INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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

Opinion

I have audited the financial report of South Australian Superannuation Scheme for the financial year ended 30 June 2022.

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 2022, 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 2022
- an Income Statement for the year ended 30 June 2022
- a Statement of Changes in Member Benefits for the year ended 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Board Member of the South Australian Superannuation Board, the Acting Chief Executive, State Superannuation Office and the Director, Finance, State Superannuation Office.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of 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 (including Independence Standards)* have been met.

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

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

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

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

The members of the 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 20AB(2) of the *Superannuation Act 1998,* I have audited the financial report of South Australian Superannuation Scheme for the financial year ended 30 June 2022.

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 South Australian Superannuation Scheme's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Acting Chief Executive, State Superannuation Office
- conclude on the appropriateness of the Acting Chief Executive, State Superannuation Office's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with Acting Chief Executive, State Superannuation Office and 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.

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

23 September 2022

South Australian Superannuation Scheme

Statement of Financial Position
as at 30 June 2022

	Note	2022 $000	2021 $000
Assets			
Cash and cash equivalents	16	11 366	9 472
Contributions receivable	5	765	1 116
Receivables	6	4 245	5 017
Investments	7	4 712 875	5 282 288
Total assets		**4 729 251**	**5 297 893**
Liabilities			
Benefits payable		7 838	10 561
Payables	9	120	2 323
Total liabilities excluding member benefits		**7 958**	**12 884**
Net assets available for member benefits	18	**4 721 293**	**5 285 009**
Defined benefit member liabilities		8 306 884	8 165 734
Defined contribution member liabilities		495 039	600 169
Total net assets	4	**8 801 923**	**8 765 903**
		(4 080 630)	**(3 480 894)**
Equity			
Defined benefits that are (under) funded		(4 080 630)	(3 480 894)
Total equity		**(4 080 630)**	**(3 480 894)**

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

Income Statement
For the year ended 30 June 2022

	Note	2022 $000	2021 $000
Net changes in investments measured at fair value		(83 180)	1 056 704
Interest revenue		-	5
Other revenue		-	43
Total revenue		**(83 180)**	**1 056 752**
Investment expenses	10	(19 088)	(18 302)
Higher education expense	13	(9 136)	(8 342)
Administration expenses	11	(8 115)	(7 924)
Total expenses		**(36 339)**	**(34 568)**
Results from superannuation activities		**(119 519)**	**1 022 184**
Net change in defined benefit member liabilities		(505 077)	(30 980)
Allocation (from)/to defined contribution members		24 860	(112 753)
Net operating result		**(599 736)**	**878 451**

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

Statement of Changes in Member Benefits
for the year ended 30 June 2022

2022	Note	Defined Benefit Component $000	Defined Contribution Component	Totals $000
Opening balance as at 1 July		**8 165 734**	**600 169**	**8 765 903**
Contributions for Past Service Liability	14	370 847	-	370 847
Employer contributions	15	23 114	-	23 114
Public Authority employer contributions		29 714	-	29 714
Member contributions		357	9 082	9 439
Transfers from other super entities		-	223	223
Net contributions		**424 032**	**9 305**	**433 337**
Benefits to members		(787 959)	(89 575)	(877 534)
Net benefits allocated to members, comprising:				
Net investment income		-	(24 588)	(24 588)
Administration fees		-	(272)	(272)
Net change in member liabilities		505 077	-	505 077
Closing balance as at 30 June		**8 306 884**	**495 039**	**8 801 923**

2021	Note	Defined Benefit Component $000	Defined Contribution Component	Totals $000
Opening balance as at 1 July		**8 424 560**	**554 488**	**8 979 048**
Contributions for Past Service Liability	14	416 064	0	416 064
Employer contributions	15	27 264	0	27 264
Public Authority employer contributions		31 824	0	31 824
Member contributions		189	10 378	10 567
Transfers from other super entities		3	466	469
Net contributions		**475 344**	**10 844**	**486 188**
Benefits to members		(765 150)	(77 916)	(843 066)
Net benefits allocated to members, comprising:				
Net investment income		-	113 041	113 041
Administration fees		-	(288)	(288)
Net change in member liabilities		30 980	-	30 980
Closing balance as at 30 June		**8 165 734**	**600 169**	**8 765 903**

