

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND
ABN 12 007 600 799

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

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THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	13(a)	2,072	1,164
Receivables			
GST receivable		9	3
Trust distribution receivable		172	157
Income tax refund		128	178
		<u>309</u>	<u>338</u>
Investments			
Units in wholesale trusts	7	30,451	34,574
		<u>30,451</u>	<u>34,574</u>
Other assets			
Prepayments		6	10
Deferred tax assets	9(c)	19	24
		<u>25</u>	<u>34</u>
Total assets		<u>32,857</u>	<u>36,110</u>
Liabilities			
Benefits payable		72	52
Accrued charges		130	161
Deferred tax liabilities	9(c)	8	10
Total liabilities (excluding member benefits)		<u>210</u>	<u>223</u>
Net assets available for members' benefits		32,647	35,887
Member benefits			
Defined benefit member liabilities		31,392	33,179
Total member benefits		<u>31,392</u>	<u>33,179</u>
Total net assets		<u>1,255</u>	<u>2,708</u>
Equity			
Operational risk reserve	12	149	141
Defined benefits that are overfunded	10	1,106	2,567
Total equity		<u>1,255</u>	<u>2,708</u>

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**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 \$'000	2019 \$'000
Superannuation Activities			
Revenue			
Interest		1	14
Trust distributions		1,041	1,804
Changes in fair values of financial instruments	5	(519)	3,515
Investment manager rebates		11	11
Total revenue		534	5,344
Expenses			
Investment expenses	6(a)	(51)	(68)
General administration expenses	6(b)	(281)	(221)
Total expenses		(332)	(289)
Operating results before income tax		202	5,055
Income tax benefit	9(a)	182	245
Operating results after income tax		384	5,300
Net change in defined benefit members' accrued benefits		(1,837)	(944)
Operating results		(1,453)	4,356

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**STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	\$'000	\$'000
Opening balance of member benefits as at 1 January	33,179	35,898
Contributions:		
Employer	352	348
Income tax on contributions	(53)	(52)
Net after tax contributions	<u>299</u>	<u>296</u>
Benefit payments	(3,923)	(3,959)
Net change in defined benefit member accrued benefits	1,837	944
Closing balance of member benefits as at 31 December	<u>31,392</u>	<u>33,179</u>

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Operational risk reserve \$'000	Defined benefits over funded \$'000	Total equity \$'000
Opening balance as at 1 January 2020	141	2,567	2,708
Profit/(loss) after income tax	8	(1,461)	(1,453)
Closing balance as at 31 December 2020	149	1,106	1,255
Opening balance as at 1 January 2019	135	(1,783)	(1,648)
Profit after income tax	6	4,350	4,356
Closing balance as at 31 December 2019	141	2,567	2,708

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Interest received		1	15
Trust distributions received		-	1
General administration expense		(308)	(168)
Investment expenses		(54)	(48)
Income tax expense on superannuation activities		235	253
Net cash inflows/(outflows) from operating activities	13(b)	<u>(126)</u>	<u>53</u>
Cash flows from investing activities			
Proceeds from sales of units in trusts		4,639	2,785
Net cash inflows from investing activities		<u>4,639</u>	<u>2,785</u>
Cash flows from financing activities			
Employer contributions		352	348
Benefits paid to members		(3,904)	(3,974)
Income tax paid on contributions received		(53)	(52)
Net cash outflows from financing activities		<u>(3,605)</u>	<u>(3,678)</u>
Net decrease in cash and cash equivalents		908	(840)
Cash and cash equivalents at beginning of financial year		1,164	2,004
Cash and cash equivalents at end of financial year	13(a)	<u>2,072</u>	<u>1,164</u>

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Reporting entity

The University of New South Wales Professorial Superannuation Fund ("the Fund") is a defined benefit superannuation fund. The Fund is primarily involved in providing retirement benefits to its members. The Fund is constituted by a Trust Deed dated 1 July 1995 (as amended).

