



Annual Report

2022/23

Statement of compliance

In accordance with Section 63 of the *Financial Management Act 2006* (FMA), we hereby submit for your information and presentation to Parliament, the Annual Report for the Government Employees Superannuation Board, trading as GESB, for the financial year ended 30 June 2023.

The Annual Report has been prepared in accordance with the provisions of the following Acts:

- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *State Records Act 2000*

Ben Palmer
Chief Executive Officer

6 September 2023

Responsible Minister

The Hon. Mark McGowan, MLA, Premier; Treasurer; Minister for Public Sector Management; Federal-State Relations was GESB’s responsible Minister for the period 1 July 2022 to 8 June 2023. From 8 June 2023 to 30 June 2023, GESB’s responsible Minister was the Hon. Rita Saffioti, MLA, Deputy Premier; Treasurer; Minister for Transport; Tourism.

Ministerial directives

No ministerial directives were received during 2022/23.

Acknowledgement of Country

We acknowledge Aboriginal and Torres Strait Islander peoples as the first inhabitants of this country. We pay respect to the Traditional Owners and Elders, past and present, of all lands on which we come together.

About the artist – Acacia Collard

Acacia is a young Badimia Yamatji – Ballardong Noongar woman who comes from two large and prominent families in Western Australia.

She specialises in contemporary Aboriginal artworks and designs including canvas painting, rock art and sand murals.

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GESB profile

Our purpose

GESB’s purpose is to help members achieve a quality retirement.

GESB’s statutory framework is principally derived from the *State Superannuation Act 2000 (SSA)* and the *State Superannuation Regulations 2001*. GESB’s functions under the SSA are to:

- Manage the Government Employees Superannuation Fund (GES Fund)
- Administer GESB’s schemes
- Provide information, advice and assistance to the Treasurer regarding matters relating to superannuation
- Provide or facilitate the provision of products and services to:
 - Members of superannuation schemes administered under the SSA or any other written law
 - Employers in the WA Public Sector, and
- Perform any other functions conferred upon GESB under any other written law

In carrying out these functions, GESB is required to act in the best interests of members, as far as is practicable and ensure that members and employers are fully informed of their rights and obligations under the Act.

Strategic objectives

GESB achieves its purpose by focusing on four objectives:

1. Strong financial outcomes for members

- Promoting strong financial outcomes that provide value for money for our members
- Providing value for money insurance

2. Positive member experience

- Providing a positive member engagement experience
- Giving primacy to our members’ perspective and being their advocate for appropriate individual outcomes
- Providing products and services that meet members’ needs
- Providing insurance members can rely on

3. Efficient and effective operations

- Maintaining sufficient scale and sustainability
- Ensuring we have a strong governance framework
- Supporting employers in meeting their superannuation obligations efficiently and effectively

4. Positive culture and stakeholders

- Creating a positive and supportive organisational culture underpinned by strong values
- Being highly regarded by stakeholders

These objectives reflect GESB’s focus on providing financial outcomes to members, investment returns that meet investment objectives, low fees and improved member engagement with their superannuation.

