

# **SUPERANNUATION UNIT**

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## **Objectives**

The Superannuation Unit is responsible for the management of the funds set aside to meet liabilities of the Territory and its agencies relating to employer superannuation.

The Superannuation Unit receives funds from budget appropriations, government agencies and interest returns and makes payments for the management of the employer superannuation liabilities of the Territory, Territory authorities and Territory owned corporations.

The Unit invests funds through external managers according to an asset allocation strategy that takes into account the long term nature of the liabilities and projected cash flow requirements.

During 2000-01, the Finance and Investment Advisory Board was formally established to provide advice in respect of the assets and liabilities of the Superannuation Provision Account.

Until 31 March 2001, the activities of the Insurance Management Account were also managed within the Superannuation Unit as a temporary arrangement until the ACT Insurance Authority formally commenced operations from 1 April 2001.

## **2001-02 Highlights**

Strategic and operational issues to be pursued in 2001-02 include:

- continuing the strategy announced in May 2000 for meeting the objective of a 90% funding level of the superannuation liability by 2039-40. Integral to this strategy, the Government continues to review its investment strategy to optimise returns to the Superannuation Provision Account;
- appointing an asset consultant to assist with reviewing the processes and asset allocation strategies for the investment of superannuation monies;
- implementing a master custodian arrangement for the investment assets of the Superannuation Provision Account;
- reviewing all external funds managers to complement the review of the investment strategies; and
- reviewing accrued liability and emerging cost projections when 2001 data becomes available.

**Superannuation Unit  
Statement Of Financial Performance**

2000-01 Budget \$'000		2000-01 Est.Outcome \$'000	2001-02 Budget \$'000	Var %	2002-03 Estimate \$'000	2003-04 Estimate \$'000	2004-05 Estimate \$'000
<b>Revenue</b>							
0	User Charges - ACT Government	10 363	0	-100	0	0	0
0	Interest	1 163	0	-100	0	0	0
0	Other Revenue	16 967	0	-100	0	0	0
<b>0</b>	<b>Total Ordinary Revenue</b>	<b>28 493</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenses</b>							
0	Employee Expenses	172	0	-100	0	0	0
0	Superannuation Expenses	13	0	-100	0	0	0
0	Administrative Expenses	316	0	-100	0	0	0
0	Other Expenses	23 215	0	-100	0	0	0
<b>0</b>	<b>Total Ordinary Expenses</b>	<b>23 716</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>Operating Result</b>	<b>4 777</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>7 838</b>	<b>Total Equity From Start of Period</b>	<b>5 088</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
-7 838	Inc/Dec in Net Assets from Admin Restructure	-9 865	0	-100	0	0	0
<b>0</b>	<b>Total Equity At The End of Period</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Superannuation Unit Cashflow Statement

2000-01 Budget \$'000		2000-01 Est.Outcome \$'000	2001-02 Budget \$'000	Var %	2002-03 Estimate \$'000	2003-04 Estimate \$'000	2004-05 Estimate \$'000
0	<b>CASH AT BEGINNING OF REPORTING PERIOD</b>	246	0	-100	0	0	0
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
	<b>Receipts</b>						
0	User Charges	13 817	0	-100	0	0	0
0	Interest Received	1 163	0	-100	0	0	0
0	Other Revenue	28 585	0	-100	0	0	0
0	<b>Operating Receipts</b>	<b>43 565</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Payments</b>						
0	Related to Employees	184	0	-100	0	0	0
0	Related to Administration	317	0	-100	0	0	0
0	Other	32 100	0	-100	0	0	0
0	<b>Operating Payments</b>	<b>32 601</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>10 964</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
	<b>Payments</b>						
0	Purchase of Investments	11 210	0	-100	0	0	0
0	<b>Investing Payments</b>	<b>11 210</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>-11 210</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>-246</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Budget Statements

The 2000-01 budget anticipated that the new ACT Insurance Authority would commence operations effective from 1 July 2000. However, the Authority commenced operations on 1 April 2001. The above statements only report the outcome for the period 1 July 2000 to 30 March 2001. The original budget and the estimated outcome for the period 1 April 2001 to 30 June 2001 is reported within the ACT Insurance Authority financial statements.