The Trustee of the Fund is Equity Trustees Superannuation Limited (the "Trustee") (ABN 50 055 641 757, AFSL 229757, RSE L0001458). Both the Trustee and the Fund (RSE R1005035) are domiciled in Australia and registered with the Australian Prudential Regulation Authority (APRA). The address of the Fund's registered office is Level 1, 575 Bourke Street, Melbourne, Victoria, 3000.

The Custodian of the Fund is Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975, RSE L0003904).

The Administrator and Superannuation Consultant of the Fund is OneVue Super Member Administration Pty Limited (ABN 90 094 584 755), located at Level 5, 10 Spring Street, Sydney, NSW 2000.

The Asset Consultant to the Fund is KPMG Financial Services Consulting Pty Limited.

The Actuary to the Fund is Aon Solutions Australia Limited.

2 Basis of preparation

(a) Statement of compliance

The Financial Statements are a general purpose financial report which have been prepared in accordance with Australian Accounting Standards, Interpretations, the Superannuation Industry (Supervision) Act 1993 and Regulations and provisions of the Trust Deed.

The Fund is a not-for-profit entity for the purpose of preparing financial statements.

The Financial Statements were authorised for issue by the Board of Directors of the Trustee, Equity Trustees Superannuation Limited, on 18 March 2021.

(b) Functional and presentation currency

The Financial Statements are presented in Australian Dollars, which is the functional currency of the Fund.

Amounts have been rounded to the nearest thousand unless otherwise stated.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are in respect of fair values of financial instruments.

The Fund also makes estimates and assumptions in relation to the valuation of defined benefit member liabilities details of which are set out in Note 10. Particular consideration has been given in the preparation of these financial statements, to areas that may be impacted by COVID-19. Refer to Note 17.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 Statement of significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in the Financial Statements.

(a) Financial assets and liabilities

The Fund classifies financial assets and financial liabilities "at fair value through profit or loss" (FVTPL).

The Fund initially recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value are recorded. Investments are de-recognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership.

Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk. As disposal costs are generally immaterial, unless otherwise stated, net market value approximates fair value.

Fair values of financial assets have been determined as follows:

Units in unlisted unit trusts and unlisted managed investment schemes

- Units in unlisted unit trusts and unlisted managed investment schemes are valued at the redemption price at reporting date quoted by the investment managers which are based on the net asset value (NAV) of the underlying investments.

(b) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

(c) Receivables and payables

Receivables and payables are carried at nominal amounts which approximate fair value. Receivables and payables are normally settled within 30 days.

Employer sponsor receivables are measured consistently with the measurement of defined benefit member liabilities less the relevant amount of the other recognised assets held to meet those liabilities.

Benefits payable comprise benefits and pension (if applicable) accrued prior to year end, which have not been paid by that date. Other payables are payable on demand or short time frames of less than 60 days.

(d) Revenue recognition

Interest revenue

Interest income is recognised in the Income Statement as it accrues using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Distributions

Distributions from managed investment schemes and units in unit trusts are recognised in the Income Statement as at the date the unit value is quoted ex-distribution. If not received at the reporting date, this is reflected in the Statement of Financial Position as a receivable at fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 **Statement of significant accounting policies (Continued)**

(d) **Revenue recognition (Cont'd)**

Changes in fair values

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

Contributions and transfers from other funds

Contributions and transfers from other funds are recognised in the Statement of Changes in Member Benefits when the control and the benefits have transferred to the Fund and are recognised gross of any taxes.

(e) **Income tax**

Income tax for the year comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in members' funds in which case it is recognised directly in the Statement of Changes in Member Benefits.

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in controlled entities to the extent that it is not probable they will reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Fund expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognised only to the extent that is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax for the period

Income tax has been provided in the current year at the rate of 15% as it is the expectation of the Trustee that the Fund will be treated as a complying superannuation fund.

