

SUPERANNUATION PROVISION ACCOUNT

Objectives

Treasury 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 the defined benefit employer superannuation liabilities of the Territory.

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

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

The SPA operates within the broader Treasury portfolio.

2010-11 Priorities

Strategic and operational issues to be pursued in 2010-11 include:

- managing, monitoring and reviewing, as necessary, the SPA investment portfolio in accordance with the established investment policies;
- undertaking policy research and development for the implementation of value-adding investment strategies for the SPA investment portfolio;
- completing the annual actuarial review of the defined benefit employer superannuation liabilities of the Territory; and
- completing the Totalcare superannuation project.

Estimated Employment Level

2008-09 Actual Outcome	2009-10 Budget	2009-10 Est. Outcome	2010-11 Budget
9 Staffing (FTE) ¹	9	9	9

Note:

1. This includes 6 FTEs associated with the Totalcare superannuation project.

Strategic Indicators

Strategic Indicator 1

Achievement of Investment Returns Greater than Benchmark

To maintain a selection of investment managers and a mix of financial investment assets to deliver returns in excess of established performance benchmarks.

Strategic Indicator 2

Achievement of an Average Long-Term Investment Return of Five Per Cent 'Real'

To achieve an annualised 'real' rate of return of five per cent (net of inflation and fees) over the life of the investment portfolio.

Strategic Indicator 3

Superannuation Liability Funding Percentage

The Government is committed to the effective management, and eventual extinguishment, of unfunded CSS/PSS defined benefit employer superannuation liabilities. A target of 100 per cent funding of defined benefit employer superannuation liabilities by 30 June 2030 has been established. This is to be achieved by improving the coverage of superannuation liabilities with investment assets, over time, through the annual review and monitoring of the long-term funding plan.

As at 30 June 2010, superannuation liabilities are estimated to be 52 per cent funded, an increase from the 45 per cent funded position as at 30 June 2009.

Output Classes

	Total Cost		Payment for Expenses on Behalf of the Territory	
	2009-10	2010-11	2009-10	2010-11
	Est. Outcome \$'000	Budget \$'000	Est. Outcome \$'000	Budget \$'000
EBT Class 1:				
Superannuation Provision Account	443,709	386,405	1,671	5,272
EBT 1: Superannuation Provision Account	443,709	386,405	1,671	5,272

Output Description

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

The key outputs to be delivered in 2010-11 include:

- managing the investment assets set aside to meet the CSS/PSS defined benefit employer superannuation liabilities of the Territory by monitoring the investment strategy;
- delivering an average investment return of CPI plus 5 per cent (net of fees), within acceptable risk tolerances, over the projected life of the investment portfolio;
- monitoring and reviewing the performance of the Territory's investment managers and investment service providers to achieve an investment return greater than benchmark;
- undertaking the annual actuarial review of the Territory's CSS/PSS defined benefit employer superannuation liabilities; and
- preparation of annual Member Information Statements for the Members of the Legislative Assembly Superannuation Scheme.

Accountability Indicators

	2009-10 Targets	2009-10 Est. Outcome	2010-11 Targets
1.1 Superannuation Provision Account			
a. Difference between the net investment earnings rate and the benchmark is to be ≥ 0	≥ 0	≥ 0	≥ 0
The difference between the actual annual portfolio investment earnings rate and the established benchmark is a measure of the relative performance of the Territory's fund managers to the benchmark.			
b. Annualised long-term return of 5 per cent real	>5%	4.5%	>5%
The annualised real return of the portfolio (net of inflation and fees) is a measure of the average annual compounded return achieved over time. This measure is updated annually.			
c. Liability funding percentage	49%	52%	53%
The percentage of superannuation liabilities that are covered by the investment assets is a measure of the level of liability funding.			