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 2022

	Note	2022 $000	2021 $000
(Under) funded benefits opening balance 1 July		**(3 480 894)**	**(4 359 345)**
Net operating result		(599 736)	878 451
(Under) funded benefits closing balance 1 July		**(4 080 630)**	**(3 480 894)**

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 2022

	Note	2022 $000	2021 $000
GST recoup		1 477	568
Other income		43	5
Higher education expenses		(9 136)	(8 342)
Administration expenses paid		(11 792)	(6 289)
Net cash flows from operating activities	16	**(19 408)**	**(14 058)**
Receipts from the sale of investments from Funds SA		848 395	1 250 981
Payments to Funds SA for the purchase of investments		(381 250)	(882 419)
Net cash flows from investing activities		**467 145**	**368 562**
Employer contributions		23 385	27 121
Past service liability contributions		370 847	415 995
Commonwealth and Public Authorities contributions		28 914	33 039
Member contributions		9 555	10 556
Transfers from other superannuation entities		225	466
Pension benefits to members		(644 730)	(653 162)
Benefit payments to members		(234 039)	(208 011)
Net cash flows from financing activities		**(445 843)**	**(373 996)**
Net change in cash		1 894	(19 492)
Cash at the beginning of the financial period		9 472	28 964
Cash at the end of the financial period	**16**	**11 366**	**9 472**

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 per cent. 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* (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.

For further information on the investment of the Scheme's funds, reference should be made to the Fund and the South Australian Superannuation Scheme Contribution Account (the Account) in 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 held with DTF established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or the 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 2022 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 per cent (2021: 26 per cent) for old scheme contributors and 14.75 per cent (2021: 14.75 per cent) for new scheme contributors.

Funding for the employer portion of payments met from the Special Deposit 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 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 Treasurer. 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 contributions for past service 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.

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* (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) 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 2022 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 Scheme. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Scheme are outlined below.

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

The standard applies to reporting periods beginning on or after 1 July 2021. The standard replaces the reduced disclosure requirements previously included in all Australian Accounting Standards with simplified disclosure requirements which will apply to Tier 2 entities.

AASB 1053 Application of Tiers of Australian Accounting Standards will still apply in conjunction with AASB 1060. Application of AASB 1060 will significantly amend the content of Tier 2 financial reports.

The Scheme is not a Tier 2 financial reporting entity. The Board has assessed the impact of the amendments of AASB 1060, and has determined there will be no impact on the Scheme's financial statements.

AASB 2020-2 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities

The standard applies to reporting periods beginning on or after 1 July 2021. The standard removes the ability for certain for-profit private sector entities to self-assess their financial reporting requirements and prepare special purpose financial statements (SPFS) when they are required to prepare financial statements that comply with Australian Accounting Standards (AAS).

The Scheme is an exempt public sector superannuation scheme and operates on a not-for-profit basis. The Board has assessed the impact of the new standard on the Scheme, and has determined there will be no impact on the Scheme's financial statements.

AASB 2021-1 Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities

The standard applies to reporting periods beginning on or after 1 July 2021. The Standard amends new elements of AASB 1053 and amends AASB 1060 for first-time application to provide not-for-profit entities with optional relief from presenting comparative information in the notes to the financial statements where the entity did not disclose the comparable information in its most recent previous general purpose financial statements. This relief is only applicable where AASB 1060 is early adopted.

Amendments to AASB 1053 highlight that the relief set out in Appendix E of AASB 1053 is available only to for-profit private sector entities.

The Scheme operates on a not-for-profit basis and is not adopting AASB 1060. The Board has assessed the impact of the new standard on the Scheme, and has determined there will be no impact on the Scheme's financial statements.

