

SUPERANNUATION PROVISION ACCOUNT

Purpose

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.

2012-13 Priorities

Strategic and operational issues to be pursued in 2012-13 include:

- managing, monitoring and reviewing, as necessary, the SPA investment portfolio in accordance with established investment policies; and
- developing and implementing a Responsible Investment Policy.

Estimated Employment Level

2010-11 Actual Outcome	2011-12 Budget	2011-12 Est. Outcome	2012-13 Budget
9 Staffing (FTE) ¹	9	9	9

Note:

1. This includes 6 FTE associated with the 'employee superannuation entitlements' project.

Strategic Objectives and Indicators

Strategic Objective 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 Objective 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 Objective 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.

As at 30 June 2012, superannuation liabilities are estimated to be 49 per cent funded, an increase from the 46 per cent funded position as at 30 June 2011.

Percentage Funding of CSS/PSS Defined Benefit Liabilities

	Assets \$'000	Liabilities \$'000	% Funded
30 June 2012	2,347,761	4,823,596	49%
30 June 2013	2,505,273	5,100,731	49%
30 June 2014	2,662,273	5,374,858	50%
30 June 2015	2,816,437	5,643,135	50%
30 June 2016	2,967,368	5,905,034	50%

Output Classes

	Total Cost		Payment for Expenses on Behalf of the Territory	
	2011-12	2012-13	2011-12	2012-13
	Est. Outcome \$'000	Budget \$'000	Est. Outcome \$'000	Budget \$'000
EBT Class 1:				
Superannuation Provision Account	508,514 ¹	449,502 ¹	1,298	0
EBT 1.1: Superannuation Provision Account	508,514	449,502	1,298	0

Note:

1. The variance reflects the return to long term earning assumptions. The estimated outcome reflects actual capital losses included in expenses, which are offset against capital gains in revenue.

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 2012-13 include:

- managing and reporting on the investment assets set aside to meet the CSS/PSS defined benefit employer superannuation liabilities of the Territory by monitoring the investment strategy;
- undertaking the annual actuarial review of the Territory's CSS/PSS defined benefit employer superannuation liabilities;
- implementing a Responsible Investment Policy;
- managing the superannuation funding plan and payment of benefits to ComSuper; and
- preparation of annual Member Information Statements for the Members of the Legislative Assembly Superannuation Scheme.

Accountability Indicators

	2011-12 Targets	2011-12 Est. Outcome	2012-13 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. Annualised long-term return of 5 per cent real ²	>5%	4.3%	>5%
c. Liability funding percentage ³	54%	49%	50%

Notes:

1. 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.
2. 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.
3. 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

	2011-12 Est. Out. \$'000	2012-13 Budget \$'000	2013-14 Estimate \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000
Payment for Expenses on Behalf of Territory					
2011-12 Budget	-	-	-	-	-
FMA Section 16B Rollover from 2010-11					
Superannuation Settlements	1,298	-	-	-	-
2012-13 Budget	1,298	-	-	-	-

Changes to Appropriation - Territorial

	2011-12 Est. Out. \$'000	2012-13 Budget \$'000	2013-14 Estimate \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000
Capital Injections					
2011-12 Budget	144,047	147,649	151,341	155,124	155,124
Revised Indexation Parameters	-	-	-	-	3,877
2012-13 Budget	144,047	147,649	151,341	155,124	159,001

ACT Superannuation Unit
Statement of Income and Expenses on Behalf of the Territory

2011-12 Budget \$'000		2011-12 Est. Outcome \$'000	2012-13 Budget \$'000	Var %	2013-14 Estimate \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000
Income							
Revenue							
0	Payment for Expenses on behalf of Territory	1,298	0	-100	0	0	0
29,154	Interest	44,185	35,589	-19	40,029	42,425	44,776
66,999	Dividend Revenue	120,050	66,393	-45	64,148	68,017	71,812
82,259	Other Revenue	24,662	80,248	225	89,935	95,254	100,467
178,412	Total Revenue	190,195	182,230	-4	194,112	205,696	217,055
178,412	Total Income	190,195	182,230	-4	194,112	205,696	217,055
Expenses							
736	Employee Expenses	687	738	7	758	776	795
400,044	Superannuation Expenses	420,433	439,013	4	451,588	463,548	475,130
5,552	Supplies and Services	5,311	5,568	5	5,634	5,748	5,983
3,362	Other Expenses	82,083	4,183	-95	4,600	4,861	5,116
409,694	Total Ordinary Expenses	508,514	449,502	-12	462,580	474,933	487,024
-231,282	Operating Result	-318,319	-267,272	16	-268,468	-269,237	-269,969
0	Superannuation Prior Year Actuarial Movement	321,698	0	-100	0	0	0
0	Total Other Comprehensive Income	321,698	0	-100	0	0	0
-231,282	Total Comprehensive Income	3,379	-267,272	#	-268,468	-269,237	-269,969

