

SUPERANNUATION PROVISION ACCOUNT

Purpose

The Superannuation Provision Account (SPA) is established to recognise the investment assets and defined benefit employer superannuation liabilities of the Territory.

The Chief Minister and Treasury Directorate (CMTD), through the financial operations of the SPA, assists the Government to effectively manage the defined benefit employer superannuation liabilities of the Territory. This includes the responsibility for the management of the investment funds set aside to meet those liabilities.

The SPA also recognises the unfunded superannuation liabilities for the superannuation benefits for the Members of the Legislative Assembly.

2013-14 Priorities

Strategic and operational issues to be pursued in 2013-14:

- managing, monitoring and reviewing, as necessary, the SPA investment portfolio in accordance with established investment policies;
- implementing the operational requirements of the Responsible Investment Policy; and
- procuring required external services including actuarial, investment asset custody, investment management, environmental social and governance research, and investment advice.

Estimated Employment Level

2011-12 Actual Outcome	2012-13 Budget	2012-13 Est. Outcome	2013-14 Budget
8 Staffing (FTE) ¹	9	9	9

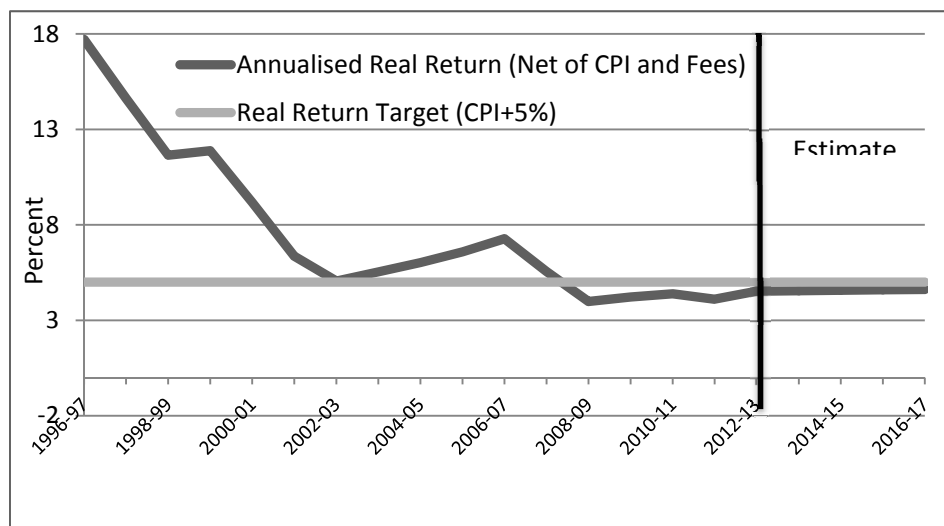
Note:

1. This includes 5 FTE associated with the 'employee superannuation entitlements' project.

Strategic Objectives and Indicators

Strategic Objective 1 Achievement of Investment Return Objective

Strategic Indicator 1: To Achieve a Long-Term Annualised Return of CPI + Five per cent (net of fees)¹

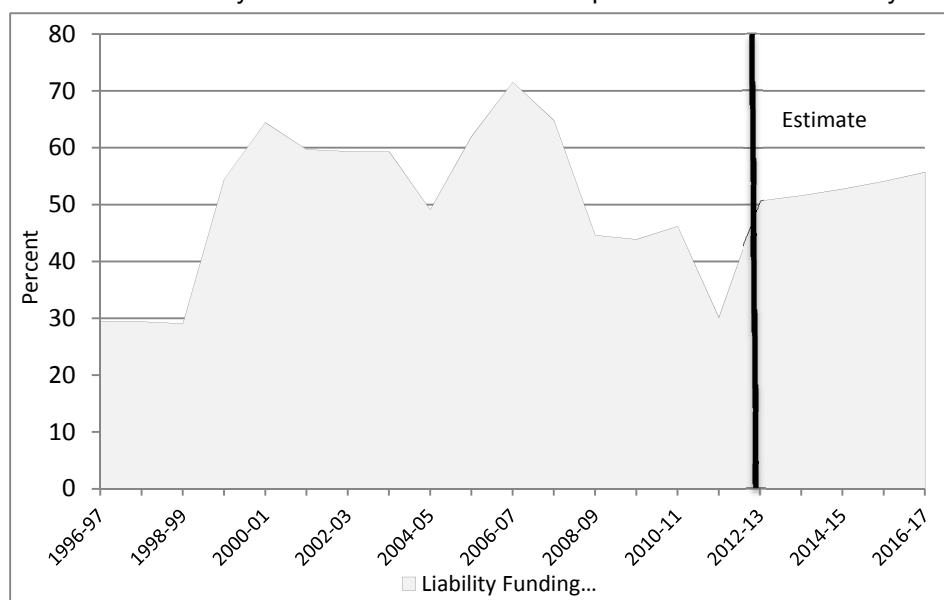


Note:

1. This indicator is the SPA investment portfolio return since the base performance year of 1996-97. The aim is to maintain the annualised portfolio return at or above CPI + 5 per cent (net of fees) over the long term, calculated since the base year. The portfolio return is calculated as the annualised performance of each individual financial year return.

Strategic Objective 2 Funding Defined Benefit Superannuation Liabilities

Strategic Indicator 2: To Fully Fund the Defined Benefit Superannuation Liabilities by 30 June 2030¹



Note:

1. This indicator measures the level of superannuation liability funded by financial investment assets. The objective is to increase the liability funding percentage over time and to reach a 100 per cent liability funding level by 30 June 2030. The liability funding percentage is calculated by comparing the actual end of year valuation of financial investment assets with the actual actuarial valuation of defined benefit superannuation liabilities. The 2012-13 and the forward year liability valuation estimates utilise a discount rate of six per cent.

Output Classes

	Total Cost		Payment for Expenses on Behalf of the Territory	
	2012-13	2013-14	2012-13	2013-14
	Est. Outcome \$'000	Budget \$'000	Est. Outcome \$'000	Budget \$'000
EBT Class 1: Superannuation Provision Account	548,748	462,495	N/A	N/A
EBT 1.1: Superannuation Provision Account	548,748	462,495	N/A	N/A

Output Description

This output involves the management of the Territory's defined benefit employer superannuation liabilities and financial investment assets.

The key outputs to be delivered in 2013-14 include:

- managing the investment strategy and reporting on the financial investment assets set aside to meet the CSS/PSS defined benefit employer superannuation liabilities of the Territory;
- undertaking the annual actuarial review of the Territory's CSS/PSS defined benefit employer superannuation liabilities;
- implementing the Responsible Investment Policy, including share voting, prohibited investments, and application of the Principles for Responsible Investment;
- managing the superannuation funding plan and payment of employer benefits to ComSuper;
- preparing annual Member Information Statements for the Members of the Legislative Assembly Superannuation Scheme, with calculation and settlement of benefit determinations as required; and
- managing and reporting on the financial operations of the SPA.

Accountability Indicators

	2012-13 Targets	2012-13 Est. Outcome	2013-14 Targets
1.1 Superannuation Provision Account			
a. Difference between the net investment earnings rate and the benchmark is to be ≥ 0 ¹	≥ 0	≥ 0	≥ 0
b. Exposure to directly-owned share investments related to the manufacture of Tobacco, Cluster Munitions and Land Mines ^{2,3}	n/a	n/a	0%
c. The exercising of ownership voting rights for directly-owned shares ^{2,4}	n/a	n/a	>95%
d. Completion of Annual Actuarial Review ^{2,5}	n/a	n/a	1
e. Completion and delivery of Monthly Financial Reporting ^{2,6}	n/a	n/a	11
f. Completion and delivery of unqualified Annual Financial Statements ^{2,7}	n/a	n/a	1
g. Preparation of MLA Member Superannuation Statements ^{2,8}	n/a	n/a	7
h. Annualised long-term return of 5 per cent real ⁹	>5%	4.5%	n/a
i. Liability funding percentage ⁹	54%	51%	n/a

Notes:

- The difference between the actual annual portfolio investment earnings rate and the established performance benchmark is a measure of the relative performance of the Territory's fund managers to the benchmark.
- New indicator to improve performance monitoring.
- The investment portfolio is monitored to ensure that it is not exposed to any prohibited investments, in accordance with the Government's Responsible Investment Policy. For performance measurement purposes, the actual portfolio direct share holdings will be compared with the prevailing prohibited shares list at the end of each month. The exposure measure will be the weighted value of any prohibited share investments on the total value of the share portfolio.
- As required by the Government's Responsible Investment Policy, voting rights in relation to directly-owned shares will be exercised in accordance with the Government's share voting policy. The target is that more than 95 per cent of all eligible voting items in the year will be cast in relation to the total voting items. The measure will be total actual votes cast compared to total eligible voting items.
- An annual actuarial review of the Territory's defined benefit (CSS/PSS) employer superannuation liabilities will be completed and included in the budget estimates.
- Monthly financial reporting involves the preparation of accrual financial statements, without notes, for transmission to Finance and Budget Division, CMTD. The monthly financial reporting will not be counted for the year if the financial statements are not completed and provided to Finance and Budget Division by the eighth business day of the next month.
- Involves the preparation of the previous year's annual financial statements for auditing and inclusion in the CMTD annual report. The objective is to receive an unqualified audit opinion during the year.
- Preparation of annual Member Information Statements for those Members of the Legislative Assembly that have a defined benefit superannuation entitlement in accordance with the *Superannuation (Legislative Assembly Members) Act 1991*. Any individual Member Information Statement for the previous financial year not delivered by end September of the Budget year will not be counted in the result.
- Discontinued indicators replaced with improved performance monitoring indicators.

Changes to Appropriation

Changes to Appropriation – Territorial

	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Injections	Est. Out.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2012-13 Budget	147,649	151,341	155,124	159,001	159,001
2013-14 Budget Policy Adjustments					
Additional Funding to Match Benefit Payment Projection	-	26,875	40,550	54,649	70,804
2013-14 Budget Technical Adjustments					
Revised Indexation Parameters	-	-	-	-	3,976
2013-14 Budget	147,649	178,216	195,674	213,650	233,781

**Superannuation Provision Account
Statement of Income and Expenses on Behalf of the Territory**

2012-13 Budget \$'000		2012-13 Est. Outcome \$'000	2013-14 Budget \$'000	Var %	2014-15 Estimate \$'000	2015-16 Estimate \$'000	2016-17 Estimate \$'000
Income							
Revenue							
35,589	Interest	13,700	18,674	36	21,560	23,134	24,827
66,393	Dividend Revenue	66,037	83,526	26	88,259	95,014	101,801
0	Distribution from Investments with the Territory Banking Account ¹	8,950	4,947	-45	4,281	4,597	4,938
80,248	Other Revenue	257,013	90,984	-65	98,631	105,727	113,835
182,230	Total Revenue	345,700	198,131	-43	212,731	228,472	245,401
182,230	Total Income	345,700	198,131	-43	212,731	228,472	245,401
Expenses							
738	Employee Expenses	756	814	8	835	856	877
439,013	Superannuation Expenses	521,702	453,513	-13	465,428	476,978	487,802
5,568	Supplies and Services	4,985	5,160	4	5,245	5,474	5,682
4,183	Other Expenses	21,305	3,008	-86	3,179	3,405	3,648
449,502	Total Ordinary Expenses	548,748	462,495	-16	474,687	486,713	498,009
-267,272	Operating Result	-203,048	-264,364	-30	-261,956	-258,241	-252,608
Other Comprehensive Income <i>Items that will not be reclassified subsequently to profit or loss</i>							
0	Superannuation Prior Year Actuarial Movement	2,776,338	0	-100	0	0	0
0	Total Other Comprehensive Income	2,776,338	0	-100	0	0	0
-267,272	Total Comprehensive Income	2,573,290	-264,364	-110	-261,956	-258,241	-252,608

Note:

- Interest received from investments with the Territory Banking Account is no longer presented as Interest Income. These amounts are now reflected under the line item Distribution from the Territory Banking Account. This treatment is not reflected in the 2012-13 Budget figures.

