

Super SA Retirement Investment Fund

Financial report
for the year ended
30 June 2020



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

Opinion

I have audited the financial report of the Super SA Retirement Investment Fund for the financial year ended 30 June 2020.

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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2020
- an Income Statement for the year ended 30 June 2020
- a Statement of Changes in Member Benefits for the year ended 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, 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* (including Independence Standards) have been met.

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

Responsibilities of the 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 relevant 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

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 Super SA Retirement Investment Fund for the financial year ended 30 June 2020.

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

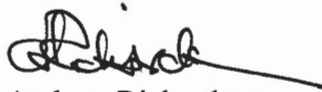
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Super SA Retirement Investment Fund'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 the Presiding Member of the South Australian Superannuation Board 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

23 September 2020

Super SA Retirement Investment Fund

Statement of Financial Position as at 30 June 2020

	Note	2020 \$000	2019 \$000
Assets			
Cash and cash equivalents	12	38 046	24 739
Receivables	4	1 285	216
Investments	5	5 162 752	4 946 713
Total Assets		5 202 083	4 971 668
Liabilities			
Benefits payable		10 527	26 350
Payables	7	3 465	213
Insurance liabilities		865	667
Provision for PAYG withholding tax		48	94
Income tax payable	11(b)	17 148	6 612
Deferred tax liabilities	11(c)	10 192	21 359
Total liabilities excluding member benefits		42 245	55 295
Net assets available for member benefits		5 159 838	4 916 373
Member benefits			
Income Stream (IS) member benefit liabilities	3	3 746 243	3 595 496
Flexible Rollover Product (FRP) member benefit liabilities	3	1 402 081	1 298 897
Total member benefits		5 148 324	4 894 393
Total net assets		11 514	21 980
Equity			
Administration Fee Reserve	13	19 785	19 111
Insurance Reserve	14	1 833	2 063
Operational Risk Reserve	15	13 641	11 465
Investment allocation (over)	17	(23 745)	(10 659)
Total equity		11 514	21 980

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

Income Statement for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
Change in investments measured at fair value		(32 060)	341 692
Interest revenue		181	438
Other income		8 352	6 016
Total revenue		(23 527)	348 146
Investment expenses	8	(25 779)	(24 355)
Administration expenses	9	(3 834)	(3 493)
Total expenses		(29 613)	(27 848)
Result from superannuation activities		(53 140)	320 298
Net insurance activities		(428)	(758)
Result from operating activities		(53 568)	319 540
Net benefits allocated to IS members accounts		21 826	(237 947)
Net benefits allocated to FRP members accounts		9 764	(74 713)
Operating result before income tax		(21 978)	6 880
Income tax benefit/(expense)	11(a)	11 512	(3 877)
Net operating result		(10 466)	3 003

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

Super SA Retirement Investment Fund

Statement of Changes in Member Benefits
as at 30 June 2020

2020	Note	Flexible Rollover Product \$000	Income Stream \$000	Totals \$000
Opening Balance as at 1 July 2019	3	1 298 897	3 595 496	4 894 393
Member contributions		70 580	-	70 580
Government co-contributions		72	-	72
Spouse contributions		300	-	300
Rollovers from other schemes		442 710	829 894	1 272 604
Income tax on rollovers		(41 396)	(58 830)	(100 226)
Net contributions		<u>472 266</u>	<u>771 064</u>	<u>1 243 330</u>
Benefits to members		(359 558)	(598 491)	(958 049)
Insurance premiums charged to members		(501)	-	(501)
Insurance benefits credited to members		741	-	741
Net benefits comprising:				
Net investment income		(8 283)	(16 524)	(24 807)
Administration fees		(1 481)	(5 302)	(6 783)
Closing Balance as at 30 June 2020	3	<u>1 402 081</u>	<u>3 746 243</u>	<u>5 148 324</u>
2019	Note	Flexible Rollover Product \$000	Income Stream \$000	Totals \$000
Opening Balance as at 1 July 2018	3	1 154 283	3 179 310	4 333 593
Member contributions		67 696	-	67 696
Government co-contributions		67	-	67
Spouse contributions		878	-	878
Rollovers from other schemes		416 900	809 895	1 226 795
Income tax on rollovers		(36 729)	(56 353)	(93 082)
Net contributions		<u>448 812</u>	<u>753 542</u>	<u>1 202 354</u>
Benefits to members		(379 450)	(575 303)	(954 753)
Insurance premiums charged to members		(380)	-	(380)
Insurance benefits credited to members		919	-	919
Net benefits comprising:				
Net investment income		75 858	245 135	320 993
Administration fees		(1 145)	(7 188)	(8 333)
Closing Balance as at 30 June 2019	3	<u>1 298 897</u>	<u>3 595 496</u>	<u>4 894 393</u>

