme from \$252 million to \$267 million and the Lump Sum and Pension Schemes combined from \$4.9 billion to \$5.1 billion.

Preserved memberships decreased overall from 61 501 to 59 911. This reduction in preserved memberships is made up of Triple S preserved members (59 887 to 58 416), Lump Sum (1 189 to 1 115), Pension (339 to 295) and Ambulance (86 to 85). Of these members, 330 preserved members moved to Flexible Rollover Product (average balance transferred \$177,806) and 258 moved to Income Stream (average balance transferred \$268,723). The total transferred by these members was \$128 million.

Other financial information

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

During the 2017-18 financial year, the State Government transferred \$367m into the Employer Account to meet its past service superannuation liabilities in respect of the Lump Sum and Pension Schemes.

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

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

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.

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

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

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

The next actuarial review will be undertaken in 2020.

Other information requested by the Minister(s) or other significant issues affecting the agency or reporting pertaining to independent functions

The Super SA Board is responsible to the Treasurer for all aspects of the administration of the *Superannuation Act 1988* (Pension and Lump Sum Schemes) and the *Southern State Superannuation Act 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.

Board members can attend a variety of national conferences and education seminars. During the 2017-18 year, Board Members attended the Association of Superannuation Funds of Australia (ASFA) Conference and the Conference of Major Superannuation Funds (CMSF). The Presiding Member attended various forums for fund chairs organised by the Australian Institute of Superannuation Trustees (AIST).

During 2017–18, there was one formal application received requesting access to information, under the *Freedom of Information Act 1991*. All other requests to access copies of documentation were informal.

Section B: Reporting required under any other act or regulation

Name and date of act or regulation
Southern State Superannuation Act 2009
Section 29
There were 26 appeals considered by the Super SA Board and 3 by the Board delegate during 2017–18. Three appeals related to administrative matters and the remainder related to insurance. There were 18 appeals which were approved in favour of the member and 11 appeals were denied.
Of the total appeals considered by the Board (or Board delegate), there were two requests to waive a procedural step (of which one was approved) and 15 requests to extend a time limit (of which 11 were approved), pursuant to section 29 of the <i>Southern State Superannuation Act 2009</i> . The legislation requires that the use of this section of the legislation must be reported to the Treasurer in the Annual Report.
During 2017–18, there was one formal application received requesting access to information, under the <i>Freedom of Information Act 1991</i> . All other requests to access copies of documentation were informal.
Superannuation (Unclaimed Money and Lost Members) Act 1999 (Cth)
Division 4 – Various rules for special cases
18. State or Territory public sector superannuation schemes
Payments were made to the ATO on 25 September 2017 (31 October 2017 reporting) and 19 March 2018 (30 April 2018 reporting) covering 94 members, totally \$720,325.52.

Section C: Reporting of public complaints as requested by the Ombudsman

Summary of complaints by subject

Public complaints received by Super SA	
Category of complaints by subject	Number of instances
Process	134
Member Communication	52
Entitlements	41
Investments	24
Policy	20
External Service Provider	1
Total	272

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/department-of-treasury-and-finance-annual-report-statistics>

Complaint outcomes

Nature of complaint or suggestion	Services improved or changes as a result of complaints or consumer suggestions
FRP Investors completing outdated forms.	Links to outdated forms removed from the website's content management system.
Board/Sessional workers who believed they were eligible for insurance.	Super SA provided relevant insurance communication to key stakeholders and Tribunals who may engage members in work that does not meet the eligibility criteria for insurance. These members are now more aware of their insurance eligibility.
Inability to transact online.	Functionality of the new online portal allows members to lodge investment switches online. Most payments on Bluedoor are paid by electronic transfer, rather than cheque.
Improvement of online communications.	Existing fact sheets were updated and a new fact sheet created.

Nature of complaint or suggestion	Services improved or changes as a result of complaints or consumer suggestions
Initial technical issues due to the implementation of the new administration system, resulting in higher volumes of calls, longer wait times and inability to login to the new member portal.	<p>Implemented an escalation process for raising and resolving system defects with the vendor.</p> <p>Engaged a number of additional temporary staff to assist with member enquiries and reduce call wait times.</p> <p>Introduced an escalation and prioritisation system to ensure urgent member needs are met.</p> <p>Updated the on hold phone message to advise members of expected delays.</p> <p>Provided weekly communication to members via all channels regarding possible delays and status of resolution times.</p> <p>Provided regular updates to Super SA key stakeholders to ensure awareness of technical issues and responses to them.</p>

Appendix: Audited financial statements 2017-18



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**To the Chair Audit Risk and Finance Committee
South Australian Superannuation Board**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* I have audited the financial report of the South Australian Superannuation Board for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Superannuation Board as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from a Board Member of the South Australian Superannuation Board, Chief Executive, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, State Superannuation Office
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson

Auditor-General

20 September 2018

South Australian Superannuation Board

STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June 2018	Note	2018	2017
			\$'000	\$'000
Expenses				
Administration expenses	4	28 353	27 258	
Other expenses	5	31	16	
Total expenses		28 384	27 274	
Income				
Fees and charges	6	27 566	18 545	
Interest revenues	7	27	105	
Total income		27 593	18 650	
Total comprehensive result	11	(791)	(8 624)	

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

STATEMENT OF FINANCIAL POSITION

	As at 30 June 2018	Note	2018	2017
			\$'000	\$'000
Current assets				
Cash and cash equivalents	8	1 782	732	
Receivables	9	20	1 064	
Non current assets				
Loan Receivable	9, 17	548	541	
Total assets		2 350	2 337	
Current liabilities				
Payables	10	821	17	
Total liabilities		821	17	
Net assets		1 529	2 320	
Equity				
Retained earnings	11	548	541	
Reserves	11	981	1 779	
Total Equity		1 529	2 320	

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

South Australian Superannuation Board

STATEMENT OF CHANGES IN EQUITY

	For the year ended 30 June 2018	Note	Retained earnings \$'000	Reserves \$'000	Total \$'000
Balance at 30 June 2016			533	10 411	10 944
Total comprehensive result for 2016-17			(8 624)	-	(8 624)
Transferred from reserves			8 632	(8 632)	-
Balance at 30 June 2017			541	1 779	2 320
Total comprehensive result for 2017-18			(791)	-	(791)
Transferred from reserves			798	(798)	-
Balance at 30 June 2018	11		548	981	1 529

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

STATEMENT OF CASH FLOWS

	For the year ended 30 June 2018	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities				
Cash outflows				
Administration expenses paid			(29 627)	(35 867)
Other expenses			(33)	(17)
Cash (used in) operations			(29 660)	(35 884)
Cash inflows				
Interest received			21	114
Fees and charges paid			30 390	20 655
GST recovered from the ATO			299	1 019
Cash generated from operations			30 710	21 788
Net cash provided by/(used in) operating activities	13		1 050	(14 096)
Net increase/(decrease) in cash and cash equivalents			1 050	(14 096)
Cash and cash equivalents at the beginning of the period			732	14 828
Cash and cash equivalents at the end of the period	8, 13		1 782	732

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

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 costs.

Note 2 Summary of significant accounting policies

a) Statement of compliance

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

The Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Board is a not-for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2018. Refer to Note 3.

b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board’s accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency, the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - 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 and are in accordance with the historical cost convention except as otherwise noted.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018 and comparative information is presented.

South Australian Superannuation Board

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 registered for Goods and Services Tax (GST) and GST is recoverable and payable to the Australian Taxation Office (ATO).

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

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

f) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2018 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2018.

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

g) Income and expenses

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

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

The following are specific recognition criteria:

Income

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

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

h) Current and non-current classification

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

South Australian Superannuation Board

i) Cash and cash equivalents

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

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

Cash is measured at nominal value.

j) Receivables

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

Refer to note 17 regarding the Loan Receivable.

k) Payables

Payables include creditors and accrued expenses.

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

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

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

Note 3 New accounting standards and policies

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments (AASB 9)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is first applicable to the Board for the year ending 30 June 2019. The new standard includes a model for classification and measurement, a single, forward looking 'expected loss' impairment model and a substantially-performed approach to hedge accounting.

Super SA has conducted an assessment on behalf of the Board and has determined there will be no material impact of the standard on the Board's accounting for financial instruments.

AASB 15 Revenue from Contracts with Customers (AASB 15)

The principle of AASB 15 is that revenue is recognised when control of a good or service transfers to a customer, so that the notion of control replaces the existing notion of risks and rewards. AASB 15 is first applicable to the Board for the year ending 30 June 2019. Super SA has assessed the impact of the new rules on behalf of the Board and determined that there will be no material impact on the financial statements.

AASB 16 Leases (AASB 16)

AASB 16 is first applicable for the year ending 30 June 2020. Assets and Liabilities will be reported on the balance sheet for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

The Board has no operating leases, and while Super SA is in the process of analysing the impact of the new standard on the Board, it expects there will be no material impact on the Board's financial statements.

There are no other "not yet effective" accounting standards that are expected to have a material impact on the Board in the current or future reporting periods.

Note 4 Administration expenses

	2018	2017
	\$'000	\$'000
Administration fees	<u>22 991</u>	<u>17 801</u>
ICT Projects	<u>5 362</u>	<u>9 457</u>
Total administration expenses	<u>28 353</u>	<u>27 258</u>

South Australian Superannuation Board

Note 5 Other expenses

	2018	2017
	\$'000	\$'000
Other expenses ⁽ⁱ⁾	<u>31</u>	16
Total other expenses	<u>31</u>	16

(i) Other expenses includes amounts paid (or payable) which relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department. Audit fees for the Board were \$16,000 (2017: \$16,000)

Note 6 Fees and charges

	2018	2017
	\$'000	\$'000
Recovery of administration fees	<u>27 566</u>	18 545
Total fees and charges	<u>27 566</u>	18 545

Note 7 Interest revenues

	2018	2017
	\$'000	\$'000
Deposit Account held with the Treasurer	20	97
Loan to Southern Select Super Corporation ⁽ⁱ⁾	<u>7</u>	8
Total interest revenues	<u>27</u>	105

(i) Refer note 17

Note 8 Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank	<u>1 782</u>	732
Total cash and cash equivalents	<u>1 782</u>	732

Interest Rate Risk

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

South Australian Superannuation Board

Note 9 Receivables

	2018	2017
	\$'000	\$'000
Current Receivables		
GST input tax recoverable	-	297
Sundry debtors	2	750
Audit fee recovery	<u>18</u>	<u>17</u>
Total Current Receivables	<u>20</u>	<u>1 064</u>
Non-Current Receivables		
Loan Receivable ⁽ⁱ⁾	<u>548</u>	<u>541</u>
Total Non-Current Receivables	<u>548</u>	<u>541</u>
Total receivables	<u>568</u>	<u>1 605</u>

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

(i) Refer note 17

Note 10 Payables

	2018	2017
	\$'000	\$'000
Audit fee payable	18	17
Administration fees payable	<u>803</u>	-
Total payables	<u>821</u>	<u>17</u>

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

Note 11 Retained earnings and reserves

	Opening Balance \$'000	Total Comprehensive Result \$'000	Transfers From Reserve \$'000	2018 \$'000	2017 \$'000
Retained Earnings	<u>541</u>	<u>(791)</u>	<u>798</u>	<u>548</u>	<u>541</u>
Reserves					
	Opening Balance \$'000	Transfers To Reserve \$'000	Transfers From Reserve \$'000	2018 \$'000	2017 \$'000
General Reserve ⁽ⁱ⁾	1 779	-	(798)	981	1 779
Total Reserves	1 779	-	(798)	981	1 779

- (i) 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 from Reserve amount represents over spends in office expenditure, consulting costs and is partially offset by interest allocated from July 2017 to June 2018.