GESB values

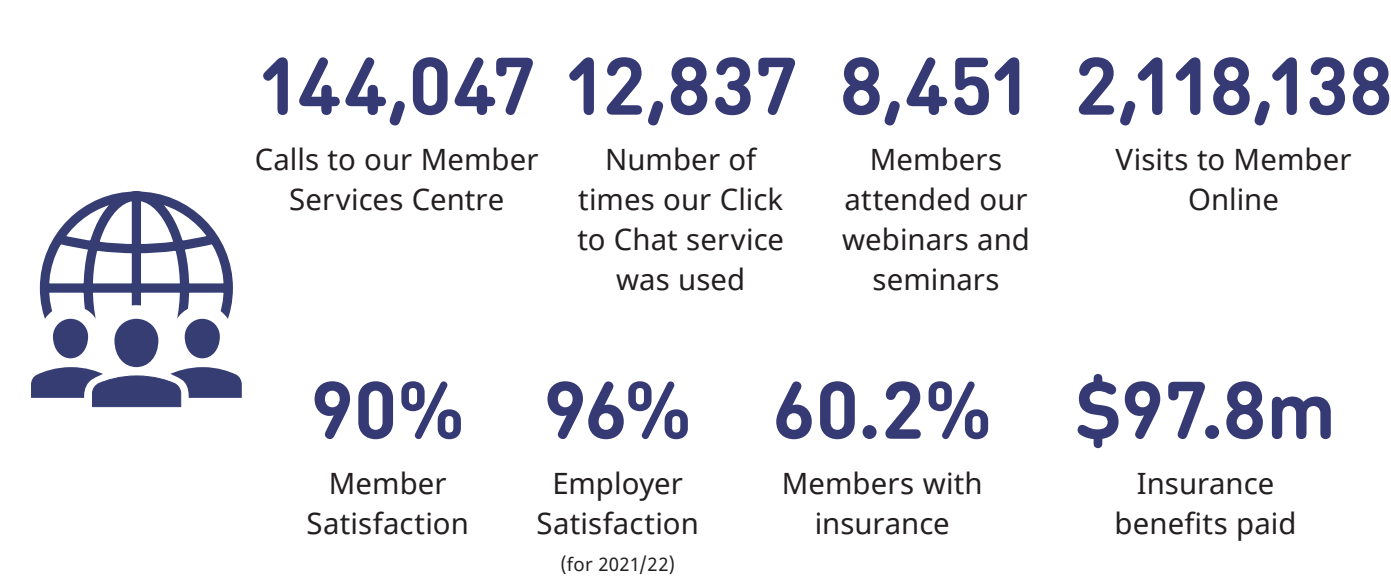
| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Putting members first We are committed to providing excellent superannuation and retirement products and related services that meet members’ needs. | Sustainable performance We are committed to continually delivering well-regarded, value for money products and services with performance that meets objectives. |
| Achieve together We partner with our members, the State, employers and other stakeholders to successfully deliver on our purpose. | Act with integrity We approach every aspect of our work ethically, and operate transparently and with full accountability. We demonstrate our sense of responsibility, by ‘taking ownership’ of issues to ensure a satisfactory outcome. |

Year in review

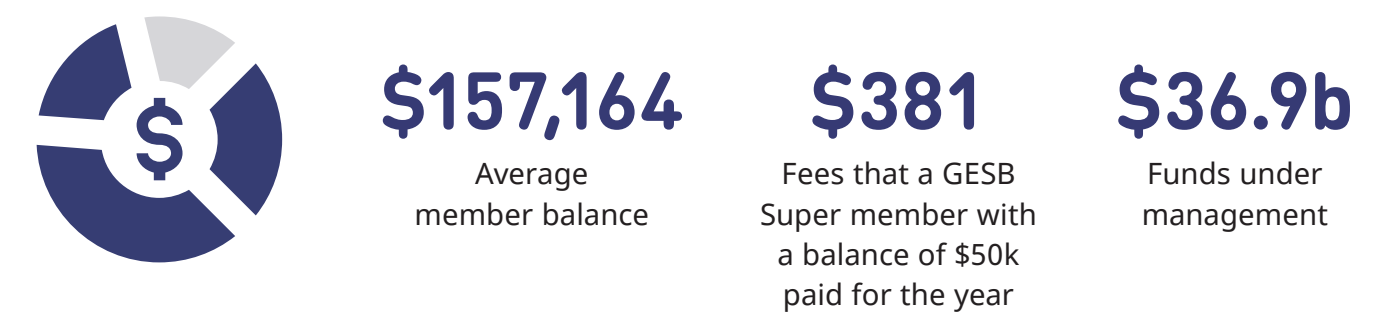
Member statistics



Member services



Financial statistics



^ This figure is different to the figure listed in the ‘Statement of changes in member benefits for the year ended 30 June 2023’ table on page 31 of this report due to different data sources used as well as including SCI payments made (in addition to Death and TPD payments).

Please note, some of the above figures have been rounded down to one decimal place.

Report from the Chair

On behalf of the GESB Board, Executive Management Group and employees, I am pleased to present to you GESB’s Annual Report.

2022/23 investment performance and outlook for 2023/24

I am pleased to report that the majority of GESB plans achieved strong investment returns over the 2022/23 year. In particular, My GESB Super returned 9.0%^ after fees and taxes for the year while My West State Super* returned 8.3%^ after fees. Importantly, over the longer-term, our investment options continue to deliver solid returns. On a ten-year basis, My GESB Super delivered an after fees and taxes return of 6.5%^ p.a. and My West State Super delivered an after fees return of 6.5%^ p.a.