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 2020

	Admin Fee Reserve \$000 Note 13	Insurance Reserve \$000 Note 14	Operational Risk Reserve \$000 Note 15	(Under)/over allocated benefits \$000	Total Equity \$000
Opening Balance	19 111	2 063	11 465	(10 659)	21 980
Net operating result	1 524	(230)	1 326	(13 086)	(10 466)
Net transfers (from)/to reserves/equity	(850)	-	850	-	-
Closing Balance	19 785	1 833	13 641	(23 745)	11 514

	Admin Fee Reserve \$000 Note 13	Insurance Reserve \$000 Note 14	Operational Risk Reserve \$000 Note 15	(Under)/over allocated benefits \$000	Total Equity \$000
Opening Balance	15 098	2 464	8 359	(6 944)	18 977
Net operating result	4 013	(401)	3 106	(3 715)	3 003
Closing Balance	19 111	2 063	11 465	(10 659)	21 980

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 2020

	Note	2020 \$000	2019 \$000
GST recoup		271	273
Other income		213	434
Administration expenses paid		(4 170)	(3 744)
Income tax paid		10 881	(9 769)
Net cash flows from operating activities	12	7 195	(12 806)
Receipts from the sale of investments from Funds SA		1 039 397	488 597
Payments to Funds SA for the purchase of investments		(1 304 923)	(748 753)
Net cash flows from investing activities		(265 526)	(260 156)
Member contributions		70 565	67 697
Spouse contributions		300	878
Government co-contributions		72	67
Net transfers from other superannuation entities		1 275 784	1 226 363
Payments from the Operational Risk Reserve		(12)	6
Income Stream payments		(609 103)	(567 517)
Flexible Rollover Product payments		(365 742)	(376 015)
Contributions tax paid		(100 226)	(80 827)
Net cash flows from financing activities		271 638	270 652
Net change in cash		13 307	(2 310)
Cash at beginning of the financial period		24 739	27 049
Cash at end of the financial period	12	38 046	24 739

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 Act). 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.

(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) Impact of standards and statements not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

The Board has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Fund. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Fund are outlined below.

AASB 16 - Leases

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

AASB 1059 – Service Concession Arrangement: Grantors

The objective of AASB 1059 is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity. The standard applies to reporting periods beginning on or after 1 January 2020.

The Fund has no operating leases and is not a service concession grantor. The Board has assessed the impact of the new standards on the Fund, and has determined there will be no impact on the Fund's financial statements.

(c) Financial assets and liabilities

(a) Classification

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

Financial assets and liabilities held for trading

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

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

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

Other financial liabilities

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

(b) Recognition

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

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

(c) Initial Recognition

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

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

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

(d) Subsequent measurement

After initial measurement, the Fund measures investments at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in 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.

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

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

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

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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 on 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 2020 but paid after 30 June 2020.

(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 per cent 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 per cent.

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.

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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 Fund's primary currency. 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 B 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.

(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.

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(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 2018). 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 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 2020, Funds SA managed eight distinct investment options for the Fund which were available to investors, 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) 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 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.

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3. Member benefit liabilities

Members are defined contribution members and bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Member account balances are determined by unit prices that are determined based on the underlying investment movements. Unit prices are updated daily. Refer to Note 16 for the Fund's management of the investment risks.