### *Statement of Financial Performance*

- user charges: \$10.363m in 2000-01 represents insurance premiums collected from ACT Government agencies;
- other revenue: \$16.967m in 2000-01 represents workers compensation premiums collected from ACT government agencies; and
- other expenses: \$23.215 in 2000-01 consists of: insurable risk liability costs of \$5m, the recognition of workers compensation expense of \$16.3m and insurance placement costs of \$1.9m.

### *Statement of Financial Position*

The net assets of the account have been transferred to the ACT Insurance Authority effective 1 April 2001.

**Superannuation Unit**  
**Statement Of Revenues And Expenses On Behalf Of The Territory**

<b>2000-01 Budget \$'000</b>		<b>2000-01 Est.Outcome \$'000</b>	<b>2001-02 Budget \$'000</b>	<b>Var %</b>	<b>2002-03 Estimate \$'000</b>	<b>2003-04 Estimate \$'000</b>	<b>2004-05 Estimate \$'000</b>
<b>Revenue</b>							
27 139	Payment for Expenses on behalf of Territory	27 139	33 400	23	36 019	31 785	0
10 134	Interest	18 010	19 632	9	21 889	24 610	26 689
61 067	Other Revenue	20 001	57 188	186	61 868	78 401	88 012
<b>98 340</b>	<b>Total Ordinary Revenue</b>	<b>65 150</b>	<b>110 220</b>	<b>69</b>	<b>119 776</b>	<b>134 796</b>	<b>114 701</b>
<b>Expenses</b>							
107	Employee Expenses	368	306	-17	313	318	325
132 975	Superannuation Expenses	131 323	146 523	12	158 074	172 586	183 356
2 135	Administrative Expenses	3 361	3 445	2	3 529	3 620	3 709
<b>135 217</b>	<b>Total Ordinary Expenses</b>	<b>135 052</b>	<b>150 274</b>	<b>11</b>	<b>161 916</b>	<b>176 524</b>	<b>187 390</b>
<b>-36 877</b>	<b>Operating Result</b>	<b>-69 902</b>	<b>-40 054</b>	<b>43</b>	<b>-42 140</b>	<b>-41 728</b>	<b>-72 689</b>
<b>-660 098</b>	<b>Total Equity From Start of Period</b>	<b>-623 081</b>	<b>-538 983</b>	<b>13</b>	<b>-529 037</b>	<b>-521 177</b>	<b>-512 905</b>
5 000	Capital Injections	154 000	50 000	-68	50 000	50 000	50 000
<b>-691 975</b>	<b>Total Equity At The End of Period</b>	<b>-538 983</b>	<b>-529 037</b>	<b>2</b>	<b>-521 177</b>	<b>-512 905</b>	<b>-535 594</b>