**Superannuation Provision Account
Statement of Assets and Liabilities on Behalf of the Territory**

Budget as at 30/6/13 \$'000		Est. Outcome as at 30/6/13 \$'000	Budget as at 30/6/14 \$'000	Var %	Estimate as at 30/6/15 \$'000	Estimate as at 30/6/16 \$'000	Estimate as at 30/6/17 \$'000
	Current Assets						
500	Cash and Cash Equivalents	500	500	-	500	500	500
132	Receivables	79	79	-	79	79	79
632	Total Current Assets	579	579	-	579	579	579
	Non Current Assets						
2,504,641	Investments	2,577,646	2,766,679	7	2,970,033	3,188,644	3,423,708
2,504,641	Total Non Current Assets	2,577,646	2,766,679	7	2,970,033	3,188,644	3,423,708
2,505,273	TOTAL ASSETS	2,578,225	2,767,258	7	2,970,612	3,189,223	3,424,287
	Current Liabilities						
769	Payables	929	929	-	929	929	929
177,429	Employee Benefits	178,396	195,863	10	213,849	233,987	252,157
178,198	Total Current Liabilities	179,325	196,792	10	214,778	234,916	253,086
	Non Current Liabilities						
4,922,533	Employee Benefits	4,914,124	5,171,838	5	5,423,488	5,666,552	5,902,273
4,922,533	Total Non Current Liabilities	4,914,124	5,171,838	5	5,423,488	5,666,552	5,902,273
5,100,731	TOTAL LIABILITIES	5,093,449	5,368,630	5	5,638,266	5,901,468	6,155,359
-2,595,458	NET ASSETS	-2,515,224	-2,601,372	-3	-2,667,654	-2,712,245	-2,731,072
	REPRESENTED BY FUNDS EMPLOYED						
-2,595,458	Accumulated Funds	-2,515,224	-2,601,372	-3	-2,667,654	-2,712,245	-2,731,072
-2,595,458	TOTAL FUNDS EMPLOYED	-2,515,224	-2,601,372	-3	-2,667,654	-2,712,245	-2,731,072

Superannuation Provision Account
Statement of Changes in Equity on Behalf of the Territory

Budget as at 30/6/13 \$'000		Est. Outcome as at 30/6/13 \$'000	Budget as at 30/6/14 \$'000	Var %	Estimate as at 30/6/15 \$'000	Estimate as at 30/6/16 \$'000	Estimate as at 30/6/17 \$'000
Opening Equity							
-2,475,835	Opening Accumulated Funds	-5,236,163	-2,515,224	52	-2,601,372	-2,667,654	-2,712,245
-2,475,835	Balance at the Start of the Reporting Period	-5,236,163	-2,515,224	52	-2,601,372	-2,667,654	-2,712,245
Comprehensive Income							
0	Superannuation Prior Year Actuarial Movement	2,776,338	0	-100	0	0	0
-267,272	Operating Result for the Period	-203,048	-264,364	-30	-261,956	-258,241	-252,608
-267,272	Total Comprehensive Income	2,573,290	-264,364	-110	-261,956	-258,241	-252,608
0	Total Movement in Reserves	0	0	-	0	0	0
Transactions Involving Owners Affecting Accumulated Funds							
147,649	Capital Injections	147,649	178,216	21	195,674	213,650	233,781
147,649	Total Transactions Involving Owners Affecting Accumulated Funds	147,649	178,216	21	195,674	213,650	233,781
Closing Equity							
-2,595,458	Closing Accumulated Funds	-2,515,224	-2,601,372	-3	-2,667,654	-2,712,245	-2,731,072
-2,595,458	Balance at the End of the Reporting Period	-2,515,224	-2,601,372	-3	-2,667,654	-2,712,245	-2,731,072

Superannuation Provision Account Statement of Cash Flows on Behalf of the Territory

2012-13 Budget \$'000		2012-13 Est. Outcome \$'000	2013-14 Budget \$'000	Var %	2014-15 Estimate \$'000	2015-16 Estimate \$'000	2016-17 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
35,589	Interest Received	13,701	18,672	36	21,560	23,133	24,826
0	Distribution from Investments with the Territory Banking Account ¹	8,950	4,947	-45	4,281	4,597	4,938
69,546	Other Receipts	68,660	87,830	28	92,804	99,875	107,002
105,135	Operating Receipts	91,311	111,449	22	118,645	127,605	136,766
Payments							
729	Related to Employees	726	804	11	824	845	866
161,889	Related to Superannuation	147,521	178,341	21	195,804	213,786	233,921
5,568	Related to Supplies and Services	4,985	5,160	4	5,245	5,474	5,682
4,183	Other	4,174	3,008	-28	3,179	3,405	3,648
172,369	Operating Payments	157,406	187,313	19	205,052	223,510	244,117
-67,234	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	-66,095	-75,864	-15	-86,407	-95,905	-107,351
CASH FLOWS FROM INVESTING ACTIVITIES							
Payments							
80,415	Purchase of Investments	82,525	102,352	24	109,267	117,745	126,430
80,415	Investing Payments	82,525	102,352	24	109,267	117,745	126,430
-80,415	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	-82,525	-102,352	-24	-109,267	-117,745	-126,430
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
147,649	Capital Injections from Government	147,649	178,216	21	195,674	213,650	233,781
147,649	Financing Receipts	147,649	178,216	21	195,674	213,650	233,781
147,649	NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES	147,649	178,216	21	195,674	213,650	233,781
0	NET INCREASE / (DECREASE) IN CASH HELD	-971	0	100	0	0	0
500	CASH AT THE BEGINNING OF REPORTING PERIOD	1,471	500	-66	500	500	500
500	CASH AT THE END OF REPORTING PERIOD	500	500	-	500	500	500