	Flexible Rollover				Totals	
	Product		Income Stream		2020	2019
	2020	2019	2020	2019		
\$000	\$000	\$000	\$000	\$000	\$000	
Member benefits	1 402 081	1 298 897	3 746 243	3 595 496	5 148 324	4 894 393
As compared to net assets available for member benefits	1 409 486	1 308 108	3 750 352	3 608 265	5 159 838	4 916 373

4. Receivables

	Flexible Rollover				Totals	
	Product		Income Stream		2020	2019
	2020	2019	2020	2019		
\$000	\$000	\$000	\$000	\$000	\$000	
Refund from ATO for GST	21	18	58	50	79	68
Interest	1	18	2	17	3	35
Overpaid expenses recoverable	15	-	38	-	53	-
Contributions receivable	15	113	-	-	15	113
Rollovers receivable	1 050	-	85	-	1 135	-
	1 102	149	183	67	1 285	216

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. To ensure fair value can be determined, the Fund's investment manager, Funds SA, applies due diligence and considers valuation techniques and inputs used in valuing the funds, prior to investing. In measuring fair value, consideration is given to the amounts for which financial assets can be sold, excluding transaction costs. The Fund classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

Financial assets at fair value through profit or loss - Level 2	Flexible Rollover				Totals	
	Product		Income Stream		2020	2019
	2020	2019	2020	2019		
Level 1 and level 3 are not relevant to the Fund	\$000	\$000	\$000	\$000	\$000	\$000
Unlisted managed investment schemes	1 420 307	1 327 208	3 742 445	3 619 505	5 162 752	4 946 713
Funds SA	1 420 307	1 327 208	3 742 445	3 619 505	5 162 752	4 946 713

Super SA Retirement Investment Fund

6. Value and movement of investments by investment option

Income Stream

	2020 \$000	Movement \$000	2019 \$000
High Growth	81 513	(2 689)	84 202
Growth	204 002	(19 260)	223 262
Balanced	1 473 872	(21 572)	1 495 444
Moderate	552 000	65 453	486 547
Conservative	426 714	6 741	419 973
Capital Defensive	221 315	33 300	188 015
Cash	249 840	151 798	98 042
Socially Responsible	37 768	6 526	31 242
Investments at 30 June	3 247 024	220 297	3 026 727

Income Stream (Transition to Retirement)

	2020 \$000	Movement \$000	2019 \$000
High Growth	21 590	(21 819)	43 409
Growth	27 782	(1 582)	29 364
Balanced	267 614	(94 162)	361 776
Moderate	79 994	(1 482)	81 476
Conservative	40 093	(1 509)	41 602
Capital Defensive	17 361	58	17 303
Cash	36 932	23 149	13 783
Socially Responsible	4 055	(10)	4 065
Investments at 30 June	495 421	(97 357)	592 778

Flexible Rollover

	2020 \$000	Movement \$000	2019 \$000
High Growth	76 426	15 803	60 623
Growth	121 473	(16 228)	137 701
Balanced	636 508	(26 120)	662 628
Moderate	169 677	(2 901)	172 578
Conservative	140 691	9 941	130 750
Capital Defensive	95 047	1 525	93 522
Cash	159 997	105 778	54 219
Socially Responsible	20 488	5 301	15 187
Investments at 30 June	1 420 307	93 099	1 327 208

Total

	2020 \$000	Movement \$000	2019 \$000
High Growth	179 529	(8 705)	188 234
Growth	353 257	(37 070)	390 327
Balanced	2 377 994	(141 854)	2 519 848
Moderate	801 671	61 070	740 601
Conservative	607 498	15 173	592 325
Capital Defensive	333 723	34 883	298 840
Cash	446 769	280 725	166 044
Socially Responsible	62 311	11 817	50 494
Investments at 30 June	5 162 752	216 039	4 946 713

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7. Payables

	Flexible Rollover		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Audit fees payable	13	13	35	36	48	49
Rollovers refundable	328	-	3 089	164	3 417	164
	<u>341</u>	<u>13</u>	<u>3 124</u>	<u>200</u>	<u>3 465</u>	<u>213</u>

8. Investment expenses

	Flexible Rollover		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Investment expenses	7 039	6 551	18 740	17 804	25 779	24 355
	<u>7 039</u>	<u>6 551</u>	<u>18 740</u>	<u>17 804</u>	<u>25 779</u>	<u>24 355</u>

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Fund based on the Fund's investments.