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

South Australian Superannuation Board

Note 12 Related parties

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

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

Key management personnel

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

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

The South Australian Superannuation Board

Annette Hurley (Presiding Member - Appointed 09/09/16; Resigned 17/06/18)

Virginia Deegan (Re-appointed 23/07/15)

Richard Dennis (Appointed 08/09/16)

Bill Griggs (Re-elected 2/10/15)

Jan McMahon (Re-elected 2/10/15)

Aaron Chia (Deputy Member - Re-appointed 11/11/15)

Liz Hlipala (Deputy Member - Re-appointed 23/07/15)

Leah York (Deputy Member - Re-appointed 11/11/15)

John Wright (Deputy Member - Re-appointed 8/09/16)

The South Australian Superannuation Board Audit, Risk and Finance Committee

Virginia Deegan (Convenor)

Annette Hurley (Presiding Member - Resigned 17/06/18)

John Wright

The South Australian Superannuation Board Member Services Committee

Jan McMahon (Convenor)

Leah York

Bill Griggs

John Montague (Term of appointment ceased 1/12/17)

Dascia Bennett (Appointed 11/12/17)

Compensation

	2018	2017
	\$'000	\$'000
Salaries and other short-term employee benefits	<u>175</u>	162
Total	175	162

Transactions with Key Management Personnel and other related parties

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

Significant transactions with government related entities

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

South Australian Superannuation Board

Note 13 Cash flow reconciliation

	2018	2017
	\$'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	<u>1 782</u>	<u>732</u>
Balance as per the Statement of Cash Flows	<u>1 782</u>	<u>732</u>
Reconciliation of total comprehensive result to net cash provided by operating activities:		
Total comprehensive result	(791)	(8 624)
Movement in operational assets and liabilities		
Decrease/(Increase) in receivables	1 037	(481)
Increase/(Decrease) in payables	<u>804</u>	<u>(4 991)</u>
Net cash provided by/(used in) operating activities	<u>1 050</u>	<u>(14 096)</u>

Note 14 Financial instruments

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

The Board does not have any assets that are past, due or impaired and credit risk is limited to the Southern Select Corporation Loan Arrangement (Refer Note 17).

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

Note 15 Transactions with SA Government

	SA Government		Non-SA Government		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Expenses	28 369	27 274	15	-	28 384	27 274
Total Income	27 593	18 650	-	-	27 593	18 650
Receivables	568	1 308	-	297	568	1 605
Payables	821	17	-	-	821	17

Note 16 Events after the reporting period

There were no significant events after the reporting period.

South Australian Superannuation Board

Note 17 Southern Select Corporation Loan Arrangement

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

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

The repayment of the loan by the Trustee from the Fund, together with interest, will be in accordance with Schedule 2 of the Regulations. If at the end of the financial year the Fund has a net surplus, defined as Net Assets exceeding Liability for Accrued Benefits Allocated to Members' Accounts, the interest receivable in that year must be received on or before 31 July of the following financial year. If the Fund does not have a net surplus at the end of the financial year, the interest receivable for that year will be capitalised into the principal amount receivable. At the end of 2017-18 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount receivable was \$7,000 (2017 \$8,000).

Principal repayments are required when administration fees charged to members of the Fund for the financial year exceed the cost of the administration of the Fund (other than investment management charges). For 2017-18 there was no principal repayment required (refer to the Fund's Financial Report) (2017: Nil).

Note 18 ICT Solution Project

The Office utilises a range of different Information and Communications Technology (ICT) systems to administer its superannuation schemes. The ICT systems currently in use are nearing end-of-life. They also present escalating integration complexities and resource efforts associated with each application's ongoing administration.

The Office established the ICT Solution Project to identify, procure and implement a Commercial-off-the-shelf superannuation administration ICT system that addresses the above limitations by replacing existing legacy ICT systems and expanding the current functionality.

DST Bluedoor Pty Limited was engaged as the preferred respondent for the implementation of the new ICT System, which is being overseen and governed by the Super SA Board.

The ICT Solution Project officially commenced in February 2016 and will be implemented in two phases. Phase one was implemented in May 2018 with the remaining schemes and functionality scheduled to be implemented during 2019.

The funding for the implementation of the project is apportioned across all schemes based on membership. The Board administered schemes will provide funding via the General Reserve, Triple S Insurance Reserve, Triple S Administration Reserve and the Retirement Investment Fund Administration Reserve.

The Board's ICT Project Costs (refer to note 4) reflect the reimbursement of ICT Solution Project costs incurred by the Department of Treasury and Finance. In accordance with the Department of Treasury and Finance policies, the intangible assets – work in progress is recognised in its financial report as at 30 June 2018.

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 2018 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.



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Virginia Deegan
BOARD MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 17/09/2018



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**To the Chair Audit Risk and Finance Committee
South Australian Superannuation Board
South Australian Superannuation Scheme**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 20AB (2) of the *Superannuation Act 1998*, I have audited the financial report of the South Australian Superannuation Scheme for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Superannuation Scheme as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2018
- an Income Statement for the year ended 30 June 2018
- a Statement of Changes in Member Benefits for the year ended 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from a Board Member of the South Australian Superannuation Board, Chief Executive, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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



Andrew Richardson
Auditor-General
20 September 2018

South Australian Superannuation Scheme

Statement of Financial Position

as at 30 June 2018

	Note	2018 \$000	2017 \$000
Assets			
Cash and cash equivalents	16	8 800	5 725
Contributions receivable	5	979	1 058
Receivables	6	6 278	3 096
Investments	7	5 115 588	4 991 287
Total Assets		5 131 645	5 001 166
Liabilities			
Benefits Payable		18 284	16 796
Payables	9	105	103
Total liabilities excluding member benefits		18 389	16 899
Net assets available for member benefits		5 113 256	4 984 267
Member benefits			
Defined benefit member liabilities		9 058 646	9 204 894
Defined contribution member liabilities		652 682	656 776
Total member benefits	4	9 711 328	9 861 670
Total net assets/(liabilities)		(4 598 072)	(4 877 403)
Equity			
Defined benefits that are (under) funded		(4 598 072)	(4 877 403)
Total Equity		(4 598 072)	(4 877 403)

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

Income Statement

for the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Changes in investments measured at fair value			
Interest		583 534	603 603
Total revenue		112	96
Interest		583 646	603 699
Investment expenses	10	44 315	38 859
Higher education expense	13	8 912	9 019
Administration expenses	11	2 954	2 699
Total expenses		56 181	50 577
Result from superannuation activities			
Net change in defined benefit member liabilities		527 465	553 122
Allocation to defined contribution members accounts		(44 878)	61 522
Net operating result		(203 256)	(202 297)
Net operating result		279 331	412 347

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

South Australian Superannuation Scheme

Statement of Changes in Member Benefits

for the year ended 30 June 2018

2018	Note	Defined	Defined	Total
		Benefit	Contribution	
		Members	Members	
		\$000	\$000	\$000
Opening balance as at 1 July 2017		9 204 894	656 776	9 861 670
Contributions for Past Service Liability	14	371 819	-	371 819
Employer contributions	15	42 516	-	42 516
Public Authority employer contributions		35 922	-	35 922
Member contributions		1 210	14 306	15 516
Transfers from other super entities		-	531	531
Net contributions		451 467	14 837	466 304
Benefits to members (benefits paid and payable)		(642 593)	(222 187)	(864 780)
Net benefits allocated, comprising:				
Net investment income		476 498	62 721	539 219
Net administration expenses		(11 373)	(381)	(11 754)
Net change in member liabilities		(420 247)	140 916	(279 331)
Closing balance as at 30 June 2018		9 058 646	652 682	9 711 328
2017	Note	Defined	Defined	Total
		Benefit	Contribution	
		Members	Members	
		\$000	\$000	\$000
Opening balance as at 1 July 2016		9 422 495	641 491	10 063 986
Contributions for Past Service Liability	14	392 373	-	392 373
Employer contributions	15	49 198	-	49 198
Public Authority employer contributions		36 875	-	36 875
Member contributions		1 692	15 691	17 383
Transfers from other super entities		46	804	850
Government co-contributions		1	32	33
Net contributions		480 185	16 527	496 712
Benefits to members (benefits paid and payable)		(636 264)	(203 539)	(839 803)
Net benefits allocated, comprising:				
Net investment income		493 409	71 431	564 840
Net administration expenses		(11 356)	(362)	(11 718)
Net change in member liabilities		(543 575)	131 228	(412 347)
Closing balance as at 30 June 2017		9 204 894	656 776	9 861 670

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

South Australian Superannuation Scheme

Statement of Changes in Equity

for the year ended 30 June 2018

	2018 \$000	2017 \$000
(Under) funded benefits opening balance 1 July	(4 877 403)	(5 289 750)
Net operating result	279 331	412 347
(Under) funded benefits closing balance 30 June	(4 598 072)	(4 877 403)

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

Statement of Cash Flows

for the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Bank interest received		110	100
Higher education expenses		(8 912)	(9 019)
GST recoup from the ATO		209	202
Administration expenses paid		(3 165)	(2 892)
Net cash flows from operating activities	16	(11 758)	(11 609)
Receipts from the sale of investments from Funds SA		824 496	789 858
Payments to Funds SA for the purchase of investments		(409 580)	(433 406)
Net cash flows from investing activities		414 916	356 452
Employer contributions		42 557	49 100
Past service liability contributions		370 744	392 373
Commonwealth and Public Authorities contributions		33 829	39 601
Member contributions		15 554	17 340
Transfers from other superannuation entities		531	58
Pension benefits to members		(626 570)	(617 941)
Benefit payments to members		(236 728)	(223 663)
Net cash flows from financing activities		(400 083)	(343 132)
Net change in cash		3 075	1 711
Cash at the beginning of the financial period		5 725	4 014
Cash at the end of the financial period		8 800	5 725

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

South Australian Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) **South Australian Superannuation Scheme**

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

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

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5 and 6 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 (Triple S), to meet the minimum requirements of the Commonwealth legislation. At this point the member will be recognised as a Triple S member and their Scheme account will be maintained to reflect the contribution points previously accrued.

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

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

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

(b) **South Australian Superannuation Board**

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

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

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

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

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

(d) **Funding arrangements**

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a Special Deposit Account with DTF established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with section 47C and 47D of the Act. During the year ended 30 June 2018 all payments were made from the Special Deposit Account. Employer contributions for the year have been made at the rate determined by the scheme actuary.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government Departments, Statutory Authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 26 percent (2017 26 percent) for old scheme contributors and 14.75 percent (2017 14.75 percent) for new scheme contributors.

South Australian Superannuation Scheme

Funding arrangements (cont.)

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

(i) State government departments

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

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

(ii) Statutory authorities

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

- *State government liability for statutory authorities*

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

- *Employer contribution accounts*

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

Details on the accrued superannuation liabilities are provided at Note 14.

- *Public authorities accounts (universities)*

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

Details on the employer contributions for the 2017-18 financial year are provided at Note 15.

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

2. Significant accounting policies

(a) Basis of accounting

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

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

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

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

(b) New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

South Australian Superannuation Scheme

AASB 9 Financial Instruments (AASB 9)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is first applicable to the Scheme for the year ending 30 June 2019. The new standard includes a model for classification and measurement, a single, forward looking ‘expected loss’ impairment model and a substantially-performed approach to hedge accounting.

All of the Scheme’s financial assets are currently measured at fair value through profit or loss and will continue to be measured on that basis under AASB 9. Super SA has conducted an assessment on behalf of the Scheme and has determined there will be no material impact of the standard on the Scheme’s accounting for financial instruments.

AASB 15 Revenue from Contracts with Customers (AASB 15)

The principle of AASB 15 is that revenue is recognised when control of a good or service transfers to a customer, so that the notion of control replaces the existing notion of risks and rewards. AASB 15 is first applicable to the Scheme for the year ending 30 June 2019. Super SA has assessed the impact of the new rules on behalf of the Scheme and determined that there will be no material impact on the financial statements.

AASB 16 Leases (AASB 16)

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

The Scheme has no operating leases, and while Super SA is in the process of analysing the impact of the new standard on the Scheme, it expects there will be no material impact on the Scheme’s financial statements.

There are no other “not yet effective” accounting standards that are expected to have a material impact on the Scheme in the current or future reporting periods.

(c) Financial assets and liabilities

(a) Classification

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

Financial assets and liabilities held for trading

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Scheme.