If the Fund is subsequently deemed to be a non-complying fund for the current year, income tax will be payable at the rate of 45% on the Fund's taxable income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 Statement of significant accounting policies (Continued)

(f) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of amounts of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). In circumstances where GST is not recoverable, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

(g) New and amended standards adopted by the Fund

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2020 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Fund. These standards are not expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

New or revised requirement	Title	Effective Date (annual periods beginning on or after)	31 December 2020 YE Applicability
AASB 17	<i>Insurance Contracts</i>	1-Jan-21	Optional
AASB 2018-7	<i>Amendments to Australian Accounting Standards – Definition of Material</i>	1-Jan-20	Adopted
AASB 2019-1	<i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1-Jan-20	Adopted

(h) Comparative amounts

Certain reclassifications have been made to the prior year’s financial statements to enhance comparability with the current year’s financial statements. As a result, some line items in the financial statements have been amended. Comparative figures have been adjusted to conform to the current year’s presentation.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4 Fair value measurement

(a) Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values units in unit trusts held by the Fund using the unit price provided by the underlying fund manager.
- Level 3: one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values units in unit trusts classified as level 3 using the unit price provided by the underlying fund manager. These unit trusts hold illiquid investments such as unlisted property and private equity.

(b) Recognised fair value measurements

The table below sets out the Fund's financial assets and liabilities at fair value according to the fair value hierarchy.

2020	Carrying Amount	Level 1	Level 2	Level 3
Financial assets	\$'000	\$'000	\$'000	\$'000
Units in wholesale trusts	30,451	-	30,451	-
	<u>30,451</u>	<u>-</u>	<u>30,451</u>	<u>-</u>
2019	Carrying Amount	Level 1	Level 2	Level 3
Financial assets	\$'000	\$'000	\$'000	\$'000
Units in wholesale trusts	34,574	-	34,574	-
	<u>34,574</u>	<u>-</u>	<u>34,574</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	\$'000	\$'000
5		
Changes in fair value of financial instruments		
Investments held at the end of the reporting period		
Unlisted Unit Trusts	(129)	3,302
Investments realised during the reporting period		
Unlisted Unit Trusts	(390)	213
Total change in fair value	<u>(519)</u>	<u>3,515</u>
6		
Expenses		
(a) Investment expenses		
Investment consulting fees	41	59
Investment management fees	10	9
	<u>51</u>	<u>68</u>
(b) General administration expenses		
Actuarial fees	25	39
Administration fees	42	42
Regulatory fees	7	11
Audit fees	33	33
Consulting fees	36	20
Legal fees	(5)	9
Tax agent fees	5	7
Trustee fees	134	56
Trustee indemnity insurance	4	4
	<u>281</u>	<u>221</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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	2020	2019
	\$'000	\$'000
7 Investments		
Units in wholesale trusts		
Legg Mason Australian Bond Trust	5,767	6,310
PIMCO Australian Bond Fund	5,459	6,164
BlackRock Wholesale Indexed Australian Equity Fund	3,724	4,327
Maple Brown Abbott Australian Equity Trust	3,234	4,051
Schroder Australian Equity Fund	3,540	4,262
SSGA Global Index Plus (Hedged) Trust	4,091	4,428
SSGA Global Index Plus Trust	4,491	4,892
Vanguard Diversified Balanced Index	72	70
Vanguard Diversified Growth Index	73	70
Total	<u>30,451</u>	<u>34,574</u>
8 External Auditors' remuneration		
Audit of financial statements – Deloitte	31	-
Audit of financial statements – UHY Haines Norton	(1)	31
Audit of the RMF – Deloitte	2	2
	<u>32</u>	<u>33</u>

The auditor's remuneration paid to Deloitte for the risk management framework review was paid by the Trustee and then reimbursed to the Trustee by the Fund.