Changes to Appropriation

Changes to Appropriation - Territorial

	2009-10 Est. Out. \$'000	2010-11 Budget \$'000	2011-12 Estimate \$'000	2012-13 Estimate \$'000	2013-14 Estimate \$'000
Payment for Expenses on Behalf of Territory					
2009-10 Budget	5,221	-	-	-	-
FMA Section 16B Rollover from 2008-09					
Totalcare Superannuation Liability	1,722	-	-	-	-
2010-11 Budget Technical Adjustment					
Rollover - Totalcare Superannuation Liability	(5,272)	5,272	-	-	-
2010-11 Budget	1,671	5,272	-	-	-

Changes to Appropriation - Territorial

	2009-10 Est. Out. \$'000	2010-11 Budget \$'000	2011-12 Estimate \$'000	2012-13 Estimate \$'000	2013-14 Estimate \$'000
Capital Injections					
2009-10 Budget	137,107	140,534	144,047	147,649	147,649
2010-11 Budget Technical Adjustment					
Revised Indexation Parameters	-	-	-	-	3,692
2010-11 Budget	137,107	140,534	144,047	147,649	151,341

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

2009-10 Budget \$'000		2009-10 Est.Outcome \$'000	2010-11 Budget \$'000	Var %	2011-12 Estimate \$'000	2012-13 Estimate \$'000	2013-14 Estimate \$'000
Income							
Revenue							
5,221	Payment for Expenses on behalf of Territory	1,671	5,272	215	0	0	0
19,742	Interest	32,106	27,918	-13	27,177	29,063	30,942
35,782	Dividend Revenue	46,535	44,322	-5	49,412	52,841	56,258
94,087	Other Revenue	258,944	96,713	-63	99,612	106,410	113,169
154,832	Total Revenue	339,256	174,225	-49	176,201	188,314	200,369
Gains							
5,221	Other Gains	11,000	0	-100	0	0	0
5,221	Total Gains	11,000	0	-100	0	0	0
160,053	Total Income	350,256	174,225	-50	176,201	188,314	200,369
Expenses							
701	Employee Expenses	697	721	3	745	771	799
356,248	Superannuation Expenses	368,026	371,883	1	399,427	410,646	421,716
5,512	Supplies and Services	5,048	5,251	4	5,460	5,578	5,822
10,721	Other Expenses	69,938	8,550	-88	3,460	3,682	3,902
373,182	Total Ordinary Expenses	443,709	386,405	-13	409,092	420,677	432,239
-213,129	Operating Result	-93,453	-212,180	-127	-232,891	-232,363	-231,870
0	Superannuation Prior Year Actuarial Movement	271,507	0	-100	0	0	0
0	Total Other Comprehensive Income	271,507	0	-100	0	0	0
-213,129	Total Comprehensive Income	178,054	-212,180	-219	-232,891	-232,363	-231,870

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

Budget as at 30/6/10 \$'000		Est.Outcome as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000	Var %	Planned as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000	Planned as at 30/6/14 \$'000
Current Assets							
500	Cash and Cash Equivalents	500	500	-	500	500	500
0	Receivables	286	286	-	286	286	286
500	Total Current Assets	786	786	-	786	786	786
Non Current Assets							
1,968,391	Investments	2,090,304	2,274,984	9	2,437,881	2,600,992	2,762,751
1,968,391	Total Non Current Assets	2,090,304	2,274,984	9	2,437,881	2,600,992	2,762,751
1,968,891	TOTAL ASSETS	2,091,090	2,275,770	9	2,438,667	2,601,778	2,763,537
Current Liabilities							
0	Payables	867	867	-	867	867	867
109,462	Employee Benefits	115,523	147,649	28	162,783	179,389	196,411
109,462	Total Current Liabilities	116,390	148,516	28	163,650	180,256	197,278
Non Current Liabilities							
3,950,147	Employee Benefits	3,909,833	4,134,033	6	4,370,640	4,601,859	4,827,125
3,950,147	Total Non Current Liabilities	3,909,833	4,134,033	6	4,370,640	4,601,859	4,827,125
4,059,609	TOTAL LIABILITIES	4,026,223	4,282,549	6	4,534,290	4,782,115	5,024,403
-2,090,718	NET ASSETS	-1,935,133	-2,006,779	-4	-2,095,623	-2,180,337	-2,260,866
REPRESENTED BY FUNDS EMPLOYED							
-2,090,718	Accumulated Funds	-1,935,133	-2,006,779	-4	-2,095,623	-2,180,337	-2,260,866
-2,090,718	TOTAL FUNDS EMPLOYED	-1,935,133	-2,006,779	-4	-2,095,623	-2,180,337	-2,260,866