Note:

- Interest received from investments with the Territory Banking Account is no longer presented as Interest Income. These amounts are now reflected under the line item Distribution from the Territory Banking Account. This treatment is not reflected in the 2012-13 Budget figures.

Notes to the Budget Statements

Significant variations are as follows:

Statement of Income and Expenses on Behalf of the Territory

- interest:
 - the decrease of \$21.889 million in the 2012-13 estimated outcome from the original budget is mainly due to the reclassification of interest received from the Territory Banking Account as a distribution; earnings from the inflation-linked debt investments being classified as gains; and the timing of income distribution from the currency-hedged international fixed interest investments; and
 - the increase of \$4.974 million in the 2013-14 Budget from the 2012-13 estimated outcome is mainly due to a distribution from the currency-hedged international fixed interest investments and income from fixed interest investments.
- dividend revenue: the increase of \$17.489 million in the 2013-14 Budget from the 2012-13 estimated outcome is mainly due to a distribution from the currency-hedged international share investments, as well as growth in dividend receipts from an increasing portfolio of share investments.
- distribution from investments with the Territory Banking Account:
 - the increase of \$8.950 million in the 2012-13 estimated outcome from the original budget is due to the reclassification of interest received from the Territory Banking Account as a distribution; and
 - the decrease of \$4.003 million in the 2013-14 Budget from the 2012-13 estimated outcome is mainly due to lower anticipated interest rates and a lower investment balance.
- other revenue:
 - the increase of \$176.765 million in the 2012-13 estimated outcome from the original budget is mainly due to strong capital gains from the share investments over the year; and
 - the decrease of \$166.029 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to a return to the long term investment earnings assumption of a portfolio return of CPI plus five per cent (net of fees).
- superannuation expenses:
 - the increase of \$82.689 million in the 2012-13 estimated outcome from the original budget is due to the impact of the lower than estimated discount rate as at 30 June 2012 used for the annual superannuation liability valuation; and
 - the decrease of \$68.189 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to the valuation of the superannuation liability and superannuation expense being calculated on the long-term discount rate of six per cent.

- supplies and services: the decrease of \$0.583 million in the 2012-13 estimated outcome from the original budget is due to lower ComSuper administration payments for the management of CSS/PSS & PSSap member accounts, actuarial and legal expenses and consultant fees.
- other expenses:
 - the increase of \$17.122 million in the 2012-13 estimated outcome from the original budget is due to unrealised capital losses associated with the receipt of distributions from unit trust investments; and
 - the decrease of \$18.297 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to a return to the long-term investment earnings assumption of a portfolio return of CPI plus five per cent (net of fees).

Statement of Assets and Liabilities on Behalf of the Territory

- non current investments:
 - the increase of \$73.005 million in the 2012-13 estimated outcome from the original budget is due to a combination of the flow-on effects of the 2011-12 audited outcome and the increase in the estimated outcome for investment earnings; and
 - the increase of \$189.033 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to the reinvestment of projected investment earnings, offset by expected cash outflows.
- current employee benefits:
 - the increase of \$0.967 million in the 2012-13 estimated outcome from the original budget and the increase of \$17.467 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to the outcome of the latest actuarial review and the estimated growth in annual employee superannuation benefit payments.
- non current employee benefits:
 - the decrease of \$8.409 million in the 2012-13 estimated outcome from the original budget is due to the outcome of the latest actuarial review that incorporates membership data as at 30 June 2012; and
 - the increase of \$257.714 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to the outcome of the latest actuarial review and the estimated growth in annual employee superannuation benefit liabilities.

Statement of Changes in Equity on Behalf of the Territory

Variations in the statement are explained in the notes above.

Statement of Cash Flows on Behalf of the Territory

Variations in the statement are explained in the notes above.

