

SUPERANNUATION UNIT

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. Until 30 June 2000 the Superannuation Unit forms part of the Superannuation and Insurance Provision Unit. From 1 July 2000 the insurance component will be established separately as a new statutory authority.

The Superannuation Unit receives funds and makes payments for the management of the employer superannuation liabilities of the Territory, Territory authorities and Territory owned corporations.

The Unit invests the 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.

2000-01 Highlights

Strategic and operational issues to be pursued in 2000-01 include:

- implementing the *Territory Superannuation Provision Protection Act 2000* which will come into effect on 1 July 2000. The Act specifies new arrangements for the management and protection of monies set aside for superannuation;
- appointing the Finance and Investment Advisory Board during 2000-01; and
- reviewing processes and strategies for the investment of superannuation monies.

Superannuation Unit Operating Statement

1999-00 Budget \$'000		1999-00 Est.Outcome \$'000	2000-01 Budget \$'000	Var %	2001-02 Estimate \$'000	2002-03 Estimate \$'000	2003-04 Estimate \$'000
Revenue							
14 028	User Charges - ACT Government	14 730	0	-100	0	0	0
801	Interest	801	0	-100	0	0	0
20 567	Other Revenue	20 567	0	-100	0	0	0
35 396	Total Revenue	36 098	0	-100	0	0	0
Expenses							
104	Employee Expenses	104	0	-100	0	0	0
18	Superannuation Expenses	18	0	-100	0	0	0
406	Administrative Expenses	406	0	-100	0	0	0
29 362	Other Expenses	30 162	0	-100	0	0	0
29 890	Total Expenses	30 690	0	-100	0	0	0
5 506	Operating Result	5 408	0	-100	0	0	0
5 940	Accumulated Funds - Start of Period	2 430	7 838	223	0	0	0
0	Accum Funds Opening Adjustment	0	0	-	0	0	0
0	Inc/Dec in Net Assets from Admin Restructure	0	-7 838	..	0	0	0
11 446	Accumulated Funds - End of Period	7 838	0	-100	0	0	0

Superannuation Unit Statement Of Financial Position

Budget as at 30/6/00 \$'000		Est.Outcome as at 30/6/00 \$'000	Planned as at 30/6/01 \$'000	Var %	Planned as at 30/6/02 \$'000	Planned as at 30/6/03 \$'000	Planned as at 30/6/04 \$'000
Current Assets							
274	Cash	0	0	-	0	0	0
0	Receivables	45	0	-100	0	0	0
20 976	Investments	22 909	0	-100	0	0	0
21 250	Total Current Assets	22 954	0	-100	0	0	0
21 250	TOTAL ASSETS	22 954	0	-100	0	0	0
Current Liabilities							
1 904	Creditors	4 559	0	-100	0	0	0
0	Employee Entitlements	15	0	-100	0	0	0
1 904	Total Current Liabilities	4 574	0	-100	0	0	0
Non Current Liabilities							
7 900	Creditors	10 488	0	-100	0	0	0
0	Other Provisions	54	0	-100	0	0	0
7 900	Total Non Current Liabilities	10 542	0	-100	0	0	0
9 804	TOTAL LIABILITIES	15 116	0	-100	0	0	0
11 446	NET ASSETS	7 838	0	-100	0	0	0
REPRESENTED BY FUNDS EMPLOYED							
11 446	Accumulated Funds	7 838	0	-100	0	0	0
11 446	TOTAL FUNDS EMPLOYED	7 838	0	-100	0	0	0

Superannuation Unit Cashflow Statement

1999-00 Budget \$'000		1999-00 Est.Outcome \$'000	2000-01 Budget \$'000	Var %	2001-02 Estimate \$'000	2002-03 Estimate \$'000	2003-04 Estimate \$'000
274	CASH AT BEGINNING OF REPORTING PERIOD	0	0	-	0	0	0
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
14 028	User Charges	14 730	0	-100	0	0	0
801	Interest Received	801	0	-100	0	0	0
20 567	Other Revenue	20 567	0	-100	0	0	0
35 396	Operating Receipts	36 098	0	-100	0	0	0
	Payments						
122	Related to Employees	122	0	-100	0	0	0
406	Related to Administration	406	0	-100	0	0	0
24 862	Other	24 862	0	-100	0	0	0
25 390	Operating Payments	25 390	0	-100	0	0	0
10 006	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	10 708	0	-100	0	0	0
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
0	Proceeds from Sale/Maturities of Investments	21 000	0	-100	0	0	0
0	Investing Receipts	21 000	0	-100	0	0	0
	Payments						
10 006	Purchase of Investments	31 708	0	-100	0	0	0
10 006	Investing Payments	31 708	0	-100	0	0	0
-10 006	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-10 708	0	-100	0	0	0
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
0	Financing Receipts	0	0	-	0	0	0
	Payments						
0	Financing Payments	0	0	-	0	0	0
0	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	0	0	-	0	0	0
0	NET INCREASE/(DECREASE) IN CASH HELD	0	0	-	0	0	0
274	CASH AT THE END OF THE REPORTING PERIOD	0	0	-	0	0	0

Notes to the Budget Statements

The Superannuation and Insurance Provision Unit Departmental statements relate to the insurance functions previously carried out by the Unit. For the 2000-01 Budget the functions have been transferred to the ACT Insurance Corporation. The Budget statements appear under the name of the Corporation.