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

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

Other financial liabilities

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

(b) Recognition

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

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

(c) Initial recognition

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

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

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

(d) Subsequent measurement

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

(e) Fair value measurement

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

South Australian Superannuation Scheme

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Receivables and payables

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

(h) Benefits payable

Benefits payable are valued at fair value and relate to members who have ceased employment and provided the Scheme with appropriate notification on or prior to 30 June 2018 but paid after 30 June 2018. These also include pension payments payable on or prior to 30 June 2018 but paid after 30 June 2018.

(i) Revenue recognition

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

Changes in fair values

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

Interest

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

(j) Taxation

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

(k) Goods and services tax (GST)

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

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

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

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

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(l) Foreign currency

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

(m) Investments

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

(i) Inflation Linked Securities A

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

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

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed property trusts

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

Unlisted property vehicles

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

(iii) Australian Equities A

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

(iv) International Equities A

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

(v) Short Term and Long Term Fixed Interest

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

(vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

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

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(viii) Cash

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

(ix) Socially Responsible Investment

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

(n) Operation of Investment Portfolio

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2018, Funds SA managed eight distinct investment options each differing by strategic asset allocation:

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

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

(o) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

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

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

(p) Significant accounting judgements, estimates and assumptions

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

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

Fair value of investments

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

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

Valuation of defined benefits member liabilities

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

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

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

3. Defined contribution member liabilities

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

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

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

4. Defined benefit member liabilities

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

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2018.

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

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

- The future rate of investment earnings (net of investment taxes and fees): 7.0 percent per annum (2017: 7.0 percent);
- The future rate of salary growth: 4.0 percent per annum (2017: 4.0 percent); and
- Long term inflation (CPI): 2.5 percent per annum (2017: 2.5 percent).

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

	2018			2017		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Member liabilities	9 058 646	652 682	9 711 328	9 204 894	656 776	9 861 670
	9 058 646	652 682	9 711 328	9 204 894	656 776	9 861 670

	2018			2017		
	Old Scheme	New Scheme	Total	Old Scheme	New Scheme	Total
	\$000	\$000	\$000	\$000	\$000	\$000
SA Superannuation Fund	1 133 116	652 682	1 785 798	1 147 745	656 776	1 804 521
SA Superannuation Scheme contribution a/c:						
Employer contribution accounts	1 192 474	338 517	1 530 991	1 207 195	352 463	1 559 658
SA Government employer account	5 438 170	659 639	6 097 809	5 503 587	685 280	6 188 867
Public authorities	288 699	8 031	296 730	301 160	7 464	308 624
	8 052 459	1 658 869	9 711 328	8 159 687	1 701 983	9 861 670

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

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

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

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

Scenario	Member liability result <small>(a)</small>	Change in member benefit liability	Change in member benefit liability
	\$000	\$000	%
Base Case	9 059	-	-
Discount rate plus 0.5%	8 691	(368)	(4.1)
Discount rate less 0.5%	9 456	397	4.4
Salary increase rate plus 0.5%	9 088	30	0.3
Salary increase rate less 0.5%	9 030	(29)	(0.3)
Pension increase rate plus 0.5%	9 443	384	4.2
Pension increase rate less 0.5%	8 701	(358)	(3.9)

^(a) Excludes Lump Sum Scheme accumulation liabilities

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

Vested benefits

	2018			2017		
	Old	New		Old	New	
	Scheme	Scheme	Total	Scheme	Scheme	Total
	Division	Division	2018	Division	Division	2017
	\$000	\$000	\$000	\$000	\$000	\$000
SA Superannuation Fund	1 134 440	652 682	1 787 122	1 149 580	656 776	1 806 356
SA Superannuation Scheme contribution a/c:						
Employer contribution accounts	1 196 081	372 328	1 568 409	1 213 697	388 618	1 602 315
SA Government employer account	5 442 007	743 754	6 185 761	5 507 573	771 587	6 279 160
Public Authorities	288 971	8 668	297 639	301 247	8 109	309 356
	8 061 499	1 777 432	9 838 931	8 172 097	1 825 090	9 997 187

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

5. Contributions receivable

	2018	2017
	\$000	\$000
Member contributions receivable	217	254
Employer contributions receivable	762	804
	979	1 058

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6. Receivables

	2018 \$000	2017 \$000
Interest receivable	8	7
Benefit repayments	400	431
GST recoup from ATO	57	52
Overpaid pensions	7	8
Prepaid benefits	61	21
Past service receivable	1 074	-
Public authorities	4 620	2 529
Temporary disability	51	48
	<hr/>	<hr/>
	6 278	3 096

7. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

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

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

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

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

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

Valuation technique

The Scheme's investments are not quoted in an active market. The Scheme's investment manager, Funds SA considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the underlying funds and fund managers. In measuring fair value, consideration is also paid to any transactions of a fund. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

	2018 \$000	2017 \$000
Financial assets at fair value through profit or loss - Level 2		
Level 1 and level 3 are not relevant to the Scheme		
Unlisted managed investment schemes		
Funds SA	5 115 588	4 991 287
	<hr/>	<hr/>
	5 115 588	4 991 287

South Australian Superannuation Scheme

8. Movement in the value of investments

	2018 \$000	2017 \$000
Investments as at 1 July	4 991 287	4 782 993
High Growth A	1 895	1 227
Growth A	(9 339)	11 056
Balanced A	7 726	7 279
Moderate A	2 748	3 227
Conservative A	(278)	(2 347)
Capital Defensive A	(1 923)	(5 077)
Cash A	(2 816)	(3 365)
Socially Responsible Investment	(180)	(1 074)
Defined Benefit High Growth	126 468	197 368
Change in investments	124 301	208 294
Investments at 30 June	5 115 588	4 991 287

9. Payables

	2018 \$000	2017 \$000
Audit fees	82	81
Returned benefit payments	23	21
Refund of co-contributions	-	1
	105	103

10. Investment expenses

	2018 \$000	2017 \$000
Investment expenses	44 315	38 859

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. Current year investment expenses increased due to higher total investments and investment performance for the financial year.

11. Administration expenses

	2018 \$000	2017 \$000
Administration expenses ⁽ⁱ⁾	2 819	2 594
Other expenses ⁽ⁱⁱ⁾	135	105
	2 954	2 699

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

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

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12. Auditors' remuneration

	2018	2017
	\$000	\$000
Audit fees	76	75
	<hr/>	<hr/>
	76	75

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

13. Higher education superannuation costs

	2018	2017
	\$000	\$000
Higher education superannuation costs	8 912	9 019
	<hr/>	<hr/>
	8 912	9 019

These amounts are paid to the Commonwealth Government that related to the South Australian share of the 2018 higher education superannuation costs under the Commonwealth – State agreement. This agreement provides that the employer component of the superannuation benefits payable to former employees of South Australian Universities who were members of one of the main State Schemes, be shared.

14. Contributions for past service liability

	2018	2017
	\$000	\$000
SA Government	366 600	387 800
SA Water	4 067	3 911
ReturnToWorkSA	922	441
Forestry SA	230	221
	<hr/>	<hr/>
	371 819	392 373

15. Employer contributions

	2018	2017
	\$000	\$000
State government departments	29 548	34 086
Statutory authorities – state government entities	12 811	14 926
Statutory authorities – non-state government entities	157	186
	<hr/>	<hr/>
	42 516	49 198

16. Reconciliation of cash and cash equivalents

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

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	2018 \$000	2017 \$000
Cash and cash equivalents	8 800	5 725
Reconciliation of operating result to net cash flows from operating activities		
Net operating result	279 331	412 347
Adjustments for:		
Changes in investments measured at fair value	(583 534)	(603 603)
Investment expenses	44 315	38 859
(Increase) / decrease in receivables	(6)	11
Increase in payables	2	2
Allocation to members' accounts	248 134	140 775
Net flows from operating activities	(11 758)	(11 609)

17.

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 a change in foreign exchange rates.

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

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

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

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II. Interest rate risk

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

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

Funds SA manages interest rate risk through:

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

III. Other market price risk

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

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

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

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

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

IV. Investments sensitivity analysis

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

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2018				
Investment Option	%	%	\$000	\$000
High Growth A	8.5%	12.1%	29 240	3 538
Growth A	7.8%	10.2%	503 763	51 384
Balanced A	7.2%	8.9%	53 182	4 733
Moderate A	6.4%	7.0%	19 981	1 399
Conservative A	5.6%	5.2%	23 028	1 197
Capital Defensive A	4.7%	3.3%	9 207	304
Cash A	3.2%	1.4%	7 133	100
Socially Responsible	6.4%	10.5%	1 979	208
DB High Growth	8.4%	11.3%	4 400 645	497 273
2017				
Investment Option	%	%	\$000	\$000
High Growth A	8.3%	12.0%	27 715	3 326
Growth A	7.7%	10.2%	503 386	51 345
Balanced A	7.1%	8.9%	45 729	4 070
Moderate A	6.3%	6.9%	17 008	1 174
Conservative A	5.5%	5.1%	24 353	1 242
Capital Defensive A	4.6%	3.3%	12 710	419
Cash A	2.9%	1.5%	10 224	153
Socially Responsible	6.2%	10.3%	2 606	268
DB High Growth	8.3%	11.3%	4 243 412	479 506

Note the 2017 sensitivity values have been restated from the prior year for consistency with the 2018 presentation.

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

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

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

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

(b) Credit risk

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

The 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 counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

(c) Liquidity risk

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

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

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

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

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

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

30 June 2017	Less than 3 Months	Total Contractual Cash Flows	Carrying Amount of liabilities
	\$000	\$000	\$000
Benefits payable	16 796	16 796	16 796
Payables ⁽ⁱ⁾	22	22	22
Vested benefits ⁽ⁱⁱ⁾	9 997 187	9 997 187	9 997 187
Total	10 014 005	10 014 005	10 014 005

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

South Australian Superannuation Scheme

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

(d) Derivative financial instruments

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

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

18.

Net assets available for member benefits

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

	Old Scheme Division	New Scheme Division	Total 2018	Total 2017
	\$000	\$000	\$000	\$000
SA Superannuation Fund Account (employee component)				
Funds held at 1 July	1 509 951	643 333	2 153 284	2 056 039
Contributions	1 210	14 306	15 516	17 383
Rollovers from other schemes	-	531	531	850
Changes in investments measured at fair value	183 237	67 506	250 743	259 547
Government co-contributions	-	-	-	33
Bank interest and other revenue	18	15	33	29
	184 465	82 358	266 823	277 843
Benefits Paid and Payable	90 622	83 231	173 853	163 143
Investment expenses	13 831	4 785	18 616	16 610
Co-contributions transferred to other schemes	-	-	-	33
Administration expenses	494	396	890	812
	104 947	88 412	193 359	180 599
Funds held at 30 June	1 589 469	637 279	2 226 748	2 153 284

South Australian Superannuation Scheme

	2018	2017
SA Superannuation Scheme Contribution		
Account	\$000	\$000
(employer component)		
Funds held at 1 July	2 830 983	2 718 197
Employer contributions:		
State Government departments	29 548	34 086
Statutory Authorities	12 968	15 112
Contribution for past service liability	371 819	392 373
	<u>414 335</u>	<u>441 571</u>
Changes in investments measured at fair value	332 791	344 056
Bank interest and other revenue:		
Public authorities	35 900	36 822
Interest received	78	67
Temporary disability	23	53
	<u>783 127</u>	<u>822 569</u>
Benefits paid and payable:		
Old scheme contributors	551 971	546 505
New scheme contributors	138 956	130 122
	<u>690 927</u>	<u>676 627</u>
Investment expenses	25 699	22 249
Higher education superannuation costs	8 912	9 019
Administration expenses	2 064	1 888
	<u>727 602</u>	<u>709 783</u>
Funds held at 30 June	2 886 508	2 830 983
Net assets available for member benefits	5 113 256	4 984 267

19. Segment information

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

20. Related parties

Key management personnel

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

Compensation

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

Transactions with key management personnel and other related parties

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

Transactions with other government entities

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

21. Events after the reporting period

There were no significant events after the reporting period.

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*;
- is in accordance with the accounts and records of the Scheme; and
- presents fairly the financial position of the Scheme as at 30 June 2018 and the results of its operation and cash flows for the year then ended on that date, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

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.