Jo Gaines
Chair

The strong returns were mainly a result of a rebound in share market performance over the financial year. International shares returned 17.6%, which was buoyed by the performance of large, US technology companies and a resurgence in the Japanese stock market. Australian shares also performed well, adding 14.4% led by resource and information technology companies.

It was not all good news across investment markets. High inflation and multiple interest rate increases meant bond market returns were relatively weak. Australian bonds added just 1.2% while global bonds fell 1.8% over the year.

Looking forward, inflation appears to have peaked but the full impact of interest rate increases is yet to be felt. As a result, we remain cautious of the investment environment over the short to medium term but are well positioned to take advantage of opportunities as they arise. While investment market volatility can challenge investment returns in the short to medium term, GESB’s investment plans remain diversified, risk managed and structured to meet long-term objectives.

GESB’s total funds under management, including member net inflows and investment performance, increased from last financial year to \$36.9 billion% as of 30 June 2023.

Strategic outlook

Retirement Income strategy

Our Retirement Income strategy has been developed to provide support, guidance and tools to members who are preparing and managing their retirement. It addresses the specific needs of GESB members and applies to members of relevant schemes who are aged 50 or older. Most importantly, this strategy aims to help members with questions such as:

- How much money will I need to meet my needs for a quality retirement?
- How can I manage my retirement income in a sustainable way?
- How can I make sure my expected retirement income remains stable?

Details of the strategy and tools to assist members can be found on our GESB website.

Sustainable Balanced investment option

At GESB, we are committed to ensuring that we consider Environmental, Social and Governance (ESG) factors in order to improve financial outcomes for our members. Best financial outcomes and ESG considerations are applied across all our funds regardless of what investment option or scheme you are in.

Whilst this approach has served the fund well, our research has shown that some members would like greater focus on ESG matters for their superannuation account.

Our new Sustainable Balanced plan will soon be available for members of West State Super, GESB Super and Retirement Income schemes, allowing you the option of investing your super with a greater focus on ESG matters.

The Sustainable Balanced plan will invest in a diversified range of asset classes, including Equities, Bonds, Property, Cash and Alternatives, and will apply a stricter set of ESG criteria. The Sustainable Balanced plan is expected to be launched in late 2023.

Cyber security

Over the past year, we have implemented and tested security measures to protect our valuable assets and sensitive data from evolving cyber security threats. We use a combination of robust technologies, audited policies and employee training to reinforce our defences against potential breaches.

We continue to work collaboratively with major suppliers to manage cyber security risk. For example, through our engagement of Link Group, we have access to industry-leading threat intelligence tools. These solutions provide real time, actionable insights into emerging cyber security threats and help us stay ahead of potential attacks. By using multiple intelligence sources, including monitoring the dark web, we can identify weaknesses, analyse threat patterns and develop countermeasures to protect our members.

Thank you

On behalf of the Board, I would like to thank the GESB Board and committee members, the Executive Management Group and GESB staff for their continued dedication and hard work during the year. I also wish to affirm the Board’s commitment to strong governance and robust stewardship of our members’ funds.

I would also like to recognise the contribution made by Frank Sciarrone who retired from the Board during the year after serving more than six years as Employer Director and Chair of the Investment and Audit & Risk Committees.

Finally, I would like to thank members for continued support of GESB. We look forward to continuing to deliver quality services that assist our members to achieve a quality retirement.



Jo Gaines
Chair

* West State Super is a Constitutionally protected fund (CPF) that does not pay tax on contributions or earnings it receives. Tax is deferred until the benefit is paid to the member or rolled over to a taxed fund.

^Returns are based on transactional unit prices

% This figure includes total investment assets plus cash and cash equivalents.

Report from the Chief Executive Officer

It was another successful year at GESB and we continue to introduce a range of initiatives to better serve our members, whilst maintaining a highly competitive cost structure. I'm pleased to present our successes and learnings for the 2022/23 financial year.