**Superannuation Unit**  
**Statement Of Assets And Liabilities On Behalf Of The Territory**

Budget as at 30/6/01 \$'000		Est.Outcome as at 30/6/01 \$'000	Planned as at 30/6/02 \$'000	Var %	Planned as at 30/6/03 \$'000	Planned as at 30/6/04 \$'000	Planned as at 30/6/05 \$'000
<b>Current Assets</b>							
267	Cash	0	0	-	0	0	0
5 119	Receivables	1 033	1 109	7	1 187	1 266	1 351
784 317	Investments	77 867	0	-100	0	0	0
<b>789 703</b>	<b>Total Current Assets</b>	<b>78 900</b>	<b>1 109</b>	<b>-99</b>	<b>1 187</b>	<b>1 266</b>	<b>1 351</b>
<b>Non Current Assets</b>							
0	Investments	855 363	1 056 436	24	1 186 336	1 335 393	1 459 780
<b>0</b>	<b>Total Non Current Assets</b>	<b>855 363</b>	<b>1 056 436</b>	<b>24</b>	<b>1 186 336</b>	<b>1 335 393</b>	<b>1 459 780</b>
<b>789 703</b>	<b>TOTAL ASSETS</b>	<b>934 263</b>	<b>1 057 545</b>	<b>13</b>	<b>1 187 523</b>	<b>1 336 659</b>	<b>1 461 131</b>
<b>Current Liabilities</b>							
4 649	Creditors	137	137	-	137	137	137
56 833	Employee Entitlements	53 293	56 582	6	53 889	58 378	64 070
<b>61 482</b>	<b>Total Current Liabilities</b>	<b>53 430</b>	<b>56 719</b>	<b>6</b>	<b>54 026</b>	<b>58 515</b>	<b>64 207</b>
<b>Non Current Liabilities</b>							
1 420 194	Employee Entitlements	1 419 816	1 529 863	8	1 654 674	1 791 049	1 932 518
2	Other	0	0	-	0	0	0
<b>1 420 196</b>	<b>Total Non Current Liabilities</b>	<b>1 419 816</b>	<b>1 529 863</b>	<b>8</b>	<b>1 654 674</b>	<b>1 791 049</b>	<b>1 932 518</b>
<b>1 481 678</b>	<b>TOTAL LIABILITIES</b>	<b>1 473 246</b>	<b>1 586 582</b>	<b>8</b>	<b>1 708 700</b>	<b>1 849 564</b>	<b>1 996 725</b>
<b>-691 975</b>	<b>NET ASSETS</b>	<b>-538 983</b>	<b>-529 037</b>	<b>2</b>	<b>-521 177</b>	<b>-512 905</b>	<b>-535 594</b>
<b>REPRESENTED BY FUNDS EMPLOYED</b>							
-691 975	Accumulated Funds	-538 983	-529 037	2	-521 177	-512 905	-535 594
<b>-691 975</b>	<b>TOTAL FUNDS EMPLOYED</b>	<b>-538 983</b>	<b>-529 037</b>	<b>2</b>	<b>-521 177</b>	<b>-512 905</b>	<b>-535 594</b>

**Superannuation Unit**  
**Budgeted Statement Of Cashflows On Behalf Of The Territory**

2000-01 Budget \$'000		2000-01 Est.Outcome \$'000	2001-02 Budget \$'000	Var %	2002-03 Estimate \$'000	2003-04 Estimate \$'000	2004-05 Estimate \$'000
267	<b>CASH AT BEGINNING OF REPORTING PERIOD</b>	0	0	-	0	0	0
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
	<b>Receipts</b>						
27 139	Cash from Government for EBT	27 139	33 400	23	36 019	31 785	0
700	Interest Received	3 000	670	-78	595	615	617
17 844	Other Revenue	15 050	14 985	..	14 833	14 768	14 896
<b>45 683</b>	<b>Operating Receipts</b>	<b>45 189</b>	<b>49 055</b>	<b>9</b>	<b>51 447</b>	<b>47 168</b>	<b>15 513</b>
	<b>Payments</b>						
27 181	Related to Employees	26 575	33 493	26	36 267	32 041	36 519
2 137	Related to Administration	3 361	3 445	2	3 531	3 619	3 710
<b>29 318</b>	<b>Operating Payments</b>	<b>29 936</b>	<b>36 938</b>	<b>23</b>	<b>39 798</b>	<b>35 660</b>	<b>40 229</b>
<b>16 365</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>15 253</b>	<b>12 117</b>	<b>-21</b>	<b>11 649</b>	<b>11 508</b>	<b>-24 716</b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
	<b>Receipts</b>						
30 000	Proceeds from Sale/Maturities of Investments	40 000	113 803	185	30 000	35 000	35 000
<b>30 000</b>	<b>Investing Receipts</b>	<b>40 000</b>	<b>113 803</b>	<b>185</b>	<b>30 000</b>	<b>35 000</b>	<b>35 000</b>
	<b>Payments</b>						
51 365	Purchase of Investments	209 253	175 920	-16	91 649	96 508	60 284
<b>51 365</b>	<b>Investing Payments</b>	<b>209 253</b>	<b>175 920</b>	<b>-16</b>	<b>91 649</b>	<b>96 508</b>	<b>60 284</b>
<b>-21 365</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>-169 253</b>	<b>-62 117</b>	<b>63</b>	<b>-61 649</b>	<b>-61 508</b>	<b>-25 284</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
	<b>Receipts</b>						
5 000	Capital Injection from Government	154 000	50 000	-68	50 000	50 000	50 000
<b>5 000</b>	<b>Financing Receipts</b>	<b>154 000</b>	<b>50 000</b>	<b>-68</b>	<b>50 000</b>	<b>50 000</b>	<b>50 000</b>
<b>5 000</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>154 000</b>	<b>50 000</b>	<b>-68</b>	<b>50 000</b>	<b>50 000</b>	<b>50 000</b>
<b>0</b>	<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
267	<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Budget Statements