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Virginia Deegan
BOARD MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 17/09/2018



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**To the Chair Audit Risk and Finance Committee
South Australian Superannuation Board
Southern State Superannuation Scheme**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 15(3) of the *Southern State Superannuation Act 2009*, I have audited the financial report of the Southern State Superannuation Scheme for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Southern State Superannuation Scheme as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2018
- an Income Statement for the year ended 30 June 2018
- a Statement of Changes in Member Benefits for the year ended 30 June 2018
- a Statement of Changes in Reserves for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate a Board Member of the South Australian Superannuation Board, Chief Executive, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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



Andrew Richardson
Auditor-General
20 September 2018

Southern State Superannuation Scheme

Statement of Financial Position

as at 30 June 2018

	Note	2018 \$000	2017 \$000
Assets			
Cash and cash equivalents		21 288	15 996
Receivables	6	1 357	613
Contributions receivable	7	40 313	24 039
Investments	4	17 242 415	15 406 188
Total assets		17 305 373	15 446 836
Liabilities			
Benefits payable		86 737	55 390
Payables	8	1 700	476
Unearned revenue		-	568
Insurance liabilities		23 723	22 216
Total liabilities excluding member benefits		112 160	78 650
Net assets available for member benefits		17 193 213	15 368 186
Member benefit liabilities	3	16 991 695	15 187 504
Total net assets		201 518	180 682
Equity			
Death, invalidity and income protection insurance reserve	9	155 347	149 835
Administration fee reserve	10	4 027	7 518
Operational risk reserve	11	32 873	30 050
Investment allocation over/(under)	13	9 271	(6 721)
Total equity		201 518	180 682

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

Income Statement

for the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Net changes in investments measured at fair value			
Interest revenue		326	293
Other revenue		13	13
Total revenue		1 593 643	1 595 472
Investment expenses	14	111 245	101 105
Administration expenses	15	16 526	11 634
Total expenses		127 771	112 739
Result from superannuation activities		1 465 872	1 482 733
Insurance expenses		6 693	5 628
Result from operating activities		1 459 179	1 477 105
Net benefits allocated to members accounts		(1 438 292)	(1 469 013)
Net operating result		20 887	8 092

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

Southern State Superannuation Scheme

Statement of Changes in Member Benefits

for the year ended 30 June 2018

	2018 \$000	2017 \$000
Opening balance as at 1 July	15 187 504	13 349 428
Employer contributions	1 156 697	1 098 629
Member contributions	109 250	140 589
Transfers from other super entities	371 518	322 152
Government co-contributions	1 291	1 389
Net contributions	1 638 756	1 562 759
Benefits to members	(1 272 857)	(1 193 696)
Net benefits allocated to members, comprising:		
Net investment income	1 454 805	1 480 634
Net administration expenses	(16 513)	(11 621)
Closing balance as at 30 June 2018	16 991 695	15 187 504

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

Statement of Changes in Reserves

for the year ended 30 June 2018

2018	Death, Invalidity and Income Protection		Operational Risk Reserve	Over/(under) allocated benefits	Total equity \$000
	Administration	Insurance			
	Fee Reserve \$000	Reserve \$000			
Opening balance	7 518	149 835	30 050	(6 721)	180 682
Net operating result	(3 491)	5 512	2 868	15 998	20 887
Net transfers from reserves/equity	-	-	(45)	(6)	(51)
Closing balance	4 027	155 347	32 873	9 271	201 518

2017	Death, Invalidity and Income Protection		Operational Risk Reserve	Over/(under) allocated benefits	Total equity \$000
	Administration	Insurance			
	Fee Reserve \$000	Reserve \$000			
Opening balance	5 962	141 260	27 424	(2 053)	172 593
Net operating result	1 556	8 575	3 019	(5 058)	8 092
Net transfers from reserves/equity	-	-	(393)	390	(3)
Closing balance	7 518	149 835	30 050	(6 721)	180 682

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

Southern State Superannuation Scheme

Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Bank interest		335	303
Other income		1 235	945
Insurance administration expenses paid		(5 506)	(2 740)
Administration expenses paid		(17 730)	(12 478)
Net cash flows from operating activities	17	(21 666)	(13 970)
Receipts from the sale of investments from Funds SA		267 854	233 352
Payments to Funds SA for the purchase of investments		(622 022)	(621 913)
Net cash flows from investing activities		(354 168)	(388 561)
Employer contributions		1 140 309	1 093 191
Member contributions		108 620	140 380
Government co-contributions		1 170	1 510
Transfers from other superannuation entities		371 262	322 119
Benefit payments to members		(1 240 190)	(1 163 963)
Payments from Operational Risk Reserve		(45)	(18)
Net cash flows from financing activities		381 126	393 219
Net change in cash		5 292	(9 313)
Cash at beginning of the financial period		15 996	25 309
Cash at end of the financial period		21 288	15 996

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

Southern State Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) Southern State Superannuation Scheme

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

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1 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 that is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 9.50 percent (2017 9.50) 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 and meet a condition of release, are retrenched, elect Transition to Retirement or Early Access to Super while still an employee of the SA Public Sector or die, or become terminally ill, or terminate their employment because of invalidity. The balance of individual member entitlements is provided in annual statements provided to each member.

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

(b) South Australian Superannuation Board

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

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

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

(d) Funding arrangements

The Act requires that member contributions, employer contributions, rollovers from other schemes and co-contributions paid by the Commonwealth be paid to the Treasurer, who, in turn, deposits these amounts into the Fund, the Consolidated Account (which is appropriated to the necessary extent) or to a Special Deposit Account with the Department of Treasury and Finance 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.

Southern State Superannuation Scheme

2. Significant accounting policies

(a) Basis of accounting

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

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

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

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

(b) New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments (AASB 9)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is first applicable to the Scheme for the year ending 30 June 2019. The new standard includes a model for classification and measurement, a single, forward looking 'expected loss' impairment model and a substantially-performed approach to hedge accounting.

All of the Scheme's financial assets are currently measured at fair value through profit or loss and will continue to be measured on that basis under AASB 9. Super SA has conducted an assessment on behalf of the Scheme and has determined there will be no material impact of the standard on the Scheme's accounting for financial instruments.

AASB 15 Revenue from Contracts with Customers (AASB 15)

The principle of AASB 15 is that revenue is recognised when control of a good or service transfers to a customer, so that the notion of control replaces the existing notion of risks and rewards. AASB 15 is first applicable to the Scheme for the year ending 30 June 2019. Super SA has assessed the impact of the new rules on behalf of the Scheme and determined that there will be no material impact on the financial statements.

AASB 16 Leases (AASB 16)

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

The Scheme has no operating leases, and while Super SA is in the process of analysing the impact of the new standard on the Scheme, it expects there will be no material impact on the Scheme's financial statements.

There are no other "not yet effective" accounting standards that are expected to have a material impact on the Scheme in the current or future reporting periods.

(c) Financial assets and liabilities

i) Classification

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

Financial assets and liabilities held for trading

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Scheme.

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

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

Other financial liabilities

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

ii) Recognition

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

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

iii) Initial recognition

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

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

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

iv) Subsequent measurement

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

v) Fair value measurement

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to financial statements note 4.

vi) Cash and cash equivalents

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

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

vii) Receivables and payables

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

viii) Benefits payable

Benefits payable are valued at fair value and relate to members who have ceased employment and provided the Scheme with appropriate notification on or prior to 30 June 2018 but paid after 30 June 2018. These also include pension payments payable on or prior to 30 June 2018 but paid after 30 June 2018.

ix) Insurance liabilities

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

x) Revenue recognition

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

Changes in fair values

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

Southern State Superannuation Scheme

Interest

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

x) 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.

xii) Goods and services tax (GST)

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

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

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

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

xiii) Foreign currency

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

xiv) Investments

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

(1) Inflation Linked Securities A

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

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

(2) 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.

(3) 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.

(4) 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.

(5) Short Term and Long Term Fixed Interest

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

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(6) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015). 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.

(7) Diversified Strategies Income

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

(8) 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.

(9) 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.

xv) **Operation of investment portfolio**

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2018, Funds SA managed eight distinct investment options each differing by strategic asset allocation:

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

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

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.

xvi) **Significant accounting judgements, estimates and assumptions**

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

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

Fair value of investments

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

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

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3. Member benefit liabilities

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

	2018	2017
	\$000	\$000
Members liability at the end of financial year	16 991 695	15 187 504
As compared to net assets available to pay benefits	17 193 213	15 368 186

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

4. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

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

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

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

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

Valuation technique

The Scheme's investments are not quoted in an active market. The Scheme's investment manager, Funds SA considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the underlying funds and fund managers. In measuring fair value, consideration is also paid to any transactions of a fund. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

	2018	2017
	\$000	\$000
Financial assets at fair value through profit or loss - Level 2		
Level 1 and level 3 are not relevant to the Scheme		
Unlisted managed investment schemes		
Funds SA	17 242 415	15 406 188

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5. Value of investments by option

	2018 \$000	2017 \$000
High Growth A	1 293 826	1 089 735
Growth A	629 327	520 001
Balanced A	14 281 366	12 791 849
Moderate A	273 455	245 196
Conservative A	338 323	327 553
Capital Defensive A	175 893	171 090
Cash A	195 286	213 867
Socially Responsible	54 940	46 897
Investments at 30 June	17 242 416	15 406 188

Note that the 2017 investment values have been restated for consistency with the current year presentation.

6. Receivables

	2018 \$000	2017 \$000
ATO GST recoup	558	268
Interest	28	24
Other receivables	511	224
Rollovers receivable	260	97
	1 357	613

7. Contributions receivables

	2018 \$000	2017 \$000
Member contributions	1 666	1 255
Employer contributions	38 647	22 784
	40 313	24 039

8. Payables

	2018 \$000	2017 \$000
Audit fees	80	79
Other payables	1 620	366
Contributions refundable	-	31
	1 700	476

9. Death, Invalidity and Income Protection Insurance Reserve

The Scheme self-insures and provides an insurance benefit based on units of cover, subject to certain limitations, in the event of death or 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 can 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. 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. Fixed Insurance closed to new applications in November 2014.

As required by Section 17 of the Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2016. The actuary concluded that the reserves are sufficient to support the Death and TPD premium subsidy of \$0.25 per

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unit per week for the next three years and the expected cost of the premium subsidy is \$3.5 million per annum. In respect of Income Protection, the report reveals that the expected loss for 2015-16 is \$4.2 million and that these losses will continue until new IP premiums are implemented. In accordance with section 17 of the Act, the next report regarding the costs and liabilities of the insurance arrangements will be performed as at 30 June 2019 and be available by 30 June 2020.

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.

	2018	2017
	\$000	\$000
Opening Balance of Insurance Reserve	149 835	141 260
Investment earnings on Insurance Reserve ⁽ⁱ⁾	13 994	15 295
Premiums and charges	<u>27 281</u>	<u>26 313</u>
	41 275	41 608
Benefit payments	(30 577)	(30 403)
Administration fees ⁽ⁱⁱ⁾	<u>(5 186)</u>	<u>(2 630)</u>
Closing balance of Reserve	<u>155 347</u>	<u>149 835</u>

(i) The Insurance Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2018 was 9.0 percent.

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

10. Administration Fee Reserve

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

	2018	2017
	\$000	\$000
Opening Balance of Administration Fee Reserve	7 518	5 962
Investment earnings on Administration Fee Reserve ⁽ⁱ⁾	673	775
Premiums and charges	<u>12 216</u>	<u>12 293</u>
	12 889	13 068
Administration fees ⁽ⁱⁱ⁾	<u>(16 380)</u>	<u>(11 512)</u>
Closing balance of Reserve	<u>4 027</u>	<u>7 518</u>

(i) The Administration Fee Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2018 was 9.0 percent.

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

11. Operational Risk Reserve

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

	2018	2017
	\$000	\$000
Opening Balance of Operational Risk Reserve	30 050	27 424
Investment Revenue on Operational Risk Reserve ⁽ⁱ⁾	2 868	3 019
Transfer to Reserve	<u>(45)</u>	<u>(393)</u>
Closing balance of Reserve	<u>32 873</u>	<u>30 050</u>

(i) The Operational Risk Reserve is notionally invested in the Balanced Option. The rate of return on earnings 2018 was 9.0 percent.