9. Administration expenses

	Flexible Rollover		Income Stream		Totals	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Administration expenses	1 007	831	2 759	2 597	3 766	3 428
Other expenses ⁽ⁱ⁾	19	18	49	47	68	65
	<u>1 026</u>	<u>849</u>	<u>2 808</u>	<u>2 644</u>	<u>3 834</u>	<u>3 493</u>

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

10. Auditors' remuneration

	2020	2019
	\$000	\$000
Audit fees paid or payable	44	45
	<u>44</u>	<u>45</u>

Audit fees paid (or payable), \$44 300 GST exclusive (2019: \$44 700), 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	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Major components of income tax benefit/(expense)						
(a) Current income tax benefit/(expense)						
Current tax charge	(3 963)	(2 165)	4 263	9 264	300	7 099
Adjustment to current tax for prior periods	(68)	(954)	113	(5 506)	45	(6 460)
Relating to the originating and reversal of temporary differences	6 729	(3 281)	4 438	(963)	11 167	(4 244)
Adjustment to deferred tax for prior periods	-	185	-	(457)	-	(272)
Income tax benefit/(expense)	<u>2 698</u>	<u>(6 215)</u>	<u>8 814</u>	<u>2 338</u>	<u>11 512</u>	<u>(3 877)</u>

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Income tax cont.	Flexible Rollover				Totals	
	Product		Income Stream			
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Reconciliation between income tax expenses and the accounting profit before						
Net operating result before tax	(5 422)	10 003	(16 556)	(3 123)	(21 978)	6 880
Tax applicable at the rate of 15% (2019: 15%)	813	(1 500)	2 483	468	3 296	(1 032)
Tax effect of expenses that are not assessable/or deductible in determining taxable income:						
Non deductible expenses	-	-	(53)	(44)	(53)	(44)
Tax effect of income /(losses) that are not assessable/or deductible in determining taxable income:						
Investment revenue	(2 392)	2 742	(166)	1 355	(2 558)	4 097
Exempt pension income	-	-	(4 751)	29 451	(4 751)	29 451
Tax effect of other adjustments:						
Imputation and foreign tax credits	2 849	4 596	7 913	12 813	10 762	17 409
Under/(over) provision prior period	(68)	(770)	113	(5 963)	45	(6 733)
Self-insurance deduction	62	71	-	-	62	71
Net benefit allocated to members	1 429	(11 360)	3 275	(35 742)	4 704	(47 102)
Deductible financial planning fees	5	6	-	-	5	6
Income tax benefit/(expense)	2 698	(6 215)	8 814	2 338	11 512	(3 877)
(b) Current tax liabilities						
Balance at beginning of year	1 200	1 785	5 412	2 981	6 612	4 766
Income tax paid - current period	(36 207)	(37 693)	(36 920)	(41 676)	(73 127)	(79 369)
Income tax paid - prior periods	(1 268)	(2 739)	(14 951)	(8 487)	(16 219)	(11 226)
Current years income tax provision	45 359	38 893	54 568	45 201	99 927	84 094
(Over)/under provision prior period	68	954	(113)	7 393	(45)	8 347
Current tax liabilities	9 152	1 200	7 996	5 412	17 148	6 612
(c) Deferred tax liabilities/(assets)						
The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date is made up as follows:						
Accrued expenses	(2)	(2)	(1)	-	(3)	(2)
Unrealised capital losses/(gains) carried forward (discounted)	11 447	18 176	(1 252)	3 185	10 195	21 361
Deferred tax liabilities/(assets)	11 445	18 174	(1 253)	3 185	10 192	21 359

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				Totals	
	Product		Income Stream			
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	15 839	12 946	22 207	11 793	38 046	24 739

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Reconciliation of cash and cash equivalents cont.

	Flexible Rollover		Income Stream		Totals	
	Product					
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Reconciliation of operating result to net cash from operating activities						
Net operating result	(2 724)	3 788	(7 742)	(785)	(10 466)	3 003
Adjustments for:						
Change in investments measured at fair value	7 550	(92 184)	24 510	(249 508)	32 060	(341 692)
Investment expenses	7 039	6 551	18 740	17 804	25 779	24 355
Administration fee received	(777)	(500)	(7 575)	(5 516)	(8 352)	(6 016)
Net insurance movement	438	881	-	-	438	881
(Increase)/decrease in receivables	(840)	(9)	(236)	25	(1 076)	16
(decrease)/increase in payables	2 051	(2 152)	(1 649)	(3 861)	402	(6 013)
Allocation to members accounts	(9 764)	74 713	(21 826)	237 947	(31 590)	312 660
Net cash outflows from operating activities	2 973	(8 912)	4 222	(3 894)	7 195	(12 806)