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 \$'000	2019 \$'000	
9 Income tax			
(a) Recognised in the Income Statement			
<i>Current tax benefit</i>			
Current year benefit	181	230	
Adjustment for prior periods	4	11	
	<u>185</u>	<u>241</u>	
<i>Deferred tax (expense)/benefit</i>			
Movement in temporary differences	(3)	4	
Income tax benefit	<u><u>182</u></u>	<u><u>245</u></u>	
(b) Numerical reconciliation between tax expense and profit/(loss) before income tax			
Operating results	202	5,055	
Tax (expense)/benefit at the complying superannuation fund tax rate of 15% (2019: 15%)	(30)	(758)	
Non deductible administration expense	(33)	(26)	
Non assessable movement in fair value	(77)	519	
Tax component adjustments to trust distributions	(4)	32	
Exempt pension income	156	234	
Net imputation credits and foreign tax offsets	166	233	
Over provision in prior year	4	11	
Income tax benefit	<u><u>182</u></u>	<u><u>245</u></u>	
(c) Deferred tax assets and liabilities			
2020	Assets	Liabilities	Net
	\$'000	\$'000	\$'000
Accrued expenses	19	-	19
Unrealised capital gains on investments	-	(7)	(7)
Prepayments	-	(1)	(1)
Net deferred tax asset	<u><u>19</u></u>	<u><u>(8)</u></u>	<u><u>11</u></u>
2019	Assets	Liabilities	Net
	\$'000	\$'000	\$'000
Accrued expenses	24	-	24
Unrealised capital gains on investments	-	(8)	(8)
Prepayments	-	(2)	(2)
Net deferred tax asset	<u><u>24</u></u>	<u><u>(10)</u></u>	<u><u>14</u></u>

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10 Member liabilities

(a) Recognition and measurement of member liabilities

Obligations relating to member entitlements are recognised as member liabilities. They are measured as the amount of the accrued benefits as at the reporting date, being the benefits that the Fund is presently obliged to transfer to members or their beneficiaries in the future as a result of the membership up to the end of the reporting period.

(b) Defined benefit member liabilities

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at the date when they are expected to fall due.

The Fund provides pension benefits which are payable to members in retirement and to spouses who are in receipt of a reversionary pension. The Trustee has engaged the Fund's qualified actuary to measure the defined benefit member liabilities.

The Fund manages its obligation to pay member liabilities on an expected maturity basis which is based on management's estimates of when such funds will be drawn down by members.

The actuarial value of the defined benefit member liability reflects an actuarial assessment of benefits accrued up to the date of calculation and payable to members and spouses as well as the present value of expected future expenses in order to pay these pensions. This assessment may result in an employer being required to make additional contributions to the Fund.

Significant estimates

The Fund has identified the assumptions for which changes are reasonably possible and would have a material impact on the amount of the liabilities. These are:

(i) Discount rate

The assumed discount rate has been determined by reference to the investment returns expected on the investment portfolio which reflects the Fund's actual investments and investment strategy in respect of defined benefit member liabilities.

(ii) Pension increase rate

Pensions payable to defined benefit members in retirement are indexed with the greater of the increase in professorial salary or with Average Weekly Ordinary Time Earnings.

The Trustee considers the potential impact of changes to key variables about which assumptions need to be made. The following are sensitivity calculations for each of the assumptions used for the Fund:

Key Assumptions	Assumed at reporting date	Reasonably possible change	Amount of (increase) decrease in member benefit liability \$'000
Discount Rate	5.9% (2019: 5.9%)	+1% (2019: +1%)	1,723 (2019: 1,888)
		-1% (2019: -1%)	(1,923) (2019: (2,117))
Pension increase rate	3.0% (2019: 3.0%)	+1% (2019: +1%)	(1,826) (2019: (2,014))
		-1% (2019: -1%)	1,664 (2019: 1,828)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10 Member liabilities (Continued)

Defined benefit liabilities that are over/(under) funded

The actuarial value of the defined benefit member liability reflects an actuarial assessment of benefits accrued up to the date of calculation and payable to members and spouses as well as the present value of expected future expenses in order to pay these pensions. This assessment may result in an employer being required to make additional contributions to the Fund.