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

2009-10 Budget \$'000		2009-10 Est.Outcome \$'000	2010-11 Budget \$'000	Var %	2011-12 Estimate \$'000	2012-13 Estimate \$'000	2013-14 Estimate \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
5,221	Cash from Government for EBT	1,671	5,272	215	0	0	0
19,742	Interest Received	32,106	27,918	-13	27,177	29,063	30,942
41,283	Other Revenue	50,986	52,374	3	52,192	55,621	59,038
66,246	Operating Receipts	84,763	85,564	1	79,369	84,684	89,980
	Payments						
695	Related to Employees	689	712	3	736	762	789
97,257	Related to Superannuation	121,785	115,567	-5	147,695	162,832	179,440
5,512	Related to Supplies and Services	5,048	5,251	4	5,460	5,578	5,822
10,721	Other	4,849	8,550	76	3,460	3,682	3,902
114,185	Operating Payments	132,371	130,080	-2	157,351	172,854	189,953
-47,939	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	-47,608	-44,516	6	-77,982	-88,170	-99,973
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
0	Proceeds from Sale/Maturities of Investments	126,500	0	-100	0	0	0
0	Investing Receipts	126,500	0	-100	0	0	0
	Payments						
89,168	Purchase of Investments	218,310	96,018	-56	66,065	59,479	51,368
89,168	Investing Payments	218,310	96,018	-56	66,065	59,479	51,368
-89,168	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	-91,810	-96,018	-5	-66,065	-59,479	-51,368
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
137,107	Capital Injection from Government	137,107	140,534	2	144,047	147,649	151,341
137,107	Financing Receipts	137,107	140,534	2	144,047	147,649	151,341
137,107	NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES	137,107	140,534	2	144,047	147,649	151,341
0	NET INCREASE/ (DECREASE) IN CASH HELD	-2,311	0	100	0	0	0
500	CASH AT BEGINNING OF REPORTING PERIOD	2,811	500	-82	500	500	500
500	CASH AT THE END OF THE REPORTING PERIOD	500	500	-	500	500	500

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

Budget as at 30/6/10 \$'000		Est.Outcome as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000	Var %	Planned as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000	Planned as at 30/6/14 \$'000
	Opening Equity						
-2,014,696	Opening Accumulated Funds	-2,250,294	-1,935,133	14	-2,006,779	-2,095,623	-2,180,337
-2,014,696	Balance at the Start of the Reporting Period	-2,250,294	-1,935,133	14	-2,006,779	-2,095,623	-2,180,337
	Comprehensive Income						
-213,129	Operating Result for the Period	-93,453	-212,180	-127	-232,891	-232,363	-231,870
0	Superannuation Prior Year Actuarial Movement	271,507	0	-100	0	0	0
-213,129	Total Comprehensive Income	178,054	-212,180	-219	-232,891	-232,363	-231,870
0	Total Movement in Reserves	0	0	-	0	0	0
	Transactions Involving Owners Affecting Accumulated Funds						
137,107	Capital Injections	137,107	140,534	2	144,047	147,649	151,341
137,107	Total Transactions Involving Owners Affecting Accumulated Funds	137,107	140,534	2	144,047	147,649	151,341
	Closing Equity						
-2,090,718	Closing Accumulated Funds	-1,935,133	-2,006,779	-4	-2,095,623	-2,180,337	-2,260,866
-2,090,718	Balance at the End of the Reporting Period	-1,935,133	-2,006,779	-4	-2,095,623	-2,180,337	-2,260,866

Notes to the Budget Statements

Significant variations are as follows:

Statement of Income and Expenses on Behalf of the Territory

- payment of expenses on behalf of the Territory:
 - the decrease of \$3.550 million in the 2009-10 estimated outcome from the original budget is due to former Totalcare employee superannuation settlements being below expectations; and
 - the increase of \$3.601 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects the estimated amount of payments of former Totalcare employee superannuation settlements in the 2010-11 financial year.
- interest:
 - the increase of \$12.364 million in the 2009-10 estimated outcome from the original budget is due to maintaining a higher allocation to cash and fixed interest investments; and