12. Allocated to members' accounts

The value of funds which have been formally allocated to investor accounts equals the member benefits. The formal allocation of earnings to investors' accounts has been determined for the 2017-18 financial year.

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- 13. Unallocated to members' accounts**
 All accumulation funds carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to members on a cash basis.
- 14. Investment expenses**

	2018 \$000	2017 \$000
Investment expense	111 245	101 105

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. Current year investment expenses increased due to higher total investments and investment performance for the financial year.

- 15. Administration expenses**

	2018 \$000	2017 \$000
Administration fees ⁽ⁱ⁾	16 379	11 512
Other expenses ⁽ⁱⁱ⁾	147	122
	16 526	11 634

- 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 2018, 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 2018, the amount charged to members' employer contribution accounts was \$12.2 million (2017: \$12.3 million).

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly. Based on actual costs, the charge for the year ended 30 June 2018, was \$16.4 million (2017: \$11.5 million).

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

- 16. Auditors' remuneration**

	2018 \$000	2017 \$000
Audit fees	76	75

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

- 17. Reconciliation of cash and cash equivalents**

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

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	2018 \$000	2017 \$000
Cash and cash equivalents	21 288	15 996
Reconciliation of operating result to net cash from operating activities		
Net operating result	20 887	8 092
Adjustments for:		
Changes in investments measured at fair value	(1 593 304)	(1 595 166)
Investment expenses	111 245	101 105
Insurance recognition	1 507	3 025
Decrease/(increase) in receivables	264	(41)
(Decrease)/increase in payables	(557)	2
Allocation to members' accounts	1 438 292	1 469 013
Net cash outflows from operating activities	<u>(21 666)</u>	<u>(13 970)</u>

18. 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 a change in foreign exchange rates.

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

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

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

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

II. Interest rate risk

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

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

Funds SA manages interest rate risk through:

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

III. Other market price risk

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

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

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

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

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

IV. Investments sensitivity analysis

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

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

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2017	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
Investment Option	%	%	\$000	\$000
High Growth A	8.3%	12.0%	1 017 669	122 120
Growth A	7.7%	10.2%	472 993	48 245
Balanced A	7.1%	8.9%	12 005 458	1 068 486
Moderate A	6.3%	6.9%	210 765	14 543
Conservative A	5.5%	5.1%	316 880	16 161
Capital Defensive A	4.6%	3.3%	169 242	5 585
Cash A	2.9%	1.5%	220 909	3 314
Socially Responsible	6.2%	10.3%	50 963	5 249

Note the 2017 sensitivity values have been restated from the prior year for consistency with the 2018 presentation.

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

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

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

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

(b) Credit risk

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

The 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 counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

(c) Liquidity risk

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

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

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

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

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

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2018	Less than 3 Months	Total contractual Cash Flows	Carrying amount liabilities
	\$000	\$000	\$000
Benefits payable	86 737	86 737	86 737
Vested benefits ⁽ⁱⁱ⁾	16 991 695	16 991 695	16 991 695
Total	17 078 432	17 078 432	17 078 432

2017	Less than 3 Months	Total contractual Cash Flows	Carrying amount liabilities
	\$000	\$000	\$000
Benefits payable	55 390	55 390	55 390
Unearned revenue ⁽ⁱ⁾	568	568	568
Vested benefits ⁽ⁱⁱ⁾	15 187 504	15 187 504	15 187 504
Total	15 243 462	15 243 462	15 243 462

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

(d) Derivative financial instruments

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

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

19. Segment information

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

20. Related parties

Key management personnel

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

Compensation

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

Transactions with key management personnel and other related parties

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

Transactions with other government entities

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

21. Events after the reporting period

From 3 September 2018 the Scheme implements Project Protect, which introduces new Death and Total and Permanent Disablement (TPD) and Income Protection (IP) insurance products. Enhancements arising from Project Protect:

- are more sustainable,
- have closer alignment to industry practice, and
- offer greater flexibility for members.

Southern State Superannuation Scheme

Certification of the financial report

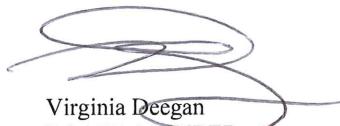
We certify that the attached general purpose financial report for the Southern State Superannuation Scheme:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*;
- is in accordance with the accounts and records of the Scheme; and
- presents fairly the financial position of the Scheme as at 30 June 2018 and the results of its operation and cash flows for the year then ended on that date, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

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.



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Virginia Deegan
BOARD MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 17/09/2018



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**To the Chair Audit Risk and Finance Committee
South Australian Superannuation Board
Super SA Retirement Investment Fund**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 15(3) of the *Southern State Superannuation Act 2009*, I have audited the financial report of the Super SA Retirement Investment Fund for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Super SA Retirement Investment Fund as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2018
- an Income Statement for the year ended 30 June 2018
- a Statement of Changes in Member Benefits for the year ended 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from a Board Member of the South Australian Superannuation Board, Chief Executive, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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



Andrew Richardson
Auditor-General
20 September 2018

Super SA Retirement Investment Fund

Statement of Financial Position
As at 30 June 2018

	Note	2018 \$000	2017 \$000
Assets			
Cash and cash equivalents	12	27 049	18 370
Receivables	4	239	544
Investments	5	4 363 204	3 757 833
Total Assets		4 390 492	3 776 747
Liabilities			
Benefits payable		15 162	11 426
Payables	7	718	460
Insurance liabilities		325	305
Provision for PAYG withholding tax		108	96
Income tax payable	11(b)	4 766	3 210
Deferred tax liabilities	11(c)	16 843	10 305
Total liabilities excluding member benefits		37 922	25 802
Net assets available for member benefits		4 352 570	3 750 945
Member benefits			
Income Stream (IS) member benefit liabilities	3	3 179 310	2 754 637
Flexible Rollover Product (FRP) member benefit liabilities	3	1 154 283	985 084
Total member benefits		4 333 593	3 739 721
Total net assets		18 977	11 224
Equity			
Administration Fee Reserve	13	15 098	11 955
Insurance Reserve	14	2 464	1 936
Operational Risk Reserve	15	8 359	5 824
Investment allocation (under)		(6 944)	(8 491)
Total equity		18 977	11 224

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

Income Statement
For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Change in investments measured at fair value		330 981	310 830
Interest		360	300
Other income		5 474	4 911
Total revenue		336 815	316 041
Investment expenses	8	25 260	19 534
Administration expenses	9	3 643	2 353
Total expenses		28 903	21 887
Result from superannuation activities		307 912	294 154
Net result from insurance activities		508	437
Result from operating activities		308 420	294 591
Net benefits allocated to IS members accounts		(225 117)	(229 592)
Net benefits allocated to FRP members accounts		(74 738)	(69 452)
Operating result before income tax		8 565	(4 453)
Income tax expense (benefit)	11(a)	774	(1 102)
Net operating result		7 791	(3 351)

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

Super SA Retirement Investment Fund

Statement of Changes in Member Benefits

For the year ended 30 June 2018

	Note	Flexible Rollover Product	Income Stream	Totals
		\$000	\$000	\$000
Opening Balance as at 1 July 2017		985 084	2 754 637	3 739 721
Member contributions		55 164	-	55 164
Government co-contributions		58	-	58
Spouse contributions		1 034	-	1 034
Rollovers from other schemes		385 672	759 097	1 144 769
Income tax on rollovers		(33 161)	(49 518)	(82 679)
Net contributions		408 767	709 579	1 118 346
Benefits to members		(314 001)	(510 023)	(824 024)
Insurance premiums charged to members		(305)	-	(305)
Net benefits comprising:				
Net investment income		75 624	231 633	307 257
Administration fees		(886)	(6 516)	(7 402)
Closing Balance as at 30 June 2018	3	1 154 283	3 179 310	4 333 593

	Note	Flexible Rollover Product	Income Stream	Totals
		\$000	\$000	\$000
Opening Balance as at 1 July 2016		773 264	2 394 058	3 167 322
Member contributions		92 369	-	92 369
Government co-contributions		68	-	68
Spouse contributions		1 844	-	1 844
Rollovers from other schemes		382 148	742 359	1 124 507
Income tax on rollovers		(25 542)	(51 544)	(77 086)
Net contributions		450 887	690 815	1 141 702
Benefits to members		(308 192)	(559 828)	(868 020)
Insurance premiums charged to members		(327)	-	(327)
Net benefits comprising:				
Net investment income		70 187	235 419	305 606
Administration fees		(735)	(5 827)	(6 562)
Closing Balance as at 30 June 2017	3	985 084	2 754 637	3 739 721

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

Super SA Retirement Investment Fund

Statement of Changes in Equity
For the year ended 30 June 2018

	Administration Fee Reserve	Insurance Reserve	Operational Risk Reserve	(Under)/over allocated benefits	Total Equity
2018	\$000 Note 13	\$000 Note 14	\$000 Note 15	\$000	\$000
Opening Balance	11 955	1 936	5 824	(8 491)	11 224
Net operating result	3 143	528	2 535	1 585	7 791
Net transfers to/from reserves/equity	-	-	-	(38)	(38)
Closing Balance	15 098	2 464	8 359	(6 944)	18 977
	Administration Fee Reserve	Insurance Reserve	Operational Risk Reserve	(Under)/over allocated benefits	Total Equity
2017	\$000 Note 13	\$000 Note 14	\$000 Note 15		\$000
Opening Balance	8 305	1 456	3 727	1 037	14 525
Net operating result	3 650	480	2 097	(9 578)	(3 351)
Net transfers to/from reserves/equity	-	-	-	50	50
Closing Balance	11 955	1 936	5 824	(8 491)	11 224

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

Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
GST recoup		202	162
Other income		353	313
Administration expenses paid		(3 880)	(2 522)
Income tax paid		(7 357)	(18 831)
Net cash flows from operating activities	12	(10 682)	(20 878)
Payments to Funds SA for the purchase of investments		(706 360)	(683 701)
Receipts from the sale of investments from Funds SA		412 357	409 321
Net cash flows from investing activities		(294 003)	(274 380)
Member contributions		54 923	92 609
Spouse contributions		1 034	1 844
Government co-contributions		57	68
Net transfers from other superannuation entities		1 145 620	820 158
Payments from the Operational Risk Reserve		-	(23)
Income Stream payments		(511 347)	(415 816)
Flexible Rollover Product payments		(308 920)	(143 591)
Contributions tax paid		(68 003)	(66 377)
Net cash flows from financing activities		313 364	288 872
Net change in cash		8 679	(6 386)
Cash at beginning of the financial period		18 370	24 756
Cash at end of the financial period	12	27 049	18 370

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

Super SA Retirement Investment Fund

Notes to the Financial Statements

1. Objectives and funding

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

The Flexible Rollover Product and the Super SA Income Stream Product were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994*. The Fund was established under Section 47(B) of the repealed Act. The Fund is now continued under Part 3 Division 4 of the *Southern State Superannuation Regulations 2009* (the Regulations).

Part 3 Division 4 provides that the South Australian Superannuation Board (the Board) may provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Regulation 45 provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

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

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

The Income Stream may only receive rollovers from investors.

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

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

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

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

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

(b) **South Australian Superannuation Board**

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

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

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

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

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

(d) **Funding arrangements**

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

2. Significant accounting policies

(a) **Basis of accounting**

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

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

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

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

Super SA Retirement Investment Fund

(b) New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments (AASB 9)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is first applicable to the Fund for the year ending 30 June 2019. The new standard includes a model for classification and measurement, a single, forward looking ‘expected loss’ impairment model and a substantially-performed approach to hedge accounting.

All of the Fund’s financial assets are currently measured at fair value through profit or loss and will continue to be measured on that basis under AASB 9. Super SA has conducted an assessment on behalf of the Fund and has determined there will be no material impact of the standard on the Fund’s accounting for financial instruments.

AASB 15 Revenue from Contracts with Customers (AASB 15)

The principle of AASB 15 is that revenue is recognised when control of a good or service transfers to a customer, so that the notion of control replaces the existing notion of risks and rewards. AASB 15 is first applicable to the Fund for the year ending 30 June 2019. Super SA has assessed the impact of the new rules on behalf of the Fund and determined that there will be no material impact on the financial statements.