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

1999-00 Budget \$'000		1999-00 Est.Outcome \$'000	2000-01 Budget \$'000	Var %	2001-02 Estimate \$'000	2002-03 Estimate \$'000	2003-04 Estimate \$'000
Revenue							
19 246	Payment for Expenses on behalf of Territory	19 246	27 139	41	31 119	35 790	31 171
25 700	Interest	13 419	10 134	-24	15 196	20 599	20 619
98 982	Other Revenue	119 682	61 067	-49	61 442	61 995	63 985
143 928	Total Revenue	152 347	98 340	-35	107 757	118 384	115 775
Expenses							
104	Employee Expenses	104	107	3	109	112	112
186 944	Superannuation Expenses	123 976	132 975	7	135 278	139 770	149 905
1 903	Administrative Expenses	2 342	2 135	-9	2 158	2 211	2 231
0	Transfer Expenses	77 604	0	-100	0	0	0
188 951	Total Expenses	204 026	135 217	-34	137 545	142 093	152 248
-45 023	Operating Result Before Abnormal Items	-51 679	-36 877	-29	-29 788	-23 709	-36 473
0	Abnormal Expense	23 320	0	-100	0	0	0
-45 023	Operating Result	-74 999	-36 877	-51	-29 788	-23 709	-36 473
-889 201	Accumulated Funds - Start of Period	-885 099	-660 098	-25	-691 975	-706 763	-680 472
0	Accum Funds Opening Adjustment	0	0	-	0	0	0
300 000	Capital Injections	300 000	5 000	-98	15 000	50 000	50 000
-82 757	Distributions to Government	0	0	-	0	0	0
-716 981	Accumulated Funds - End of Period	-660 098	-691 975	5	-706 763	-680 472	-666 945

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

Budget as at 30/6/00 \$'000		Est.Outcome as at 30/6/00 \$'000	Planned as at 30/6/01 \$'000	Var %	Planned as at 30/6/02 \$'000	Planned as at 30/6/03 \$'000	Planned as at 30/6/04 \$'000
Current Assets							
0	Cash	267	267	-	267	267	267
492	Receivables	5 096	5 119	..	5 162	5 206	5 249
701 452	Investments	710 316	784 317	10	873 272	1 003 564	1 135 924
701 944	Total Current Assets	715 679	789 703	10	878 701	1 009 037	1 141 440
701 944	TOTAL ASSETS	715 679	789 703	10	878 701	1 009 037	1 141 440
Current Liabilities							
0	Creditors	4 649	4 649	-	4 649	4 649	4 649
23 723	Employee Entitlements	52 853	56 833	8	61 504	56 885	62 617
23 723	Total Current Liabilities	57 502	61 482	7	66 153	61 534	67 266
Non Current Liabilities							
1 395 202	Employee Entitlements	1 318 273	1 420 194	8	1 519 309	1 627 973	1 741 117
0	Other	2	2	-	2	2	2
1 395 202	Total Non Current Liabilities	1 318 275	1 420 196	8	1 519 311	1 627 975	1 741 119
1 418 925	TOTAL LIABILITIES	1 375 777	1 481 678	8	1 585 464	1 689 509	1 808 385
-716 981	NET ASSETS	-660 098	-691 975	5	-706 763	-680 472	-666 945
REPRESENTED BY FUNDS EMPLOYED							
-716 981	Accumulated Funds	-660 098	-691 975	5	-706 763	-680 472	-666 945
-716 981	TOTAL FUNDS EMPLOYED	-660 098	-691 975	5	-706 763	-680 472	-666 945