- the decrease of \$4.188 million in the 2010-11 Budget from the 2009-10 estimated outcome is due to an anticipated lower level of allocation to cash investments.
- dividend revenue:
 - the increase of \$10.753 million in the 2009-10 estimated outcome from the original budget is due to the strong recovery in global share markets leading to higher equity investments during the year; and
 - the decrease of \$2.213 million in the 2010-11 Budget from the 2009-10 estimated outcome is due to a return to an anticipated lower level of allocation to share investments.
- other revenue:
 - the increase of \$164.857 million in the 2009-10 estimated outcome from the original budget is due to the strong recovery in global investment markets leading to the recognition of significant capital gains on investment; and
 - the decrease of \$162.231 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects a return to the long-term investment earnings assumption of a portfolio return of CPI plus 5 per cent (net of fees), as compared with the higher estimated actual return in 2009-10.
- other gains:
 - the increase of \$5.779 million in the 2009-10 estimated outcome from the original budget is due to the total write-down of the Totalcare employer superannuation liability provision; and
 - the decrease of \$11 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects the removal of the Totalcare employer superannuation liability provision.
- superannuation expenses:
 - the increase of \$11.778 million in the 2009-10 estimated outcome from the original budget is due to the 2008-09 financial year end update to the actuarial review of superannuation liabilities and reflects the impact of the decreased discount rate of 5.6 per cent as at 30 June 2009; and
 - the increase of \$3.857 million in the 2010-11 Budget from the 2009-10 estimated outcome is due to the estimated growth in superannuation liabilities following the recent actuarial review.
- other expenses:
 - the increase of \$59.217 million in the 2009-10 estimated outcome from the original budget is due to the recognition of capital losses in relation to the investment portfolio; and
 - the decrease of \$61.388 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects a return to the long-term investment earnings assumption of a portfolio return of CPI plus 5 per cent (net of fees).

- superannuation prior year actuarial movement:
 - the increase of \$271.507 million in the 2009-10 estimated outcome from the original budget is due to the budget actuarial estimate of the superannuation liability as at 30 June 2010 incorporating a long term discount rate (10 year Commonwealth Government bond rate) of 6 per cent, rather than the actual ten year Commonwealth Government bond rate of 5.6 per cent as at 30 June 2009. A higher discount rate leads to a lower liability valuation and vice versa; and
 - the decrease of \$271.507 million in the 2010-11 Budget from the 2009-10 estimated outcome is due to continuing to utilise a long term discount rate of 6 per cent for the 2010-11 Budget and forward year superannuation liability valuation estimates.

Statement of Assets and Liabilities on Behalf of the Territory

- non current investments:
 - the increase of \$121.913 million in the 2009-10 estimated outcome from the original budget is due to the strong recovery in global investment markets and the recognition of significant capital gains; and
 - the increase of \$184.680 million in the 2010-11 Budget from the 2009-10 estimated outcome is due to the reinvestment of projected investment earnings and the net cash inflows to the portfolio.
- current employee benefits:
 - the increase of \$6.061 million in the 2009-10 estimated outcome from the original budget reflects the outcome of the latest actuarial review and the estimated increase in annual employee superannuation benefit payments; and
 - the increase of \$32.126 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects the outcome of the latest actuarial review and the estimated growth in annual employee superannuation benefit payments.
- non current employee benefits:
 - the decrease of \$40.314 million in the 2009-10 estimated outcome from the original budget reflects the outcome of the latest actuarial review that incorporates membership data as at 30 June 2009; and
 - the increase of \$224.2 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects the outcome of the latest actuarial review and the estimated growth in annual employee superannuation benefit liabilities.

Statement of Cash Flows on Behalf of the Territory

Variations in the statement are explained in the notes above.

Statement of Changes in Equity on Behalf of the Territory

Variations in the statement are explained in the notes above.