The appointed actuary reports regularly to the Trustee on the status of the defined benefit section. Where it is in or likely to enter an unsatisfactory financial position, the report sets out any remedial action and agreed rectification programs in respect of the employer.

The employer sponsor of the Fund is currently paying contributions to the Fund as recommended by the Fund's actuary.

The defined benefit section is over funded by the amounts disclosed below:

	2020	2019
	\$'000	\$'000
Overfunded defined benefit liabilities	<u>1,106</u>	<u>2,567</u>

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their fund membership as at the reporting date and an allowance for any member options based on the most recent actuarial assumption.

	2020	2019
	\$'000	\$'000
Vested benefits as at 31 December	<u>29,453</u>	<u>31,163</u>
Net assets available for members' benefits as at 31 December	<u>32,647</u>	<u>35,887</u>

11 Guaranteed benefits

No guarantees have been made in respect of any portion of the liability for accrued benefits.

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**NOTES TO THE FINANCIAL STATEMENTS
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12 Operational risk reserve

Under APRA Prudential Standard SPS 114: Operational Risk Financial Requirement (ORFR), the Fund is required to establish and maintain an operational risk reserve (ORR). The trustee has set a funding target for this reserve of 0.30% of net assets (Target Amount).

The Target Amount has been met. The ORR will continue to be supplemented by the bank interest and investment returns earned on the operating account and the investments of the ORR. The Trustee will review the funding methodology of the ORR if it falls below 90% of the Target Amount. The level and appropriateness of the ORR will be reviewed as part of the annual review of the Risk Management Strategy.

The ORR is part of the financial management of the Fund and is operated in accordance with the ORFR Strategy. The ORR may be used in certain circumstances to address operational risk events or claims against the Fund arising from operational risk.

At 31 December 2020, the ORR represented 0.46% (2019: 0.39%) of the Fund's net assets.

13 Cash flows reconciliation	2020	2019
	\$'000	\$'000
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents	<u>2,072</u>	<u>1,164</u>
(b) Reconciliation of cash flows from operating activities		
Profit/(Loss) after income tax	(1,453)	4,356
Adjustments for:		
Benefits allocated to defined benefit members	1,837	944
Non cash investment income	(1,049)	(1,812)
Decrease/(increase) in assets measured at fair value	519	(3,515)
(Increase)/decrease in receivables & prepayments	(2)	18
Decrease/(increase) in deferred tax assets	5	(3)
(Decrease)/increase in payables	(31)	53
Increase in income tax payable	50	12
(Decrease) in deferred tax liabilities	<u>(2)</u>	<u>-</u>
Net cash inflows/(outflows) from operating activities	<u><u>(126)</u></u>	<u><u>53</u></u>

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14 Related party transactions

(a) Trustee

The Trustee of the Fund is Equity Trustees Superannuation Limited.

(b) Directors

Key management personnel includes persons who were directors of the Trustee at any time during the reporting period as follows.

The names of the directors of the Trustee who held office during the financial year and to the date of the Trustee's Declaration are:

Name	Title	Appointed	Resigned
Mr Anthony Jude Lally	Non-Executive Director and Chairman		
Mr Michael O'Brien	Executive Director and Managing Director		
Ms Catherine Robson	Non-Executive Director		5 May 2020
Mr Mark Blair	Executive Director		
Mr Ellis Varejes	Non-Executive Director		
Ms Susan Granville Everingham	Non-Executive Director		
Mr Paul Douglas Rogan	Non-Executive Director		
Mr Jezy (George) Zielinski	Non-Executive Director	6 July 2020	

None of the directors of the Trustee are members of the Fund.

(c) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

(d) Remuneration of directors of the Trustee

There have been no transactions between the Trustee and the Fund other than the trustee fees and reimbursements for expenses disclosed in the Income Statement and the notes below.