AASB 16 Leases (AASB 16)

AASB 16 is first applicable for the year ending 30 June 2020. Assets and Liabilities will be reported on the balance sheet for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

The Fund has no operating leases, and while Super SA is in the process of analysing the impact of the new standard on the Fund, it expects there will be no material impact on the Fund’s financial statements.

There are no other “not yet effective” accounting standards that are expected to have a material impact on the Fund in the current or future reporting periods.

(c) Financial assets and liabilities

(a) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

Financial assets and liabilities held for trading

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Fund, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Fund.

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

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

Other financial liabilities

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

(b) Recognition

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

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

(c) Initial recognition

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

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

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

(d) Subsequent measurement

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

Super SA Retirement Investment Fund

(e) Fair value measurement

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Receivables and payables

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

(h) Benefits payable

Benefits payable are valued at fair value and relate to members who are eligible to receive payment and provided the Fund with appropriate notification on or prior to 30 June 2018 but paid after 30 June 2018.

(i) Insurance liabilities

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

(j) Revenue recognition

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

Changes in fair values

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

Interest

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

(k) Taxation

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

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 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).

Super SA Retirement Investment Fund

Deferred tax

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

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

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

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

(l) Goods and services tax (GST)

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

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

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

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

(m) Foreign currency

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

(n) Investments

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

(i) Inflation Linked Securities B

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

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

(ii) Property B

The Property B portfolio comprises two sub-sectors:

Listed Property Trusts

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

Unlisted property vehicles

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

(iii) Australian Equities B

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

Super SA Retirement Investment Fund

(iv) International Equities B

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

(v) Short Term and Long Term Fixed Interest

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

(vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

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

(viii) Cash

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

(ix) Socially Responsible Investment

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

(o) Operation of investment portfolio

Funds SA is responsible for the investment and management of the Fund's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2018, Funds SA managed eight distinct investment options each differing by strategic asset allocation:

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

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

(p) Member liabilities

Member liabilities are measured at the amount of accrued benefits. As defined contribution member liabilities, they are measured as the amount of member account balances as at the reporting date.

(q) Significant accounting judgements, estimates and assumptions

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

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

Super SA Retirement Investment Fund

Fair value of investments

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

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

3. Member benefit liabilities

Members are defined contribution members and bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Member account balances are determined by unit prices that are determined based on the underlying investment movements. Unit prices are updated daily.

	Flexible Rollover		Income Stream		Totals	
	Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
			\$000	\$000	\$000	\$000
Member benefits	1 154 283	985 084	3 179 310	2 754 637	4 333 593	3 739 721
As compared to net assets	1 159 742	989 491	3 192 828	2 761 454	4 352 570	3 750 945

4. Receivables

	Flexible Rollover		Income Stream		Totals	
	Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
			\$000	\$000	\$000	\$000
Refund from ATO for GST	17	15	72	31	89	46
Interest	10	9	20	15	30	24
Contributions receivable	-	140	-	-	-	140
Rollovers receivable	-	-	120	334	120	334
	27	164	212	380	239	544

5. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

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

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

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

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

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

Valuation technique

The Fund's investments are not quoted in an active market. The Fund's investment manager, Funds SA considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the underlying funds and fund managers. In measuring fair value, consideration is also paid to any transactions of a fund. The Fund classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

Super SA Retirement Investment Fund

	Flexible Rollover Product		Income Stream		Totals	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Financial assets at fair value through profit or loss - Level 2						
Level 1 and level 3 are not relevant to the Fund						
Unlisted managed investment schemes						
Funds SA	1 175 119	995 694	3 188 085	2 762 139	4 363 204	3 757 833
	1 175 119	995 694	3 188 085	2 762 139	4 363 204	3 757 833

6. Movement in the value of investments

	Flexible Rollover Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
Investments at 1 July	995 694	787 706	2 762 139	2 399 387	3 757 833	3 187 093
High Growth	6 683	12 537	19 918	7 634	26 601	20 171
Growth	26 414	27 494	48 746	37 139	75 160	64 633
Balanced	111 227	121 746	250 159	263 430	361 386	385 176
Moderate	27 419	28 299	70 950	81 186	98 369	109 485
Conservative	21 474	12 132	31 148	17 994	52 622	30 126
Capital Defensive	8 148	8 889	13 682	(9 459)	21 830	(570)
Cash	(24 024)	(783)	(11 706)	(32 297)	(35 730)	(33 080)
Socially Responsible	2 084	(2 326)	3 049	(2 875)	5 133	(5 201)
Change in investments	179 425	207 988	425 946	362 752	605 371	570 740
Investments at 30 June	1 175 119	995 694	3 188 085	2 762 139	4 363 204	3 757 833

7. Payables

	Flexible Rollover Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
Audit fees payable	15	15	32	31	47	46
Contributions refundable	100	380	-	-	100	380
Rollovers refundable	365	-	206	34	571	34
	480	395	238	65	718	460

8. Investment expenses

	Flexible Rollover Product		Income Stream		Totals	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
Investment expenses	6 778	4 772	18 482	14 762	25 260	19 534
	6 778	4 772	18 482	14 762	25 260	19 534

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. Current year investment expenses increased due to higher total investments and investment performance for the financial year.

Super SA Retirement Investment Fund

9. Administration expenses

	Flexible Rollover		Income Stream		Totals	
	Product		2018		2018	2017
	2018	2017	\$000	\$000	\$000	\$000
Administration expenses	826	769	2 768	1 535	3 594	2 304
Other expenses ⁽ⁱ⁾	15	16	34	33	49	49
	841	785	2 802	1 568	3 643	2 353

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

10. Auditors' remuneration

		2018 \$000	2017 \$000
Audit fees paid or payable		43	42
		43	42

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

11. Income tax

	Flexible Rollover		Income Stream		Totals	
	Product		2018		2018	2017
	2018	2017	\$000	\$000	\$000	\$0
Major components of tax expense						
(a) Current income tax expense						
Current tax charge	1 875	1 507	(7 012)	(6 827)	(5 137)	(5 320)
Adjustment to current tax for prior periods	403	(112)	(1 029)	177	(626)	65
Relating to the originating and reversal of temporary differences	5 083	4 037	1 765	-	6 848	4 037
Adjustment to deferred tax for prior periods	(311)	116	-	-	(311)	116
Income tax expense	7 050	5 548	(6 276)	(6 650)	774	(1 102)
The prima facie income tax expense on the benefits accrued as a result of operations before income tax reconciles to the income tax expense in the Income Statement as follows:						
Net operating result before tax	8 144	1 537	421	(5 990)	8 565	(4 453)
Tax applicable at the rate of 15% (2017: 15%)	1 222	231	63	(899)	1 285	(668)
Tax effect of expenses that are not assessable/or deductible in determining taxable income:						
Non deductible expenses	-	-	46	24	46	24
Tax effect of income /(losses) that are not assessable/or deductible in determining taxable income:						
Investment revenue	(2 209)	(1 496)	(4 390)	-	(6 599)	(1 496)
Exempt pension income	-	-	(26 641)	(33 786)	(26 641)	(33 786)
Tax effect of other adjustments:						
Imputation and foreign tax credits	(3 076)	(3 459)	(7 764)	(6 481)	(10 840)	(9 940)
(Over)/under provision prior period	92	(37)	(1 029)	177	(937)	140
Self-Insurance deduction	(65)	(60)	-	-	(65)	(60)
Anti-Detriment deductions	-	-	-	(124)	-	(124)
Net benefit allocated to members	11 092	10 418	33 439	34 439	44 531	44 857
Deductible financial planning fees	(6)	(6)	-	-	(6)	(6)
Movement in insurance liabilities	-	(43)	-	-	-	(43)
Income tax expense	7 050	5 548	(6 276)	(6 650)	774	(1 102)

Super SA Retirement Investment Fund

(b) Current tax liabilities

Balance at beginning of year	1 042	3 984	2 168	12 676	3 210	16 660
Income tax paid - current period	(33 251)	(26 007)	(39 524)	(42 549)	(72 775)	(68 556)
Income tax paid - prior periods	(1 445)	(3 825)	(1 139)	(12 826)	(2 584)	(16 651)
Current years income tax provision	35 036	27 048	42 505	44 717	77 541	71 765
(Over)/under provision prior period	403	(158)	(1 029)	150	(626)	(8)
Current tax liability	1 785	1 042	2 981	2 168	4 766	3 210

(c) Deferred tax liability

The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date is made up as follows:

	(2)	(2)	(1)	-	(3)	(2)
Accrued expenses						
Realised capital losses carried forward (discounted)	(1 232)	(979)	(92)	-	(1 324)	(979)
Unrealised capital losses/(gains) carried forward (discounted)	16 312	11 286	1 858	-	18 170	11 286
Deferred tax liability	15 078	10 305	1 765	-	16 843	10 305

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

12. Reconciliation of cash and cash equivalents

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

	Flexible Rollover		Income Stream		Totals	
	Product		2018	2017	2018	2017
	2018	2017	\$000	\$000	\$000	\$000
Cash and cash equivalents	10 989	9 337	16 060	9 033	27 049	18 370

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

Net operating result	1 094	7 085	6 697	(12 640)	7 791	(5 555)
Adjustments for:						
Change in investments measured at fair value	(89 417)	(75 600)	(241 564)	(235 230)	(330 981)	(310 830)
Investment expenses	6 778	4 772	18 482	14 762	25 260	19 534
Administration fee received	(452)	(395)	(5 022)	(4 516)	(5 474)	(4 911)
Net insurance movement	(508)	(437)	-	-	(508)	(437)
Income tax	7 050	5 548	(7 092)	(6 650)	(42)	(1 102)
(Increase) / decrease in receivables	(3)	1	(46)	(4)	(49)	(3)
(decrease) / increase in payables	(5 536)	(19 911)	(2 546)	3 293	(8 082)	(16 618)
Allocation to members accounts	74 738	69 452	225 117	229 592	299 855	299 044
Net cash outflows from operating activities	(6 256)	(9 485)	(5 974)	(11 393)	(12 230)	(20 878)

Super SA Retirement Investment Fund

13. Administration Fee Reserve

The surplus attributable to administration fees for both Income Stream and Flexible Rollover Product included in funds under management were initially recognised in March 2014 as Administration Reserves. The reserves are credited with administration fees deducted from member accounts and debited with the costs incurred in administering the funds.

	Flexible Rollover		Income Stream		Totals	
	Product		2018		2018	2017
	2018	2017	\$000	\$000	\$000	\$000
Opening balance	(153)	212	12 108	8 093	11 955	8 305
Investment earnings ⁽ⁱ⁾	-	9	1 262	1 035	1 262	1 044
Premiums and charges	452	395	5 022	4 516	5 474	4 911
Administration fees	(825)	(769)	(2 768)	(1 536)	(3 593)	(2 305)
Operating result	(373)	(365)	3 516	4 015	3 143	3 650
Closing balance	(526)	(153)	15 624	12 108	15 098	11 955

- (i) The Administration Reserves are notionally invested in the Balanced Option. The annual earning rates were 8.18 percent (FRP), 9.40 percent (IS) and 8.16 percent (TRIS).

14. Insurance Reserve

The surplus attributable to the insurance pool for the Flexible Rollover Product was initially recognised in March 2014 as an Insurance Reserve and operates on a self-insurance basis. This reserve is credited with insurance deductions from member accounts and debited with the value of benefits paid to members. Insurance is not available to Income Stream investors.

	Flexible Rollover		Income Stream		Totals	
	Product		2018		2018	2017
	2018	2017	\$000	\$000	\$000	\$000
Opening balance	1 936	1 456	-	-	1 936	1 456
Investment earnings ⁽ⁱ⁾	172	153	-	-	172	153
Premiums and charges	356	327	-	-	356	327
Benefit payments	-	-	-	-	-	-
Operating result	528	480	-	-	528	480
Closing balance	2 464	1 936	-	-	2 464	1 936

- (i) The Insurance Reserve is notionally invested in the Balanced option. The annual earning rate was 8.18 percent.