Superannuation Unit
Budgeted Statement Of Cashflows On Behalf Of The Territory

1999-00 Budget \$'000		1999-00 Est.Outcome \$'000	2000-01 Budget \$'000	Var %	2001-02 Estimate \$'000	2002-03 Estimate \$'000	2003-04 Estimate \$'000
38 148	CASH AT BEGINNING OF REPORTING PERIOD	319	267	-16	267	267	267
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
19 246	Cash from Government for EBT	19 246	27 139	41	31 119	35 790	31 171
1 431	Interest Received	6 150	700	-89	640	570	590
98 834	Other Revenue	92 893	17 844	-81	17 999	17 801	18 242
119 511	Operating Receipts	118 289	45 683	-61	49 758	54 161	50 003
	Payments						
19 285	Related to Employees	19 285	27 181	41	31 601	35 837	31 141
1 903	Related to Administration	2 342	2 137	-9	2 158	2 211	2 231
0	Territory Receipts to Government	77 604	0	-100	0	0	0
21 188	Operating Payments	99 231	29 318	-70	33 759	38 048	33 372
98 323	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	19 058	16 365	-14	15 999	16 113	16 631
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
0	Proceeds from Sale/Maturities of Investments	355 235	30 000	-92	35 000	30 000	35 000
0	Investing Receipts	355 235	30 000	-92	35 000	30 000	35 000
	Payments						
343 669	Purchase of Investments	674 345	51 365	-92	65 999	96 113	101 631
343 669	Investing Payments	674 345	51 365	-92	65 999	96 113	101 631
-343 669	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-319 110	-21 365	-93	-30 999	-66 113	-66 631
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
300 000	Capital Injection from Government	300 000	5 000	-98	15 000	50 000	50 000
0	Receipt of Transferred Cash Balances	0	0	-	0	0	0
0	Finance Lease	0	0	-	0	0	0
300 000	Financing Receipts	300 000	5 000	-98	15 000	50 000	50 000

Superannuation Unit
Budgeted Statement Of Cashflows On Behalf Of The Territory

1999-00 Budget \$'000		1999-00 Est.Outcome \$'000	2000-01 Budget \$'000	Var %	2001-02 Estimate \$'000	2002-03 Estimate \$'000	2003-04 Estimate \$'000
	Payments						
82 757	Distributions to Government	0	0	-	0	0	0
0	Payments of Transferred Cash Balances	0	0	-	0	0	0
82 757	Financing Payments	0	0	-	0	0	0
217 243	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	300 000	5 000	-98	15 000	50 000	50 000
-28 103	NET INCREASE/(DECREASE) IN CASH HELD	-52	0	-100	0	0	0
10 045	CASH AT THE END OF THE REPORTING PERIOD	267	267	-	267	267	267

Notes to the Budget Statements

Significant variations are as follows:

Statement of Revenue and Expenses

- payment for expenses on behalf of Territory: the increase of \$7.893m from the 1999-2000 estimated outcome to the 2000-01 Budget reflects the results of the triennial actuarial review of superannuation costs; the variation includes a decrease of \$0.322m in the emerging cost payable to ComSuper for 2000-01 and \$8.199m as the first of three annual payments of emerging cost deficit for the three years to 30 June 1998;
- interest: the decrease of \$3.285m in 2000-01 from the 1999-2000 estimated outcome is due to a reduction in the level of investments placed with the Central Financing Unit following the allocation of \$325m to external fund managers in March 2000; the investment returns from external managers include a greater portion in areas other than interest, eg dividends, changes in market value;
- other revenue: the decrease in 2000-01 from the 1999-2000 estimated outcome is due to the removal of \$76.815m in employer contributions from budget funded agencies; in 1999-2000 these contributions were paid to the Superannuation Unit and transferred to the Central Financing Unit Territorial Account; from 2000-01 onward the contributions will be paid directly to CFU; this decrease is offset by the reclassification to other revenue of changes in the market value of investments placed with external funds managers (previously included in the 1999-2000 Budget under Interest);
- superannuation expenses: the variation in this item incorporates the results of the triennial actuarial review of superannuation liabilities;
- transfer expenses: the increase of \$77.604m in the 1999-2000 estimated outcome compared to the original budget is due to a revision of accounting treatment which resulted in the return to budget of employer contributions by budget funded agencies

being classified as transfer revenue rather than as distributions to government. From 2000-01 these employer contributions will be paid direct to the Central Financing Unit rather than through to the Superannuation Unit;

- abnormal expense: is the amount of deficit of emerging cost calculated by the actuary for the triennial actuarial review of the period to 30 June 1998, including interest; and
- distributions to Government: as noted above, for 2000-01 this item has been reclassified as transfer expenses.

Statement of Assets and Liabilities

- investments: the increase in 2000-01 from the 1999-2000 estimated outcome of \$71.501m reflects the extent to which the annual funding of the superannuation provision exceeds the level of the emerging cost; and
- employee entitlements: the increase in 2000-01 of \$3.980m in current and \$101.921m in non-current employee entitlements compared to the 1999-2000 estimated outcome is due to adjustments arising from actuarial advice.