	2020	2019
	\$	\$
Equity Trustees Superannuation Limited (Trustee fees and reimbursements)	<u>137,398</u>	<u>63,604</u>

As at 31 December 2020 \$11,211 (2019: \$15,000) was payable to the Trustee and is included in the Statement of Financial Position.

The directors of the Trustee do not receive remuneration directly from the Fund.

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14 Related party transactions (Continued)

(e) Expenses paid by and reimbursed to the Trustee

During the financial year, the Fund reimbursed the Trustee \$3,381 (2019: \$7,783) for expenses relating to audit and other regulatory costs.

(f) Other related party transactions

As at 31 December 2020, the Fund has invested \$2,071,682 (2019: \$1,163,810) of its assets in the EQT Cash Management Fund. Equity Trustees Limited is the issuer of the EQT Cash Management Fund in which the Fund invests. Transactions between Equity Trustees Superannuation Limited (ABN 50 055 641 757) in its capacity as Trustee of the Fund and Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975, RSE L0003904) in its capacity as issuer of the EQT Cash Management Fund are conducted on normal commercial terms and involve conditions no more or less favourable than those available to other parties unless otherwise stated.

(g) Employer sponsor

The University of New South Wales and its controlled entities are the employer sponsors. Employer contributions are disclosed in the Statement of Changes in Member Benefits. Contributions are made in accordance with the Trust Deed, recommendations of the actuary and relevant legislative requirements.

15 Commitments and contingencies

There are no commitments or contingencies the Trustee is aware of as at the date of this report (2019: Nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16 Financial risk management

(a) Financial instruments management

The investments of the Fund (other than cash held for meeting daily administrative and benefit expenses), are managed on behalf of the Trustee by specialist fund managers in accordance with the investment strategy to achieve the Fund's investment objectives.

The Trustee has engaged an asset consultant to monitor and provide regular reports on the Fund's investments to the Trustee. The Trustee may seek information from the manager of each collective investment (and also may seek independent advice from other qualified persons) so as to determine the nature and extent of any risks, and the expected returns, associated with each investment prior to determining its suitability as an investment for the Fund.

Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975, RSE L0003904) also acts as a custodian and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

The Fund's financial assets and liabilities adopted in the Statement of Financial Position are carried at their fair value.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3 to the Financial Statements.

(c) Capital risk management

The Trustee has established an Operational Risk Reserve ("ORR") to provide funding for incidents where material losses may arise from an operational risk event (as opposed to investment risk) relating to the Fund. The level of reserve is determined by the Trustee based on an assessment of the risks faced by the Fund. The Trustee has an operational risk financial requirement strategy to manage assets held in the ORR. According to Superannuation Prudential Standard 114: Operational Risk Financial Requirement, (SPS 114) which became effective 1 July 2013, the financial resources held to meet the ORR must be held either as:

- an operational risk reserve held within an RSE; or
- operation risk trustee capital held by the RSE licensee; or
- a combination of both an operational risk reserve held within an RSE and operational risk trustee capital held by the RSE Licensee.

The target amount has been met as at the reporting date.

(d) Financial risk management objectives

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including currency risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Fund's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Fund's financial performance. These policies may include the use of certain financial derivative instruments.

It is ultimately the responsibility of the Trustee to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the Trustee has the function of overseeing the establishment and maintenance of risk-based systems and controls for the Fund. The Trustee has developed, implemented and maintains a Risk Management Framework ("RMF").

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16 Financial risk management (Continued)

The RMF identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Fund. Annually, the Trustee is required to certify to APRA whether adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to ensure compliance with legislative and prudential requirements and that the Trustee has satisfied itself as to the compliance with the RMF.

(e) Investment risk

The Fund's assets principally consist of financial instruments which comprise of cash and collective investment vehicles such as pooled superannuation trusts and managed investment schemes. The Trustee has determined that this type of investment is appropriate for the Fund and is in accordance with the Fund's investment strategy.