15. Operational Risk Reserve

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

	Flexible Rollover		Income Stream		Totals	
	Product		2018		2018	2017
	2018	2017	\$000	\$000	\$000	\$000
Opening balance	1 564	1 125	4 260	2 602	5 824	3 727
Investment earnings ⁽ⁱ⁾	144	122	464	346	608	468
Premiums and charges	434	340	1 493	1 312	1 927	1 652
Payments from reserve	-	(23)	-	-	-	(23)
Operating result	578	439	1 957	1 658	2 535	2 097
Closing balance	2 142	1 564	6 217	4 260	8 359	5 824

- (i) The Operational Risk Reserves are notionally invested in the Balanced option. The annual earning rates were 8.18 percent (FRP), 9.40 percent (IS) and 8.16 percent (TRIS).

Super SA Retirement Investment Fund

16.

Financial risk management objectives and policies

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

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

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

- market risk
- credit risk
- liquidity risk

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

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

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

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

(a) Market risk

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

I. Currency risk

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

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

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

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

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

Funds SA manages interest rate risk through:

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

III. Other market price risk

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

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

Super SA Retirement Investment Fund

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

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

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

IV. Investments sensitivity analysis

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

Income Stream 2018

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

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2018				
Investment Option	%	%	\$000	\$000
High Growth B	8.9%	12.1%	64 566	7 812
Growth B	8.1%	10.2%	173 225	17 669
Balanced B	7.5%	9.0%	1 131 341	101 821
Moderate B	6.6%	7.0%	381 842	26 729
Conservative B	5.7%	5.2%	369 911	19 235
Capital Defensive B	4.8%	3.3%	146 640	4 839
Cash B	3.2%	1.4%	90 411	1 266
Socially Responsible B	6.8%	10.5%	24 198	2 541

Income Stream 2017

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2017				
Investment Option	%	%	\$000	\$000
High Growth B	8.7%	12.1%	69 991	8 469
Growth B	8.0%	10.2%	146 943	14 988
Balanced B	7.4%	8.9%	1 048 047	93 276
Moderate B	6.5%	6.9%	349 477	24 114
Conservative B	5.7%	5.1%	369 477	18 843
Capital Defensive B	4.7%	3.4%	150 856	5 129
Cash B	2.9%	1.5%	117 407	1 761
Socially Responsible B	6.6%	10.2%	26 757	2 729

Super SA Retirement Investment Fund

Income Stream Transition to Retirement 2018

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

Investment Option	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
High Growth B	7.7%	10.9%	36 818	4 013
Growth B	7.1%	9.2%	32 486	2 989
Balanced B	6.5%	8.1%	346 708	28 083
Moderate B	5.7%	6.2%	91 835	5 694
Conservative B	5.0%	4.6%	52 524	2 416
Capital Defensive B	4.1%	2.9%	13 461	390
Cash B	2.7%	1.2%	12 932	155
Socially Responsible B	5.9%	9.4%	6 000	564

Income Stream Transition to Retirement 2017

Investment Option	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
High Growth B	7.6%	10.9%	-	-
Growth B	7.0%	9.1%	-	-
Balanced B	6.5%	8.0%	-	-
Moderate B	5.7%	6.2%	-	-
Conservative B	4.9%	4.6%	-	-
Capital Defensive B	4.1%	3.0%	-	-
Cash B	2.5%	1.3%	-	-
Socially Responsible B	5.7%	9.2%	-	-

Flexible Rollover Product 2018

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

Investment Option	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
High Growth B	7.7%	10.9%	52 282	5 699
Growth B	7.1%	9.2%	104 898	9 651
Balanced B	6.5%	8.1%	523 463	42 401
Moderate B	5.7%	6.2%	139 427	8 644
Conservative B	5.0%	4.6%	116 335	5 351
Capital Defensive B	4.1%	2.9%	82 465	2 391
Cash B	2.7%	1.2%	52 191	626
Socially Responsible B	5.9%	9.4%	13 940	1 310

Super SA Retirement Investment Fund

Flexible Rollover Product 2017

Investment Option	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
High Growth B	7.6%	10.9%	42 701	4 654
Growth B	7.0%	9.1%	77 997	7 098
Balanced B	6.5%	8.0%	407 207	32 577
Moderate B	5.7%	6.2%	111 616	6 920
Conservative B	4.9%	4.6%	99 564	4 580
Capital Defensive B	4.1%	3.0%	73 959	2 219
Cash B	2.5%	1.3%	64 594	840
Socially Responsible B	5.7%	9.2%	14 061	1 294

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

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

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

(b) Credit risk

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

The 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 counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

(c) Liquidity risk

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

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

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

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

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

Super SA Retirement Investment Fund

	Less than 3 Months	\$000	Total	Carrying Amount Liabilities
			Contractual Cash Flows	
30 June 2018				
Benefits payable	15 162	15 162	15 162	\$000
Vested benefits ⁽ⁱ⁾	4 333 593	4 333 593	4 333 593	
Total	4 348 755	4 348 755	4 348 755	

	Less than 3 Months	\$000	Total	Carrying Amount Liabilities
			Contractual Cash Flows	
30 June 2017				
Benefits payable	11 426	11 426	11 426	\$000
Vested benefits ⁽ⁱ⁾	3 739 721	3 739 721	3 739 721	
Total	3 751 147	3 751 147	3 751 147	

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

(d) Derivative financial instruments

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

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

17. Segment information

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

18. Related parties

Key management personnel

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

Compensation

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

Transactions with key management personnel and other related parties

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

Transactions with other government entities

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

19. Events after the reporting period

There were no significant events after the reporting period.

Super SA Retirement Investment Fund

Certification of the Financial Report

We certify that the 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*;
- is in accordance with the accounts and records of the Fund; and
- presents fairly the financial position of the Fund as at 30 June 2018 and the results of its operation and cash flows for the year then ended on that date, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

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.



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Virginia Deegan
BOARD MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
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Date 17/09/2018



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**To the Chair Audit Risk and Finance Committee
South Australian Superannuation Board
South Australian Ambulance Service Superannuation Scheme**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 9 of schedule 3 of the *Superannuation Act 1988*, I have audited the financial report of the South Australian Ambulance Service Superannuation Scheme for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Ambulance Service Superannuation Scheme as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2018
- an Income Statement for the year ended 30 June 2018
- a Statement of Changes in Member Benefits for the year ended 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from a Board Member of the South Australian Superannuation Board, Chief Executive, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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



Andrew Richardson
Auditor-General
20 September 2018

South Australian Ambulance Service Superannuation Scheme

Statement of Financial Position

As at 30 June 2018

	Note	2018 \$000	2017 \$000
Assets			
Cash and cash equivalents	13	879	1 010
Receivables	7	9	6
Contributions receivable		3	3
Investments	5	267 493	252 823
Total assets		268 384	253 842
Liabilities			
Benefits payable		2	2
Payables	8	462	547
Insurance liabilities		522	551
Income tax liabilities	14(c)	-	215
Deferred tax liabilities	14(d)	5 384	3 915
Total liabilities excluding member benefits		6 370	5 230
Net assets available for member benefits		262 014	248 612
Member benefits			
Defined benefit member liabilities	3	182 902	178 472
Defined contribution member liabilities	4	60 475	57 721
Total member liabilities		243 377	236 193
Net assets		18 637	12 419
Equity			
Insurance Reserve	15	3 047	2 733
Operational Risk Reserve	16	651	604
Change in member liabilities		14 939	9 082
Total equity		18 637	12 419

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

Income Statement

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Changes in investments measured at fair value		24 414	25 654
Interest revenue		11	11
Revenue		24 425	25 665
Investment expenses	9	1 876	1 592
Administration expenses	10	352	302
Result from superannuation activities		2 228	1 894
Insurance expense		(29)	46
Result from operating activities		22 226	23 725
Net change in defined benefit member liabilities		(10 957)	(8 929)
Allocation to defined contribution member accounts		(3 230)	(3 586)
Result from operating activities before tax		8 039	11 210
Income tax	14(b)	1 823	1 818
Net operating result		6 216	9 392

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

South Australian Ambulance Service Superannuation Scheme

Statement of Changes in Member Benefits

For the year ended 30 June 2018

	Note	Defined Benefit 2018 \$000	Defined Contribution 2018 \$000	Total 2018 \$000
Opening balance as at 1 July 2017		178 472	57 721	236 193
Employer contributions	12	8 070	2 631	10 701
Member contributions		-	1 325	1 325
Transfers from other super entities		-	319	319
Government co-contributions		-	8	8
Contributions tax		(1 213)	(396)	(1 609)
Net contributions		6 857	3 887	10 744
Benefits to members (benefits paid and payable)		(13 384)	(4 364)	(17 748)
Net benefits comprising:				
Net investment income		17 005	5 544	22 549
Net administered fees		(265)	(87)	(352)
Net change in member liabilities		(5 783)	(2 226)	(8 009)
Closing balance as at 30 June 2018		182 902	60 475	243 377
Opening balance as at 1 July 2016		171 554	52 794	224 348
Employer contributions	12	8 296	2 705	11 001
Member contributions		-	1 381	1 381
Transfers from other super entities		-	608	608
Government co-contributions		-	9	9
Contributions tax		(1 244)	(406)	(1 650)
Net contributions		7 052	4 297	11 349
Benefits to members (benefits paid and payable)		(9 063)	(2 955)	(12 018)
Net benefits comprising:				
Net investment income		18 154	5 919	24 073
Net administered fees		(228)	(74)	(302)
Net change in member liabilities		(8 997)	(2 260)	(11 257)
Closing balance as at 30 June 2017		178 472	57 721	236 193

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

South Australian Ambulance Service Superannuation Scheme

Statement of Changes in Equity

For the year ended 30 June 2018

	Operational		Over/(under) allocated benefits \$000	Total equity \$000
	Insurance Reserve \$000 Note 15	Risk Reserve \$000 Note 16		
2018				
Opening balance	2 733	604	9 082	12 419
Net operating result	314	47	5 855	6 216
Net transfers to equity	-	-	2	2
Closing balance	3 047	651	14 939	18 637
2017				
Opening balance	2 681	551	(220)	3 012
Net operating result	52	53	9 287	9 392
Net transfers to equity	-	-	15	15
Closing balance	2 733	604	9 082	12 419

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

Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Bank interest		11	11
Receipt of GST Recoup		22	22
Audit expense		(26)	(26)
Consultancy expenses		(39)	(7)
Administration expenses paid		(311)	(290)
Income tax paid		(1 159)	(849)
Net cash flows from operating activities	13	(1 502)	(1 139)
Receipts from the sale of investments from Funds SA		16 780	11 840
Payments to Funds SA for the purchase of investments		(8 910)	(10 906)
Net cash flows from investing activities		7 870	934
Employer contributions		10 627	11 422
Member contributions		1 315	1 431
Spouse contributions		-	4
Government co-contributions		8	9
Transfers from other superannuation entities		319	608
Benefit payments to members		(17 749)	(12 019)
Contributions tax paid		(1 019)	(771)
Net cash flows from financing activities		(6 499)	684
Net change in cash		(131)	479
Cash at the beginning of the financial period		1 010	531
Cash at the end of the financial period		879	1 010

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

South Australian Ambulance Service Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) South Australian Ambulance Service Superannuation Scheme

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

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

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

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

(b) South Australian Superannuation Board

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

(c) Superannuation Funds Management Corporation of South Australia

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

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

(d) Funding arrangements

For the year ended 30 June 2018, 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 per cent of salaries (3.72 per cent for Elective Services employees and Emergency Services staff).

Non-contributory members are employees employed on a casual basis or those employees who elected prior to 30 June 2006 to not be a defined benefit member. Non-contributory members may make voluntary post-tax or pre-tax contributions. The employer contribution for non-contributory members is 9.5 percent (2017: 9.5 percent) of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

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

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

As at 30 June 2018, the asset coverage of vested benefits met the target of 105 percent.

2. Significant accounting policies

(a) Basis of accounting

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

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

South Australian Ambulance Service Superannuation Scheme

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

(b) New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments (AASB 9)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is first applicable to the Scheme for the year ending 30 June 2019. The new standard includes a model for classification and measurement, a single, forward looking ‘expected loss’ impairment model and a substantially-performed approach to hedge accounting.