AASB 2020-7 Amendments to Australian Accounting Standards - Covid-19 Related Rent Concessions: Tier 2 Disclosures

This standard applies to reporting periods beginning on or after 1 July 2021. AASB 16 (June 2020) provides a practical expedient to elect not to assess whether rent concessions are lease modifications and allows entities to apply a change in lease payments resulting from rent concessions as per the requirements of AASB 16. This practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and where certain conditions are met. Additional disclosures were required where the practical expedient was applied. AASB 2020-7 amends AASB 16 to include relief for Tier 2 entities from the requirement of the additional disclosures required by paragraph 60A and introduces these disclosures in AASB 1060.

The Scheme does not hold any leases therefore AASB 2020-7 does not apply. The Board has assessed the impact of the new standard on the Scheme, and has determined there will be no impact on the Scheme's financial statements.

AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments

This standard applies to reporting periods beginning on or after 1 July 2021.This Standard amends AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities to provide relief in the first reporting period in which an entity applies AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2. An entity is not required to disclose the information that would otherwise be required by paragraph 106(b) of AASB 1060 in respect of the accounting policy changes made in applying AASB 2020-8.

The Scheme operates on a not-for-profit basis and is not adopting AASB 1060. The Board has assessed the impact of the new standard on the Scheme and has determined there will be no impact on the Scheme's financial statements.

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

(a) Classification

The Scheme 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 Scheme, if any, do not meet the hedge accounting criteria as defined by AASB 9. 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, that is, 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.

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 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 statement Note 4.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash and deposits in the Scheme's Special Deposit Account held with DTF, 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 2022 but paid after 30 June 2022. These also include income protection payments payable on or prior to 30 June 2022 but paid after 30 June 2022.

(i) Revenue recognition

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

Changes in fair values

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

Interest

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

(j) Taxation

The 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.

(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 Tax-Exempt

The Inflation Linked Securities Tax-Exempt 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 Tax-Exempt

The Property Tax-Exempt 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 Tax-Exempt

The Australian Equities Tax-Exempt 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.

(iv) International Equities Tax-Exempt

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

(v) Fixed Interest

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 Tax-Exempt

The Diversified Strategies Growth Tax-Exempt asset class incorporates two sub sectors:

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

Core Infrastructure Tax-Exempt
The Core Infrastructure Tax-Exempt portfolio comprises investments in Australian and international infrastructure pooled funds, which are invested and managed by external managers. The valuation of these investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. 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 asset class incorporates three sub sectors:

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

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

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

(viii) Cash

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

(ix) Socially Responsible

The Socially Responsible portfolio actively incorporates the consideration of environmental, social and governance factors in their investment decisions and avoids investing in companies operating in areas of high negative social impact. The portfolio comprises investments in equities listed on Australian and international share markets and is invested and managed by external managers along with a number of international and domestic pooled fund investments.

Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled 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.

(n) Operation of investment portfolio

Funds SA is responsible for the investment and management of the Fund 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 2022, Funds SA managed seven (2021: eight) distinct investment options for the Scheme which were available to investors, each differing by strategic asset allocation:

- High Growth
- Balanced
- Moderate
- Stable (previously known as Conservative)
- Capital Defensive
- Cash
- Socially Responsible

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 (DB) High Growth Strategy.

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.

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.

(q) Climate change financial risks

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

Additionally, as identified in Note 1. above, the investments of the Scheme, are managed by Funds SA. Funds SA, in turn is committed to risk management and maintains a rigorous and proactive approach to identifying and managing investment risk, including the risks associated with climate change. Funds SA has developed a Climate Change Position Statement and

Climate Risk Response Plan to support its approach in this area. Please refer to the Funds SA website for further detail.

3) 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 defined benefits members' liabilities and the employer funded defined benefit component of the liabilities in respect of new scheme contributors is measured annually by the Fund's actuary, currently Mr Geoffrey Keen, Fellow of the Institute of Actuaries of Australia from Brett & Watson Pty Ltd.

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 2022.