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					
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	(857)	(526)	19 968	15 624	19 111	15 098
Investment earnings ⁽ⁱ⁾	-	-	(34)	1 425	(34)	1 425
Administration fees	777	500	4 599	5 516	5 376	6 016
Administration expenses	(1 022)	(831)	(2 796)	(2 597)	(3 818)	(3 428)
Operating result	(245)	(331)	1 769	4 344	1 524	4 013
Transfer to/(from) Reserve	900	-	(1 750)	-	(850)	-
Closing balance	(202)	(857)	19 987	19 968	19 785	19 111

(i) The Administration Reserves are notionally invested in the Balanced Option. The rate of return on earnings were (0.48) per cent (FRP), (0.20) per cent (IS) and (0.45) per cent (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 offered through Income Stream.

	Flexible Rollover		Income Stream		Totals	
	Product					
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	2 063	2 464	-	-	2 063	2 464
Investment earnings ⁽ⁱ⁾	10	138	-	-	10	138
Premiums and charges	501	380	-	-	501	380
Benefit payments	(741)	(919)	-	-	(741)	(919)
Operating result	(230)	(401)	-	-	(230)	(401)
Closing balance	1 833	2 063	-	-	1 833	2 063

(i) The Insurance Reserve is notionally invested in the Balanced option. The rate of return on earnings was (0.48) per cent.

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15. Operational Risk Reserve

The Operational Risk Reserves (ORR) for Income Stream and Flexible Rollover Product were established at 31 December 2012 of 0.20 per cent of funds under management. From April 2016, members were charged a fee (0.04 per cent FRP, 0.05 per cent IS/TRIS) via a reduction to the unit prices in order to build the reserves to a target rate (0.45 per cent FRP, 0.20 per cent IS/TRIS) of funds under management. From March 2018, the fee charged to FRP members was increased from 0.04 per cent to 0.05 per cent, IS/TRIS remained unchanged at 0.05 per cent until June 2019. From July 2019 to December 2019 the fee charged to IS/TRIS members was reduced to 0.025 per cent, from January 2020 the rate was further reduced to 0.0125 per cent. The FRP rate remained unchanged at 0.05 per cent for year.

	Flexible Rollover				Totals	
	Product		Income Stream			
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	2 971	2 142	8 494	6 217	11 465	8 359
Investment earnings ⁽ⁱ⁾	(23)	184	(49)	599	(72)	783
ORR fee	704	646	703	1 671	1 407	2 317
Payments from reserve	(3)	(1)	(6)	7	(9)	6
Operating result	678	829	648	2 277	1 326	3 106
Transfer to Reserve	-	-	850	-	850	-
Closing balance	3 649	2 971	9 992	8 494	13 641	11 465

(i) The ORRs are notionally invested in the Balanced option. The rate of return on earnings were (0.48) per cent (FRP), (0.20) per cent (IS) and (0.45) per cent (TRIS).

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 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

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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.

(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.

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 standard deviation around expected nominal returns for each investment option.

Income Stream

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 per cent tax rate applied and includes franking credits.

2020 Investment Option	Average Return %	Market Risk %	Average Funds Under Management \$000	Potential impact of market risk (+/-) on Income Statement \$000
High Growth B	8.1	11.1	82 858	9 197
Growth B	8.1	11.1	213 632	23 713
Balanced B	7.6	10.2	1 484 658	151 435
Moderate B	6.6	7.4	519 273	38 426
Conservative B	5.8	5.4	423 344	22 861
Capital Defensive B	5.1	3.8	204 665	7 777
Cash B	3.3	1.0	173 941	1 739
Socially Responsible B	6.7	10.3	34 505	3 554

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Income Stream cont.