Statement of Cashflows

- cash from Government for EBT: refer to explanation above in *Statement of Revenue and Expenses*, payment for expenses on behalf of 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 \$5.450m in interest received in the 2000-01 Budget from the 1999-2000 estimated outcome is due to decrease in the funds invested internally with CFU and increase in funds invested with external fund managers;
- other revenue: refer to explanation above in *Statement of Revenue and Expenses*, other revenue;
- payments related to employees: refer to explanation above in *Statement of Revenue and Expenses*, payment for expenses on behalf of Territory;
- Territory receipts to Government: refer to explanation above in *Statement of Revenue and Expenses*, other revenue;
- proceeds from sale/maturities of investments: the 1999-2000 estimated outcome includes \$300m redeemed from investment with the Central Financing Unit for placement with external funds managers;
- purchase of investments: the 1999-2000 estimated outcome includes the initial investment of \$300m with the Central Financing Unit and the subsequent investment of that amount with external funds managers; and
- capital injection from Government: the 1999-2000 estimated outcome includes the payment of \$300m sourced from ACTEW.

Changes to Appropriation

Changes to Territorial Appropriations

	1999-00	2000-01	2001-02	2002-03	2003-04
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Payment for Expenses on Behalf of the Territory	Est. Outc. \$'000	Budget \$'000	Estimate \$'000	Estimate \$'000	Estimate \$'000
1999-2000 Budget	19 246	23 800	30 715	39 028	39 028
Superannuation adjustment for 2003-2004	0	0	0	0	8 813
2000-2001 Draft Budget	19 246	23 800	30 715	39 028	47 841
Emerging cost deficit for previous years	0	8 209	8 742	9 310	0
Revised actuarial estimates	0	-4 870	-8 338	-12 548	-16 670
2000-2001 Budget	19 246	27 139	31 119	35 790	31 171

Changes to Territorial Appropriations

	1999-00 Est. Outc. \$'000	2000-01 Budget \$'000	2001-02 Estimate \$'000	2002-03 Estimate \$'000	2003-04 Estimate \$'000
Capital Injection					
1999-2000 Budget	300 000	0	0	0	0
2000-2001 Draft Budget	300 000	0	0	0	0
Provision for superannuation liabilities	0	5 000	15 000	50 000	50 000
2000-2001 Budget	300 000	5 000	15 000	50 000	50 000

EXPENSES ON BEHALF OF THE TERRITORY PRINCIPAL MEASURES

EBT 1 SUPERANNUATION UNIT

Description: Management of superannuation provision and administration of the superannuation scheme for members of the Legislative Assembly.
Previously Output 5.1: Superannuation and Insurance Provision Unit in the Chief Minister's Department.

Measures	1999-2000 Targets	Estimated Outcome	2000-01 Targets
Quantity			
a) Financial and investment performance reports. ¹			17
b) Develop guidelines for implementation of revised superannuation arrangements. ¹			1 project
c) Number of activities in managing the superannuation scheme for Legislative Assembly Members. ¹			19
Financial reports. ²	13	13	
Quarterly reports on superannuation investment performance. ²	4	4	
Annual review of superannuation investment policy. ²	May 2000	May 2000	
Annual report for the Legislative Assembly (Members) Superannuation Scheme. ²	September 2000	September 2000	
Manage risk management financing arrangements. ²	June 2000	June 2000	
Quality/Effectiveness			
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%	
Annual report meets relevant guidelines.	100%	100%	
Timeliness			
h) Reports completed within specified timeframes.	100%	100%	95%
Superannuation trust investment results analysed within 2 weeks of receipt.	100%	100%	
Cost			
i) Cost of provision of Superannuation Unit functions. ³			\$2 135 000
j) Cost per 1000 head of population. ⁴	\$707 454	\$776 259	\$6 836
k) Cost per ACT Public Service employee. ⁴	\$13 104	\$14 379	\$121
Cost per \$m of whole of government expenses. ²	\$192 539	\$211 376	
DEPARTMENTAL COST (\$'000)²	\$29 890.0	\$36 098.0	-
TERRITORIAL COST (\$'000)	\$188 951.0	\$204 026.0	\$135 217.0
TOTAL COST (\$'000)	\$218 841.0	\$240 124.0	\$135 217.0
EXPENSE ON BEHALF OF THE TERRITORY (\$'000)	\$19 246.0	\$19 246.0	\$27 139.0

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

1 New measure which is more descriptive and incorporates some of last year's measures.

2 Measure deleted.

3 New measure.

4 Reduced cost relates to the use of the cost of the provision of CFU functions rather than Total Cost. This measure is seen as more accurate as it reflects the cost of provision of services rather than a proportion of other costs within the Total Cost measure.