The expected future benefit payments have been determined using the 2019 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The actuarial valuation of member liabilities of the South Australian Superannuation Scheme is undertaken annually, as at 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): 6.5 per cent per annum (2021: 6.5 per cent),
- The future rate of salary growth: 2.5 per cent per annum (2021: 2.5 per cent), and
- Long term inflation (CPI): 2.0 per cent per annum (2021: 2.0 per cent).

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

South Australian Superannuation Scheme

	2022 Defined Benefit $000	2022 Defined Contribution $000	2022 Total $000	2021 Defined Benefit $000	2021 Defined Contribution $000	2021 Total $000
Member liabilities	8 306 884	495 039	8 801 923	8 165 734	600 169	8 765 903

	2022 Old Scheme $000	2022 New Scheme $000	2022 Total $000	2021 Old Scheme $000	2021 New Scheme $000	2021 Total $000
SA Superannuation Fund	1 151 936	495 039	1 646 975	1 110 437	600 169	1 710 606
SA Superannuation Scheme contribution accounts:						
Employer contribution accounts	1 118 915	250 120	1 369 035	1 081 945	286 206	1 368 151
SA Government employer account	5 061 000	467 713	5 528 713	4 918 642	510 449	5 429 091
Public authorities	253 086	4 114	257 200	253 927	4 128	258 055
	7 584 937	**1 216 986**	**8 801 923**	**7 364 951**	**1 400 952**	**8 765 903**

The Board has a number 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 four assumptions (being the discount rate, the rate of salary adjustment, pension indexation rates and mortality rates) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities.

The assumed discount rate 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 variable 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, are resignations. The following table outlines the defined benefit liability sensitivity estimates provided by the scheme actuary on the discount rate, salary increase rate, pension indexation rate and mortality rate.

South Australian Superannuation Scheme

	Member liability result[a] $000	Change in member benefit liability $000	Change in member benefit liability %
Scenario			
Base Case	8 307	-	-
Discount rate plus 0.5%	7 997	(310)	(3.7)
Discount rate less 0.5%	8 639	332	4.0
Salary increase rate plus 0.5%	8 326	19	0.2
Salary increase rate less 0.5%	8 289	(18)	(0.2)
Pension increase rate plus 0.5%	8 565	258	3.1
Pension increase rate less 0.5%	8 064	(243)	(2.9)
Mortality rate plus 10%	8 130	(177)	(2.1)
Mortality rate less 10%	8 502	195	2.3

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 Government share of the universities.

Vested benefits

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.

	2022			**2021**		
	Old Scheme $000	New Scheme $000	Total $000	Old Scheme $000	New Scheme $000	Total $000
SA Superannuation Fund	1 153 149	495 039	1 648 188	1 111 435	600 169	1 711 604
SA Superannuation Scheme contribution accounts:						
Employer contribution accounts	1 121 008	280 096	1 401 104	1 083 802	324 027	1 407 829
SA Government employer account	5 065 609	536 162	5 601 771	4 922 377	602 337	5 524 714
Public authorities	253 086	4 474	257 560	253 927	4 585	258 512
	7 592 852	**1 315 771**	**8 908 623**	**7 371 541**	**1 531 118**	**8 902 659**

5) Contributions receivable

	2022 $000	**2021** $000
Member contributions	161	266
Employer contributions	604	850
	765	**1 116**

6) Receivables

	2022 $000	2021 $000
Benefit repayments	440	190
GST recoup from ATO	241	180
Other receivables	28	56
Prepaid benefits	36	1 891
Past service receivable	194	194
Public authorities	3 216	2 417
Temporary disability	90	89
	4 245	**5 017**

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 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 Scheme's investments are not quoted in an active market. To ensure fair value can be determined, the Scheme'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 Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

	2022 $000	2021 $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	4 712 875	5 282 288
Funds SA	**4 712 875**	**5 282 288**