Significant variations are as follows:

### *Statement of Revenue and Expenses on Behalf of the Territory*

- payment for expenses on behalf of Territory:
  - comprises \$24.575m representing the emerging cost payable to Comsuper, \$7.594m as the second of three annual payments of emerging cost deficit to Comsuper for the three years to 1998 and \$1.231m for the Legislative Assembly Members' superannuation scheme;
  - the increase in 2001-02 is due to the annual increase in the emerging cost payment to be made to Comsuper. The emerging cost payments will increase annually due to salary increases and an increasing number of benefit recipients as employees retire from the workforce; and
  - from 2004-05, budget funding to the Superannuation Provision Account will be made by way of capital injections only. There will be no separate appropriation made for the annual emerging cost. Emerging cost payments will be met directly from the account.
- interest: the increase of \$1.622m in 2001-02 from the 2000-01 estimated outcome is due to an increase in the funds held on investment from capital injections totalling \$154m made during 2000-01;
- other revenue: the increase of \$37.187m in 2001-02 from the 2000-01 estimated outcome is due to an increase in the funds held on investment due to the capital injections totalling \$154m made during 2000-01. A large proportion of the investments are held in equities. Equity returns consist of dividends and market valuation adjustments that are classified within other revenue. Other revenue also includes employer contributions received from agencies (\$15.061m);
- superannuation expenses: this represents the increase in the projected superannuation liability from 2000-01 to 2001-02 as well as the annual emerging cost payment to be made to Comsuper. A review of the accrued liabilities projection was undertaken in 2000-01. The financial assumptions were revised to bring them into line with current projections for salary growth, CPI and investment returns. New modelling was also undertaken to incorporate the revised closure date of the CSS/PSS scheme to new entrants to 30 June 2002. This reflects a deferral of two years from the previous date of 30 June 2000. This had the result of increasing the number of members in the fund, and hence increased the accrued liability from the previous budget; and
- capital injections: represent additional cash provisions to the original budget to maintain the objective of providing for the superannuation liability. Compared to the 2000-01 budget, an additional \$149m has been paid to the Superannuation Provision Account, comprising \$119m, which arose from an equalisation payment from the ACTEW/AGL joint venture partnership, and an additional \$30m under the Government's strategy on Superannuation. Financial modelling of the combined effect of the capital injection budget funding and allowance for emerging costs indicates that, given the target rates of investment earnings, a fund of sufficient size to enable additional contributions to cease will be achieved by 2019-20.

*Statement of Assets and Liabilities on Behalf of the Territory*

- investments: it is anticipated that \$77.867m of investments will remain in largely cash investments at 30 June 2001. These investments represent funds that have yet to be allocated to the specialist asset classes of equities and fixed interest. The balance of the investment portfolio is invested in equities, fixed interest and property. A reallocation of the assets will be undertaken during 2001-02 following a complete review of the asset allocation targets. This review is expected to be completed before the end of 2001. The increase in the amount of funds under investment from the original budget is due to the capital injections totalling \$154m made during 2000-01; and
- employee entitlements: the increase in 2001-02 of \$3.289m in current and \$110.047m in non-current employee entitlements compared to the 2000-01 estimated outcome is due to adjustments arising from actuarial advice. The projected accrued liability estimates were updated in 2001 by the Territory's actuary and are based on the most recent actual data available, that being data as at 30 June 2000.