	Average	Market	Average	Potential
	Return	Risk	Funds Under	impact of
	%	%	Management	market risk
			\$000	(+/-)
2019				on Income
Investment Option				Statement
				\$000
High Growth B	8.3	11.2	78 583	8 801
Growth B	7.7	9.4	210 020	19 742
Balanced B	6.9	8.4	1 375 855	115 572
Moderate B	6.1	6.6	454 160	29 975
Conservative B	5.3	5.3	404 860	21 458
Capital Defensive B	4.4	3.7	171 151	6 333
Cash B	2.7	1.0	92 771	928
Socially Responsible B	6.3	10.0	28 836	2 884

Income Stream Transition to Retirement

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

	Average	Market	Average	Potential
	Return	Risk	Funds Under	impact of
	%	%	Management	market risk
			\$000	(+/-)
2020				on Income
Investment Option				Statement
				\$000
High Growth B	7.0	11.1	32 499	3 607
Growth B	7.0	11.1	28 573	3 172
Balanced B	6.5	10.2	314 695	32 099
Moderate B	5.7	7.4	80 735	5 974
Conservative B	5.1	5.4	40 847	2 206
Capital Defensive B	4.4	3.8	17 332	659
Cash B	2.8	1.0	25 358	254
Socially Responsible B	5.9	10.3	4 060	418

	Average	Market	Average	Potential
	Return	Risk	Funds Under	impact of
	%	%	Management	market risk
			\$000	(+/-)
2019				on Income
Investment Option				Statement
				\$000
High Growth B	7.3	11.0	40 905	4 500
Growth B	6.6	9.3	31 343	2 915
Balanced B	6.2	8.4	354 389	29 769
Moderate B	5.3	6.6	84 441	5 573
Conservative B	4.7	5.2	44 938	2 337
Capital Defensive B	3.8	3.7	14 980	554
Cash B	2.3	1.0	11 887	119
Socially Responsible B	5.4	9.9	4 679	463

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Flexible Rollover Product

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

	Average	Market	Average	Potential
	Return	Risk	Funds Under	impact of
	%	%	Management	market risk
			\$000	(+/-)
2020				on Income
Investment Option				Statement
				\$000
High Growth B	7.0	11.1	68 525	7 606
Growth B	7.0	11.1	129 587	14 384
Balanced B	6.5	10.2	649 568	66 256
Moderate B	5.7	7.4	171 128	12 663
Conservative B	5.1	5.4	135 720	7 329
Capital Defensive B	4.4	3.8	94 284	3 583
Cash B	2.8	1.0	107 108	1 071
Socially Responsible B	5.9	10.3	17 837	1 837

	Average	Market	Average	Potential
	Return	Risk	Funds Under	impact of
	%	%	Management	market risk
			\$000	(+/-)
2019				on Income
Investment Option				Statement
				\$000
High Growth B	7.3	11.0	58 138	6 395
Growth B	6.6	9.3	127 930	11 897
Balanced B	6.2	8.4	620 967	52 161
Moderate B	5.3	6.6	162 882	10 750
Conservative B	4.7	5.2	128 927	6 704
Capital Defensive B	3.8	3.7	90 037	3 331
Cash B	2.3	1.0	47 199	472
Socially Responsible B	5.4	9.9	15 084	1 493

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

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

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(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.

	Less than 3 Months	Total	Carrying
		Contractual Cash Flows	Amount Liabilities
2020	\$000	\$000	\$000
Benefits payable	10 527	10 527	10 527
Payables ⁽ⁱ⁾	3 417	3 417	3 417
Vested benefits ⁽ⁱⁱ⁾	5 148 324	5 148 324	5 148 324
Total	5 162 268	5 162 268	5 162 268
2019	\$000	\$000	\$000
Benefits payable	26 350	26 350	26 350
Payables ⁽ⁱ⁾	164	164	164
Vested benefits ⁽ⁱⁱ⁾	4 894 393	4 894 393	4 894 393
Total	4 920 907	4 920 907	4 920 907

- (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 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. Unallocated to members' accounts

Defined contribution 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.

The Fund also values the investments reported in the financial statements at fair value (refer notes 2(c)(e) and 5), while the unit prices used to determine the member benefit liabilities are based on the underlying investment movements using redemption value (refer note 3). The redemption value is adjusted for disposal costs. This difference in valuation methods is reflected in the investment allocation amount in the Statement of Financial Position.