ACT Superannuation Unit
Statement of Assets and Liabilities on Behalf of the Territory

Budget as at 30/6/12 \$'000		Est. Outcome as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000	Var %	Planned as at 30/6/14 \$'000	Planned as at 30/6/15 \$'000	Planned as at 30/6/16 \$'000
	Current Assets						
500	Cash and Cash Equivalents	500	500	-	500	500	500
87	Receivables	132	132	-	132	132	132
587	Total Current Assets	632	632	-	632	632	632
	Non Current Assets						
2,463,224	Investments	2,347,129	2,504,641	7	2,661,641	2,815,805	2,966,736
2,463,224	Total Non Current Assets	2,347,129	2,504,641	7	2,661,641	2,815,805	2,966,736
2,463,811	TOTAL ASSETS	2,347,761	2,505,273	7	2,662,273	2,816,437	2,967,368
	Current Liabilities						
0	Payables	769	769	-	769	769	769
164,472	Employee Benefits	161,846	177,429	10	195,238	213,197	233,269
164,472	Total Current Liabilities	162,615	178,198	10	196,007	213,966	234,038
	Non Current Liabilities						
4,411,742	Employee Benefits	4,660,981	4,922,533	6	5,178,851	5,429,169	5,670,996
4,411,742	Total Non Current Liabilities	4,660,981	4,922,533	6	5,178,851	5,429,169	5,670,996
4,576,214	TOTAL LIABILITIES	4,823,596	5,100,731	6	5,374,858	5,643,135	5,905,034
-2,112,403	NET ASSETS	-2,475,835	-2,595,458	-5	-2,712,585	-2,826,698	-2,937,666
	REPRESENTED BY FUNDS EMPLOYED						
-2,112,403	Accumulated Funds	-2,475,835	-2,595,458	-5	-2,712,585	-2,826,698	-2,937,666
-2,112,403	TOTAL FUNDS EMPLOYED	-2,475,835	-2,595,458	-5	-2,712,585	-2,826,698	-2,937,666

ACT Superannuation Unit
Statement of Changes in Equity on Behalf of the Territory

Budget as at 30/6/12 \$'000		Est. Outcome as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000	Var %	Planned as at 30/6/14 \$'000	Planned as at 30/6/15 \$'000	Planned as at 30/6/16 \$'000
Opening Equity							
-2,025,168	Opening Accumulated Funds	-2,623,261	-2,475,835	6	-2,595,458	-2,712,585	-2,826,698
-2,025,168	Balance at the Start of the Reporting Period	-2,623,261	-2,475,835	6	-2,595,458	-2,712,585	-2,826,698
Comprehensive Income							
0	Superannuation Prior Year Actuarial Movement	321,698	0	-100	0	0	0
-231,282	Operating Result for the Period	-318,319	-267,272	16	-268,468	-269,237	-269,969
-231,282	Total Comprehensive Income	3,379	-267,272	#	-268,468	-269,237	-269,969
0	Total Movement in Reserves	0	0	-	0	0	0
Transactions Involving Owners Affecting Accumulated Funds							
144,047	Capital Injections	144,047	147,649	3	151,341	155,124	159,001
144,047	Total Transactions Involving Owners Affecting Accumulated Funds	144,047	147,649	3	151,341	155,124	159,001
Closing Equity							
-2,112,403	Closing Accumulated Funds	-2,475,835	-2,595,458	-5	-2,712,585	-2,826,698	-2,937,666
-2,112,403	Balance at the End of the Reporting Period	-2,475,835	-2,595,458	-5	-2,712,585	-2,826,698	-2,937,666