The Fund's investment activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

To mitigate market risk, the Fund undertakes due diligence prior to the approval of fund managers to ensure they have appropriate expertise and skill for monitoring of the market conditions and benchmark analysis. Further the Fund's asset consultant provides additional expert advice as required.

i) Currency risk

Currency risk arises on financial instruments that are denominated in a foreign currency that is in a currency other than in which they are measured. The Fund does not currently have any investments denominated in a foreign currency.

However, the managed investments of the Fund have allocations to internationally domiciled assets classes which are exposed to currency fluctuations.

Sensitivity analysis - currency risk

There is no significant currency risk in this Fund. The Fund does not currently have any investments denominated in a foreign currency.

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16 Financial risk management (Continued)

Market risk (Cont'd)

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Fund's financial instruments are non-interest bearing with only cash and fixed interest securities being subjected to interest rate risk. The Fund's exposure to interest rate risk is set out below:

	2020	2019
	\$'000	\$'000
Variable interest rate	2,123	1,614
Fixed interest rate	10,911	12,139
Total variable rate instruments	<u>13,034</u>	<u>13,753</u>

The following table demonstrates the sensitivity of the Fund's net assets available to pay benefits, were interest rates to vary by 50bp. This table has been provided to illustrate the sensitivity of the Fund's directly and indirectly held investment portfolio to interest rate fluctuations. This analysis assumes that all other variables remain constant.

Cashflow sensitivity analysis - variable rate instruments

	Change in fair value of assets \$'000		Effect on net assets available to pay benefits \$'000	
	50bps Decrease	50bps Increase	50bps Decrease	50bps Increase
	2020			
Interest rate risk	340	(329)	340	(329)
	<u>340</u>	<u>(329)</u>	<u>340</u>	<u>(329)</u>
2019				
Interest rate risk	336	(327)	336	(327)
	<u>336</u>	<u>(327)</u>	<u>336</u>	<u>(327)</u>

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16 Financial risk management (Continued)

Market risk (Cont'd)

iii) Other market price risk

Other market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As all of the Fund's financial instruments are carried at net market value with changes recognised in the Income Statement, all changes in market conditions will directly affect Changes in fair value.

The Fund's assets are invested in cash and units in unitised investments. The Fund's exposure to other market price risk is therefore limited to the market price movement of these investments.

The Trustee has determined that these investments are appropriate for the Fund and are in accordance with the Fund's investment strategy.

The table below illustrates the impact of other market price risk to the Fund should each asset class fluctuate by a 10% increase or decrease from the investment objective. This analysis assumes that all other variables remain constant.

Sensitivity analysis - other market price risk

	Carrying amount \$'000	Change in fair value of assets \$'000		Effect on net assets available to pay benefits \$'000	
		10% Decrease	10% Increase	10% Decrease	10% Increase
2020					
Australian equities	9,602	(960)	960	(960)	960
International equities	8,776	(878)	878	(878)	878
Listed property trusts	378	(38)	38	(38)	38
Alternatives	733	(73)	73	(73)	73
	19,489	(1,949)	1,949	(1,949)	1,949
2019					
Australian equities	11,500	(1,150)	1,150	(1,150)	1,150
International equities	9,473	(947)	947	(947)	947
Listed property trusts	507	(51)	51	(51)	51
Alternatives	505	(51)	51	(51)	51
	21,985	(2,199)	2,199	(2,199)	2,199

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16 Financial risk management (Continued)

Credit risk

Credit risk refers to the risk that the counterparty to the financial instrument will default on its contractual obligations resulting in a financial loss to the Fund.

The carrying amounts of financial assets best represent the maximum credit risk exposure at reporting date. No collateral is held as security or other credit enhancement exists for all financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due. The Fund's financial assets exposed to credit risk amounted to the following:

	2020	2019
	\$'000	\$'000
Cash and cash equivalents	2,072	1,164
Receivables	181	160
	<u>2,253</u>	<u>1,324</u>

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations when they fall due. The risk is controlled through the Fund's investment in financial instruments which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating conditions. The Fund's overall liquidity risks are monitored by the Trustee at least annually and in accordance with policies and procedures in place.