*Statement of Cashflows on Behalf of the Territory*

- interest received: the Superannuation Unit invests with both external fund managers and the Central Financing Unit. Interest and other income from external fund managers is reinvested rather than received as cash. The decrease of \$2.330m in interest received in 2001-02 from the 2000-01 estimated outcome is due to a decrease in the funds invested internally with CFU and increase in funds invested with external fund managers;

**Changes to Appropriation**

**Changes to Appropriation - Territorial**

	2000-01 Est. Outc. \$'000	2001-02 Budget \$'000	2002-03 Estimate \$'000	2003-04 Estimate \$'000	2004-05 Estimate \$'000
<b>Payment for Expenses on Behalf of the Territory</b>					
<b>2000-01 Budget</b>	27 139	31 119	35 790	31 171	31 171
Accrued Liability and Emerging Cost revisions	0	2 281	229	614	-31 171
<b>2001-02 Budget</b>	27 139	33 400	36 019	31 785	0

**Changes to Appropriation - Territorial**

	2000-01 Est. Outc. \$'000	2001-02 Budget \$'000	2002-03 Estimate \$'000	2003-04 Estimate \$'000	2004-05 Estimate \$'000
<b>Capital Injection</b>					
<b>2000-01 Budget</b>	5 000	15 000	50 000	50 000	50 000
Capital Injection	149 000	35 000	0	0	0
<b>2001-02 Budget</b>	154 000	50 000	50 000	50 000	50 000

**EXPENSES ON BEHALF OF THE TERRITORY**  
**PRINCIPAL MEASURES**

**EBT 1 SUPERANNUATION UNIT**

**Description:** Management of superannuation provision account and administration of the superannuation scheme for members of the Legislative Assembly..

Measures	2000-01 Targets	2000-01 Est Outcome	2001-02 Targets
<b>Quantity</b>			
a) Financial and investment performance reports.	17	17	17
b) Develop guidelines for implementation of revised superannuation arrangements.	1 project	1 project	1 project
c) Number of activities in managing the superannuation scheme for Legislative Assembly Members.	19	19	19
<b>Quality/Effectiveness</b>			
f) Reports meet relevant guidelines.	100%	100%	100%
g) Quarterly investment returns meet benchmark/follow up action taken.	100%	100%	100%
Reviews rated satisfactory according to <i>ACT Government Policy Performance Measures</i> .	100%	100%	100%
Annual report meets relevant guidelines.	100%	100%	100%
<b>Timeliness</b>			
h) Reports completed within specified timeframes.	95%	95%	95%
Superannuation investment results analysed within 2 weeks of receipt.	100%	100%	100%
<b>Cost</b>			
i) Cost of provision of Superannuation Unit functions.	\$2 135 000	\$3 767 000	\$3 790 000
j) Cost per 1000 head of population.	\$6 836	\$12 062	\$12 136
k) Cost per ACT Public Service employee.	\$121	\$213	\$214
DEPARTMENTAL COST (\$'000)	-	\$501.0	-
TERRITORIAL COST (\$'000)	\$135 217.0	\$135 052.0	\$150 274.0
<b>TOTAL COST (\$'000)</b>	<b>\$135 217.0</b>	<b>\$135 553.0</b>	<b>\$150 274.0</b>
<b>EXPENSE ON BEHALF OF THE TERRITORY (\$'000)</b>	<b>\$27 139.0</b>	<b>\$27 139.0</b>	<b>\$33 400.0</b>

Government Payment for Output differs from cost to the extent that the Output is financed from within the agency.