ACT Superannuation Unit
Statement of Cash Flows on Behalf of the Territory

2011-12 Budget \$'000		2011-12 Est. Outcome \$'000	2012-13 Budget \$'000	Var %	2013-14 Estimate \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
0	Cash from Government for EBT	1,298	0	-100	0	0	0
29,154	Interest Received	44,185	35,589	-19	40,029	42,425	44,776
70,836	Other Receipts	123,449	69,546	-44	67,483	71,537	75,512
99,990	Operating Receipts	168,932	105,135	-38	107,512	113,962	120,288
Payments							
727	Related to Employees	678	729	8	748	766	785
149,517	Related to Superannuation	149,516	161,889	8	177,473	195,283	213,243
5,552	Related to Supplies and Services	5,313	5,568	5	5,634	5,748	5,983
3,424	Other	5,010	4,183	-17	4,601	4,861	5,116
159,220	Operating Payments	160,517	172,369	7	188,456	206,658	225,127
-59,230	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	8,415	-67,234	-899	-80,944	-92,696	-104,839
CASH FLOWS FROM INVESTING ACTIVITIES							
Payments							
84,817	Purchase of Investments	152,295	80,415	-47	70,397	62,428	54,162
84,817	Investing Payments	152,295	80,415	-47	70,397	62,428	54,162
-84,817	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	-152,295	-80,415	47	-70,397	-62,428	-54,162
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
144,047	Capital Injections from Government	144,047	147,649	3	151,341	155,124	159,001
144,047	Financing Receipts	144,047	147,649	3	151,341	155,124	159,001
144,047	NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES	144,047	147,649	3	151,341	155,124	159,001
0	NET INCREASE / (DECREASE) IN CASH HELD	167	0	-100	0	0	0
500	CASH AT THE BEGINNING OF REPORTING PERIOD	333	500	50	500	500	500
500	CASH AT THE END OF REPORTING PERIOD	500	500	-	500	500	500

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 increase of \$1.298 million in the 2011-12 estimated outcome from the original budget is due to the rollover of appropriation from 2010-11 for employee superannuation settlements; and
 - the decrease of \$1.298 million in the 2012-13 Budget from the 2011-12 estimated outcome reflects the conclusion of superannuation settlement payments to former Totalcare employees.
- interest:
 - the increase of \$15.031 million in the 2011-12 estimated outcome from the original budget is due to maintaining a higher allocation to cash investments and the receipt of a significant one-off income distribution from the currency-hedged international fixed interest investments as a result of the appreciation of the Australian dollar; and
 - the decrease of \$8.596 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to an anticipated lower level of interest rates and a lower allocation to cash investments.
- dividend revenue:
 - the increase of \$53.051 million in the 2011-12 estimated outcome from the original budget is due to the higher receipt of property and private equity asset sale distributions and the receipt of a significant one-off income distribution as noted above; and
 - the decrease of \$53.697 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the removal of the current financial year impacts from the above variance and forecasting a return to expected dividend and distribution yields.
- other revenue:
 - the decrease of \$57.597 million in the 2011-12 estimated outcome from the original budget is mainly due to net capital losses, for investment returns for the 2011-12 year; and
 - the increase of \$55.586 million in the 2012-13 Budget from the 2011-12 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 expenses:
 - the increase of \$20.389 million in the 2011-12 estimated outcome from the original budget is due to the 30 June 2011 financial year end update to the actuarial review of superannuation liabilities and reflects the impact of the decreased discount rate; and

- the increase of \$18.580 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the estimated growth in superannuation liabilities following the recent triennial actuarial review.
- other expenses:
 - the increase of \$78.721 million in the 2011-12 estimated outcome from the original budget is due to the recognition of capital losses in relation to the investment portfolio (as noted above in other revenue); and
 - the decrease of \$77.9 million in the 2012-13 Budget from the 2011-12 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).

Statement of Assets and Liabilities on Behalf of the Territory

- non current investments:
 - the decrease of \$116.095 million in the 2011-12 estimated outcome from the original budget is due to a combination of the flow-on effects of the 2010-11 audited outcome and net capital losses in the investment portfolio due to economic conditions; and
 - the increase of \$157.512 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the reinvestment of projected investment earnings, offset by expected cash outflows.
- current employee benefits:
 - the decrease of \$2.626 million in the 2011-12 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 \$15.583 million in the 2012-13 Budget from the 2011-12 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 increase of \$249.239 million in the 2011-12 estimated outcome from the original budget reflects the outcome of the latest actuarial review that incorporates membership data as at 30 June 2011; and
 - the increase of \$261.552 million in the 2012-13 Budget from the 2011-12 estimated outcome reflects 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.