8) Value and movement of investments by investment option

	2022 $000	Movement $000	2021 $000
High Growth Tax-Exempt	685	(7 787)	8 472
Balanced Tax-Exempt	429 531	(88 987)	518 518
Moderate Tax-Exempt	18 719	(4 276)	22 995
Stable (previously known as Conservative Tax-Exempt)	18 128	(4 186)	22 314
Capital Defensive Tax-Exempt	10 291	(2 403)	12 694
Cash Tax-Exempt	10 365	(1 547)	11 912
Socially Responsible	1 594	(367)	1 961
DB High Growth Strategy	4 223 562	(459 860)	4 683 422
Investments at 30 June	**4 712 875**	**(569 413)**	**5 282 288**

9) Payables

	2022 $000	2021 $000
Audit fees	84	88
Administration expenses	-	2 235
Prepaid Member Contributions	25	-
Returned benefit payments	11	-
	120	**2 323**

10) Investment expenses

	2022 $000	2021 $000
Investment expenses	**19 088**	**18 302**

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

11) Administration expenses

	2022 $000	2021 $000
Administration expenses [(i)]	7 911	7 815
Other expenses [(ii)]	204	109
	8 115	**7 924**

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

[(ii)] Other expenses include Auditor's remuneration. Refer Note 12.

12) Auditors' remuneration

	2022 $000	2021 $000
Audit fees paid or payable	**80**	79

Audit fees paid (or payable), $79 900 GST exclusive (2021: $78 600), 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

	2022 $000	2021 $000
Higher education superannuation costs	**9 136**	**8 342**

These amounts are paid to the Commonwealth Government that related to the South Australian share of the 2022 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

	2022 $000	2021 $000
SA Government	368 988	415 870
SA Water	2 030	0
Forestry SA	(171)	194
	370 847	**416 064**

15) Employer contributions

	2022 $000	2021 $000
State government departments	16 023	18 292
Statutory authorities – state government entities	6 798	7 879
Statutory authorities – non-state government entities	293	1 093
	23 114	**27 264**

16) Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash and deposits in the Scheme's Special Deposit Account held with DTF. 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:

	2022 $000	2021 $000
Cash and cash equivalents	11 366	9 472
Reconciliation of net cash from operating activities		
Net operating result	(599 736)	878 451
Adjustments for:		
Change in investments measured at fair value	83 180	(1 056 704)
Investment expenses	19 088	18 302
(Increase) in receivables	82	(79)
Increase in payables	(2 239)	2 239
Allocation to members' accounts	480 217	143 733
Net cash flows from operating activities	**(19 408)**	**(14 058)**

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

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 Scheme receives regular reports from Funds SA concerning compliance with 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.

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

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

i) Currency risk

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

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

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

ii) Interest rate risk

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

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

Funds SA manages interest rate risk through:

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

iii) Other market price risk

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

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

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

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

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

iv) Investments sensitivity analysis

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

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

	Expected Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk (+/-) on Income Statement
	%	%	$000	$000
2022				
Investment Option				
High Growth Tax-Exempt	6.7	10.3	4 579	472
Balanced Tax-Exempt	6.1	8.9	474 025	42 188
Moderate Tax-Exempt	4.7	6.7	20 857	1 397
Stable Tax-Exempt*(i)*	3.9	5.1	20 221	1 031
Capital Defensive Tax-Exempt	3.3	3.9	11 493	448
Cash Tax Exempt	0.0	0.5	11 139	56
Socially Responsible	5.2	8.8	1 778	156
DB High Growth Strategy	6.7	8.9	4 453 492	396 361

	Expected Average Return	Market Risk	Average Funds Under Management	Potential impact of market risk (+/-) on Income Statement
	%	%	$000	$000
2021				
Investment Option				
High Growth Tax-Exempt	7.6	10.9	15 946	1 738
Balanced Tax-Exempt	7.0	10.0	290 507	29 051
Moderate Tax-Exempt	5.6	7.2	23 992	1 727
Stable Tax-Exempt*(i)*	4.5	5.1	23 178	1 182
Capital Defensive Tax-Exempt	3.3	3.6	11 110	400
Cash Tax-Exempt	0.3	1.0	14 783	148
Socially Responsible	6.0	10.3	1 048	108
DB High Growth Strategy	7.6	10.1	4 370 935	441 464

(i) Stable was previously known as the Conservative option.