All of the Scheme’s financial assets are currently measured at fair value through profit or loss and will continue to be measured on that basis under AASB 9. Super SA has conducted an assessment on behalf of the Scheme and has determined there will be no material impact of the standard on the Scheme’s accounting for financial instruments.

AASB 15 Revenue from Contracts with Customers (AASB 15)

The principle of AASB 15 is that revenue is recognised when control of a good or service transfers to a customer, so that the notion of control replaces the existing notion of risks and rewards. AASB 15 is first applicable to the Scheme for the year ending 30 June 2019. Super SA has assessed the impact of the new rules on behalf of the Scheme and determined that there will be no material impact on the financial statements.

AASB 16 Leases (AASB 16)

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

The Scheme has no operating leases, and while Super SA is in the process of analysing the impact of the new standard on the Scheme, it expects there will be no material impact on the Scheme’s financial statements.

There are no other “not yet effective” accounting standards that are expected to have a material impact on the Scheme in the current or future reporting periods.

(c) Financial assets and liabilities

(a) Classification

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

Financial assets and liabilities held for trading

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Scheme.

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

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

Other financial liabilities

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

(b) Recognition

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

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

(c) Initial recognition

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

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

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

South Australian Ambulance Service Superannuation Scheme

(d) Subsequent measurement

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

(e) Fair value measurement

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Receivables and payables

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

(h) Benefits payable

Benefits payable are valued at fair value and relate to members who have ceased employment and provided the Scheme with appropriate notification on or prior to 30 June 2018 but paid after that date. These also include pension payments payable on or prior to the end of financial year but paid after 30 June 2018.

(i) Insurance liabilities

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

(j) Taxation

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

Current tax

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

Deferred tax

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

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

South Australian Ambulance Service Superannuation Scheme

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

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

(k) Revenue recognition

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

Changes in fair values

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

Interest

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

(l) Goods and services tax (GST)

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

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

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

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

(m) Foreign currency

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

(n) Investments

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

(i) Inflation Linked Securities B

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

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

(ii) Property B

The Property B portfolio comprises two sub-sectors:

Listed Property Trusts

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

Unlisted property vehicles

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

South Australian Ambulance Service Superannuation Scheme

(iii) Australian Equities B

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

(iv) International Equities B

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

(v) Short Term and Long Term Fixed Interest

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

(vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

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

(viii) Cash

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

(o) Operation of investment portfolio

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (b)). 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 2018, Funds SA managed the Balanced investment for the fund and reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to the investment discussed in the preceding paragraphs.

(p) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

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

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

(q) Significant accounting judgements, estimates and assumptions

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

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

South Australian Ambulance Service Superannuation Scheme

Fair value of investments

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

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

Valuation of defined benefits member liabilities

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

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

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

3. Defined benefit member liabilities

Actuarial valuations to determine the liability for accrued benefits are conducted at least every three years and is undertaken by Stuart Miles (FIAA), Principal, and Representative Mercer Consulting (Australia) Pty Ltd. The actuarial valuation was undertaken as at 30 June 2017 and the next review to be undertaken as at 30 June 2018. 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 2018. The figure reported has been determined by reference to the expected future salary level increases (4 percent; 2017: 4 percent) and by application of the market-based, risk-adjusted discount rate after tax (4.1 percent; 2017: 9.7 percent).

	2018 \$000	2017 \$000
Defined benefit member liabilities	182 902	178 472

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. The accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2018.

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

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

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

The following table outlines the sensitivity estimates of the total member liabilities, provided by the Scheme actuary, on the net earnings and salary growth.

	Member Liability result \$000	Change in member benefit liability \$000	Change in member benefit liability %
Base case	236 193	-	-
Salary growth less 0.5%	233 782	(2 411)	(1.0)
Net earnings less 0.5%	239 899	3 706	1.6

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

South Australian Ambulance Service Superannuation Scheme

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.

	2018 \$000	2017 \$000
Defined benefit vested benefits	171 121	171 121

4. Defined contribution member liabilities

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

	2018 \$000	2017 \$000
Defined contribution member liabilities	60 475	57 721

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

	2018 \$000	2017 \$000
171 121	171 121	
60 475	57 721	
Total vested benefits	231 596	228 842

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

5. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

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

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

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

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

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

Valuation technique

The Scheme's investments are not quoted in an active market. The Scheme's investment manager, Funds SA considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the underlying funds and fund managers. In measuring fair value, consideration is also paid to any transactions of a fund. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

South Australian Ambulance Service Superannuation Scheme

Fair value of investments

	2018	2017
	\$000	\$000
Financial assets at fair value through profit or loss - Level 2		
Level 1 and level 3 are not relevant to the Scheme	\$000	\$000
Unlisted managed investment schemes		
Funds SA	267 493	252 823
	<hr/>	<hr/>
	267 493	252 823

6. Movement in the value of investments

	2018	2017
	\$000	\$000
Opening balance		
Balanced option movement	252 823	229 696
Investments at 30 June	<hr/>	<hr/>
	14 670	23 127
	<hr/>	<hr/>
	267 493	252 823

7. Receivables

	2018	2017
	\$000	\$000
GST recoup from ATO		
Other receivables	8	5
	<hr/>	<hr/>
	1	1
	<hr/>	<hr/>
	9	6

8. Payables

	2018	2017
	\$000	\$000
Audit fees payable		
Unearned revenue	25	24
Provision for PAYG Withholding	433	518
	<hr/>	<hr/>
	4	5
	<hr/>	<hr/>
	462	547

9. Investment expenses

	2018	2017
	\$000	\$000
Investment expenses	<hr/>	<hr/>
	1 876	1 592

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. Current year investment expenses increased due to higher total investments and investment performance for the financial year.

10. Administration expenses

	DB Scheme	DC Scheme	2018	2017
	\$000	\$000	\$000	\$000
Administration expenses ⁽ⁱ⁾	219	71	290	270
Other expenses ⁽ⁱⁱ⁾	-	62	62	32
	<hr/>	<hr/>	<hr/>	<hr/>
	219	133	352	302

- (i) Administration expenses comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a share of the administration cost from the Scheme.
- (ii) Other expenses include Auditor's remuneration. Refer note 11.

11. Auditors' remuneration

	2018	2017
	\$000	\$000
Audit fees	<hr/>	<hr/>
	24	24
	<hr/>	<hr/>
	24	24

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

South Australian Ambulance Service Superannuation Scheme

12. Employer contributions

	2018 \$000	2017 \$000
Employer contributions	9 883	10 085
Insurance premiums	409	458
Administration charges	409	458
	<hr/> <hr/> 10 701	<hr/> <hr/> 11 001

13. Reconciliation of cash and cash equivalents

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

	2018 \$000	2017 \$000
Cash and cash equivalents	<hr/> 879	<hr/> 1 010

Reconciliation of operating result to net cash flows from operating activities

Net operating result	6 216	9 392
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Adjustments for:

Changes in investments measured at fair value	(24 414)	(25 654)
Investment expenses	1 876	1 592
Income taxes	580	969
(Increase) / decrease in receivables	(3)	1
Increase / (decrease) in payables	85	-
Increase / (decrease) in insurance liabilities	(29)	46
Allocation to members' accounts	<hr/> 14 187	<hr/> 12 515
Net cash flows from operating activities	<hr/> <hr/> (1 502)	<hr/> <hr/> (1 139)

South Australian Ambulance Service Superannuation Scheme

14. Income tax

	2018 \$000	2017 \$000
(a) Major components of tax expense		
Current income tax		
Current tax charge	243	309
Adjustment to current tax for prior periods	110	(40)
Deferred income tax		
Relating to the origination and reversal of temporary differences	1 488	1 508
Adjustment to deferred tax for prior periods	(18)	41
Income tax as reported in the Income Statement	<hr/> 1 823	<hr/> 1 818
 (b) Income tax expense		
Reconciliation between income tax expenses and the accounting profit before income tax		
Net result from operating activities	<hr/> 8 039	<hr/> 11 210
Tax applicable at the rate of 15% (2017: 15%)	1 206	1 682
Tax effect of expenses that are not assessable/or deductible in determining taxable income:		
Investment revenue	(594)	(643)
Net benefit allocated to member accounts	2 128	1 877
Movement in insurance liabilities	-	7
Tax effect of other adjustments:		
Imputation and foreign tax credits	(931)	(1 027)
Self-insurance deduction	(78)	(64)
Over provision prior period	92	(14)
Income tax expense	<hr/> 1 823	<hr/> 1 818
 (c) Current tax liability (asset)		
Current years income tax provision	<hr/> -	<hr/> 215
Current tax liability (asset)	<hr/> -	<hr/> 215
 (d) Deferred tax liability		
The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date comprises:		
Accrued expenses	(4)	(4)
Prepaid contributions/contributions receivable	65	(77)
Realised capital losses carried (forward) discounted	(916)	(905)
Unrealised capital (losses)/gains carried (forward) discounted	6 239	4 901
Net deferred tax liability (asset)	<hr/> 5 384	<hr/> 3 915

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

South Australian Ambulance Service Superannuation Scheme

15. Insurance Reserve

The Scheme self-insures and provides an insurance benefit based on units of cover, subject to certain limitations, in the event of death or 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 can 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. 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. Fixed Insurance closed to new applications in November 2014.

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 2017. 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 received later in 2018 on the costs and liabilities of the insurance arrangements in existence as at 30 June 2018.

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.

	2018	2017
	\$000	\$000
Opening balance of the Insurance Reserve	2 734	2 681
Investment earnings on Reserve ⁽ⁱ⁾	216	244
Premiums and charges	450	501
	<hr/>	<hr/>
	666	745
Benefit payments	(353)	(693)
	<hr/>	<hr/>
Closing balance of Reserve	3 047	2 733

(i) The Insurance Reserve is notionally invested in the Balanced option and earned 7.8 percent in 2018.

16. Operational Risk Reserve

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

	2018	2017
	\$000	\$000
Opening balance of the Operational Risk Reserve	604	551
Investment earnings on Reserve ⁽ⁱ⁾	47	53
	<hr/>	<hr/>
Closing balance of Reserve	651	604

(i) The Operational Risk Reserve is notionally invested in the Balanced option and earned 7.6 percent in 2018.

17. Financial risk management objectives and policies

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

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

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

- market risk
- credit risk
- liquidity risk

South Australian Ambulance Service Superannuation Scheme

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

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

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

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

(a) Market risk

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

I. Currency risk

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

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

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

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

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

Funds SA manages interest rate risk through:

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

III. Other market price risk

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

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

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

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

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

IV. Investments sensitivity analysis

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

South Australian Ambulance Service Superannuation Scheme

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
2018				
Balanced B	6.5	8.1	260 158	2 107
	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
	%	%	\$000	\$000
2017				
Balanced B	6.5	8.0	241 260	1 930

Note the 2017 sensitivity values have been restated from the prior year for consistency with the 2018 presentation.

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

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

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

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

(b) Credit risk

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

The 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 counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

(c) Liquidity risk

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

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

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

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

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

South Australian Ambulance Service Superannuation Scheme

	Less than 3 Months	\$000	Total	Carrying Amount
			Contractual Cash Flows	Liabilities
2018				
Financial liabilities				
Benefits payable				
Payables ⁽ⁱ⁾		2	2	2
Vested benefits ⁽ⁱⁱ⁾		433	433	433
Total		231 596	231 596	231 596
		232 031	232 031	232 031

	Less than 3 Months	\$000	Total	Carrying Amount
			Contractual Cash Flows	Liabilities
2017				
Financial liabilities				
Benefits payable				
Payables ⁽ⁱ⁾		2	2	2
Vested benefits ⁽ⁱⁱ⁾		518	518	518
Total		228 842	228 842	228 842
		229 362	229 362	229 362

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

(d) Derivative financial instruments

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

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

18. Segment information

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

19. Related parties

Key management personnel

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

Compensation

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

Transactions with key management personnel and other related parties

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

Transactions with other government entities

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

20. Events after the reporting period

There were no significant events after the reporting period.

South Australian Ambulance Service Superannuation Scheme

Certification of the financial report

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

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*;
- is in accordance with the accounts and records of the Scheme; and
- presents fairly the financial position of the Scheme as at 30 June 2018 and the results of its operation and cash flows for the year then ended on that date, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

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.



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 17/09/18