The following table summarises the maturity profile of the Fund's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay.

Sensitivity analysis – liquidity risk

	Carrying amount	Less than 1 month	1 to 3 months	Greater than 3 months
	\$'000	\$'000	\$'000	\$'000
2020				
Accrued charges	130	-	130	-
Benefit Payable	72	72	-	-
Member liabilities	31,392	31,392	-	-
	<u>31,594</u>	<u>31,464</u>	<u>130</u>	<u>-</u>
2019				
Accrued charges	161	-	161	-
Benefit Payable	52	52	-	-
Member liabilities	33,179	33,179	-	-
	<u>33,392</u>	<u>33,231</u>	<u>161</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

17 Impact on the Fund due to the Government's response to the Coronavirus (COVID-19) pandemic

Background

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. Since that time, the pandemic has had a significant impact on the community, the economy, investment markets, and the operations of businesses across the country and world. This new rule allowed individuals to access up to \$10,000 of their superannuation in the 2019/20 tax year and a further \$10,000 in the 2020/21 tax year.

During the year ended 31 December 2020 none of the members of the Fund sought early access to their super.

The Trustee has considered the impact of the government's response to the pandemic and other market volatility in preparing its financial statements.

The key areas of impact were as follows:

Investments

The global pandemic has impacted global economic activity and, to varying degrees, financial markets around the world. As a result, assessing fair value as at reporting date involves increased uncertainties around the underlying assumptions for valuations given the very wide range of potential paths forward for both economies, policy responses and asset fundamentals. Additionally, very low, if any, transaction volumes make evidential valuation difficult. All valuations contain some element of uncertainty and the impact of the Federal Government's response to the pandemic on the markets in which the underlying investments are made has increased the level of uncertainty and volatility of investment valuations.

Over the last two quarters of 2020, the global markets have continued to stabilise following a period of increased market volatility, and the Fund's performance over this time has been positive.

Risk management

The Trustee's robust risk management framework continues to be applied across the Funds operations and the Trustee continues to monitor the impact of government's response to the pandemic on the Fund's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Trustee's risk management framework.

The management of liquidity risk is a key element of the investment process. The risk is controlled through the Fund's investment in financial instruments which are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating conditions as well as additional cash requirements to fund the benefits to members seeking early access to their super.

18 Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this financial report any item, transaction or event of an unusual nature likely to affect significantly the operations of the Fund, the result of the operations, or the state of affairs of the Fund.

The COVID-19 pandemic has created significant volatility in financial markets. Accordingly, and given the ongoing uncertain nature and impact of the pandemic, the fair value of the Fund's investments may be impacted in future.

THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

TRUSTEE'S DECLARATION TO MEMBERS

In the opinion of the Directors of the Trustee of The University of New South Wales Professorial Superannuation Fund:

1. The accompanying Financial Statements and notes set out on pages 1 to 24 are in accordance with:
 - Australian Accounting Standards and other mandatory professional reporting requirements, and
 - present fairly the Fund's financial position as at 31 December 2020 and of its performance for the financial year ended on that date.

2. The Fund has been conducted in accordance with its constituent Trust Deed as amended and the requirements of the *Superannuation Industry (Supervision) Act 1993* and its accompanying Regulations; the relevant requirements of the *Corporations Act 2001 and Regulations*; the requirements under section 13 of the *Financial Sector (Collection of Data) Act 2001*, during the year ended 31 December 2020.

3. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of Equity Trustees Superannuation Limited as Trustee for The University of New South Wales Professorial Superannuation Fund.



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Director

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Dated this 18th day of March 2021

INDEPENDENT AUDITOR'S REPORT
THE UNIVERSITY OF NEW SOUTH WALES PROFESSORIAL SUPERANNUATION FUND

Report on the Financial Report

To be provided by Auditor