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 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,
- reporting and monitoring the liquidity of the fund on a daily basis to ensure prospective client cash outflows and switches can be met,
- by undertaking portfolio management and rebalancing activities, and
- by undertaking regular stress testing on liquidity positions to identify sources of liquidity strain before they are realised.

For the 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 Superannuation Scheme

	Less than 3 Months $000	Total Contractual Cash Flows $000%	Carrying Amount Liabilities $000
2022			
Benefits payable	7 838	7 838	7 838
Payables[(i)]	36	36	36
Vested benefits[(ii)]	8 908 623	8 908 623	8 908 623
Total	**8 916 497**	**8 916 497**	**8 916 497**
2021			
Benefits payable	10 561	10 561	10 561
Payables[(i)]	0	0	0
Vested benefits[(ii)]	8 902 659	8 902 659	8 902 659
Total	**8 913 220**	**8 913 220**	**8 913 220**

(i) Payable amounts disclosed here exclude amounts relating to constructive obligations and 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.

(a) 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 Fund and the Account. Movements in the balances of these accounts are detailed below:

South Australian Superannuation Scheme

	2022			2021		
	Old Scheme	New Scheme	Total	Old Scheme	New Scheme	Total
	$000	$000	$000	$000	$000	$000
SA Superannuation Fund Account (employee component)						
Funds held at 1 July	**1 736 863**	**584 385**	**2 321 248**	**1 490 069**	**541 014**	**2 031 083**
Contributions	357	9 082	9 439	189	10 378	10 567
Transfers from other super entities	-	223	223	3	466	469
Changes in investments measured at fair value	(20 853)	(30 956)	(51 809)	349 177	113 008	462 185
Interest	-	-	-	1	1	2
Other	-	-	-	0	43	43
	(20 496)	(21 651)	(42 147)	349 370	123 896	473 266
Benefits Paid and Payable	98 194	89 575	187 769	94 783	77 916	172 699
Investment expenses	6 491	1 734	8 225	6 016	2 015	8 031
Administration expenses	2 163	272	2 435	1 777	594	2 371
	106 848	91 581	198 429	102 576	80 525	183 101
Funds held at 30 June	**1 609 519**	**471 153**	**2 080 672**	**1 736 863**	**584 385**	**2 321 248**

SA Superannuation Scheme Contribution Account (employer component)	2022	2021
	$000	$000
Funds held at 1 July	**2 963 761**	**2 588 620**
Employer contributions:		
State Government departments	16 023	18 292
Statutory Authorities	7 091	8 972
Contributions for past service liability	370 847	416 064
	393 961	443 328
Change in investments measured at fair value	(31 371)	594 519
Bank interest and other revenue		
Public authorities	29 714	31 815
Interest	-	3
Temporary disability	-	9
	392 304	1 069 674
Benefits paid and payable		
Old scheme contributors	553 745	553 839
New scheme contributors	136 020	116 528
	689 765	670 367
Investment expenses	10 863	10 271
Higher education superannuation costs	9 136	8 342
Administration expenses	5 680	5 553
	715 444	694 533
Funds held at 30 June	2 640 621	2 963 761
Net assets available for member benefits	**4 721 293**	**5 285 009**

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 manager 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.

20) Related parties

a) Key management personnel

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

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.

South Australian Superannuation Scheme

Certification of the financial statement

We certify that the:

- financial statements of the South Australian Superannuation Scheme:
  - are in accordance with the accounts and records of the Scheme,
  - comply with relevant Treasurer's instructions,
  - comply with relevant accounting standards, and
  - present a true and fair view of the financial position of the Scheme 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 Scheme for the financial year over its financial reporting and its preparation of the financial statements have been effective.

Virginia Deegan
Board Member
SA Superannuation Board

Patrick McAvaney
A/Chief Executive
State Superannuation Office

Mark Hordacre
Director Finance
State Superannuation Office

Date 15/9/2022