There are a range of historical allocation factors that influence the difference between the assets and liabilities of the Fund that are subject to ongoing management review and resolution.

Super SA Retirement Investment Fund

18. Coronavirus (COVID-19) impact

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world wide pandemic by the World Health Organisation in March 2020. COVID-19 has had a significant impact on the domestic and global economy and equity, debt and commodity markets.

Super SA has considered the impact of COVID-19 and provided advice to the Board in preparing its financial statements. Given the dynamic and evolving nature of COVID-19 as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Fund's assets and liabilities may arise in the future. Any such impacts will be accounted for in future accounting periods.

COVID-19 Early Release of Superannuation Scheme

On 22 March 2020 the Australian Government announced the COVID-19 Early Release of Superannuation Scheme (ERS) as a temporary measure to stimulate the Australian economy. This scheme allowed eligible members to access up to \$10 000 of their superannuation in both financial years 2019-20 and 2020-21.

For the year ended 30 June 2020 the Fund paid \$831 000 in member benefits under the ERS. Super SA expects a similar amount of benefits to be paid to members over the financial year ended 30 June 2021 under the ERS.

Processes applied

In preparing these financial statements the Board considered the impact of COVID-19 in the:

- evaluation of any areas of judgment or estimation uncertainty in addition to those disclosed above;
- adoption of significant assumptions and market inputs used in:
 - valuing the Fund's investments (in particular, unlisted investments); and
 - preparing disclosures for the fair value of financial assets and liabilities and financial risk management;
- review of external market communications to identify other COVID-19 related impacts;
- review of public forecasts and experience from previous economic downturns;
- assessment of the fair value of the Fund's assets and liabilities;
- stress testing scenarios, which are an integral component of the Board's risk management framework, to assess the potential impacts of the COVID-19 pandemic on the Fund's portfolio valuation and liquidity; and
- determination of the completeness and appropriateness of financial statement disclosures.

Consideration of the Statement of Financial Position and further disclosures

Key items within the Statement of Financial Position and related disclosures impacted by COVID-19 are as follows:

Financial instruments at fair value through profit and loss

Given recent market volatility, Funds SA, as the Fund's investment manager reviewed the appropriateness of inputs to its valuation of financial instruments as well as performing out of cycle valuations. The impact of changes in valuation inputs has also been considered in terms of the classification of financial instruments in the fair value hierarchy, transfers within the fair value hierarchy and the sensitivity analysis. The Fund's investments include a portfolio of unlisted equity investments which, in accordance with the Fund's accounting policies, are measured at fair value. The determination of investments carrying value included a consideration of the impact of COVID-19.

Recoverability of Deferred Tax Balances

In assessing whether a deferred tax asset can be recognised and given the macro-economic conditions arising from COVID-19 existed at the reporting date, the Board has ensured the projections of future taxable earnings is robust and based on reasonable assumptions regarding the Fund's future investment performance and taxable contribution levels.

Risk management

The Board's risk management framework continues to be applied across the Fund's operations. The Board continues to monitor the impact of COVID-19 on the Fund's risk profile. Non financial risks emerging from global movement restrictions, and remote working by our staff, counterparties and service providers have been identified, assessed, managed and governed through timely application of the Board's risk management framework.

The Board is focused on the effects of the global COVID-19 pandemic and is monitoring it as it unfolds, specifically:

- The Board manages the Fund's cash flow on a daily basis, and prepares for events that may affect the liquidity position;
- The Investment Manager, Funds SA, actively manages investments in line with the long-term investment strategy, and monitors and responds to movements in global investment markets; and
- Funds SA stress-test liquidity for a range of possible scenarios.

19. Segment information

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

Super SA Retirement Investment Fund

20. Related parties

(a) Key management personnel

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

(b) 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.

(c) Transactions with key management personnel and other related parties

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

(d) 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.

Super SA Retirement Investment Fund

Certification of the financial report

We certify that the:

- Financial statements of the Super SA Retirement Investment Fund:
 - are in accordance with the accounts and records of the Fund; and comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Fund at the end of the financial year and the result of its operations and cash flows for the financial year.

- Internal controls employed by the Fund over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Gregory Boulton AM
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Erin Fitzgerald
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION
STATE SUPERANNUATION OFFICE

Date 17 September 2020