Member Outcomes assessment

To ensure we are looking after our members’ financial interests, we regularly assess our performance across a range of measures as well as against peer funds. We aim to provide our members with products that are fairly and equitably priced. We charge fees on a cost-recovery basis, which means that member fees are set to cover our budgeted costs and to maintain appropriate reserves. It’s pleasing to report that our fees continue to be in the lowest fee quartile, when compared to MySuper products across the industry¹.

Our operating expenses, relative to the size of our membership base and assets, are in the lowest quartile and are well below industry medians¹. Importantly, our cost per member has remained relatively stable over the past five years, which shows that we are able to deliver superannuation products and services efficiently. Our size allows us to benefit from reduced investment costs. Our management expense ratio, which is the cost to manage our investments, is amongst the lowest of all MySuper products¹.

Based on performance against the range of measures, the GESB Board has determined that GESB is promoting the financial interests of the beneficiaries of the fund.

New Member Online

During the year, we made significant updates to our Member Online portal to improve members’ online experience and enhance security. Members are now asked to complete a simple two-step security check when they request changes to their account.

To make it easier to find information, we have updated the navigation and added a visual summary of account information on the Member Online dashboard. Depending on which account they have, members can now see a ‘money in’ and ‘money out’ summary, investment performance and insurance information.

These enhancements are the foundation for Member Online to become a central hub of information, transactions and communications. We plan to introduce a range of further enhancements in the future.

Reconciliation Action Plan

In May 2023, we were pleased to receive Reconciliation Australia’s endorsement of our third Reconciliation Action Plan (RAP). This plan aims to develop and expand on achievements, strategies and relationships formalised through our first two RAPs to improve superannuation outcomes for Aboriginal and Torres Strait Islander peoples.

As part of our RAP initiatives, we continued to provide free access to First Nations Foundation’s ‘My Money Dream’ financial literacy program to help our members learn about budgeting, banking, insurance and superannuation.

Our path to reconciliation is an ongoing and collaborative process, made possible with support from organisations including Reconciliation Australia, Reconciliation WA, the Financial Counsellors’ Association of WA, Kulbardi and the Public Sector Commission.



Ben Palmer
Chief Executive Officer

Modern slavery statement

During the year, we voluntarily prepared and published our inaugural modern slavery statement. By examining our structure, operations and supply chain, we aim to understand our exposure to modern slavery risks. We are committed to continually reviewing and updating our modern slavery statement to share our ongoing work in this area.

New executive structure

Our Executive Management Group (EMG) was strengthened this year with the appointment of Natalie Skeggs to the role of Chief Strategy and Member Experience Officer. This appointment complements the four other executive officers and members of the EMG and demonstrates our commitment to helping members achieve a quality retirement.

A handwritten signature in black ink that reads "Ben Palmer". The script is fluid and cursive.

Ben Palmer
Chief Executive Officer

¹ SuperRatings Annual Benchmarking Report 2023.

Superannuation update

During the year, we continued to work with the Treasurer’s Office, Department of Treasury and the State Solicitor’s Office to implement State and Commonwealth changes to superannuation. We also introduced improvements to help members applying to access their super due to financial hardship or on compassionate grounds.



State reform

Protecting your super

We are working towards changing to the State Superannuation Regulations 2001 to enable the introduction of the Commonwealth Government’s Protecting Your Super (PYS) Package measures. The PYS reforms aim to protect Australians’ superannuation savings from undue erosion by fees and insurance premiums. These reforms introduce a series of changes for insurance in ‘inactive’ accounts to be retained on an opt-in basis, and a requirement to transfer low-balance accounts to the Australian Taxation Office (ATO).

Super accounts with balances under \$6,000 that are inactive (i.e. they have not received any contributions, rollovers or other transactions for 16 consecutive months) will be closed. The funds will be sent to the ATO, to enable consolidation with a member’s active account, unless the member has opted-into or made changes to their insurance or otherwise elected to retain their inactive account.

Super accounts with balances greater than \$6,000 and have been inactive for 16 months, will have their insurance cancelled unless the member has opted-into, made changes to, or elected to retain their insurance.

GESB will continue to monitor member accounts and provide written notice to members in cases of 9, 12 and 15 months of inactivity, with removal of insurance required after 16 months of inactivity (apart from those members that have opted-into, made changes to, or elected to retain their insurance).

Commonwealth reform

Quality of Advice Review

In June 2023, the Commonwealth Government announced that it has accepted 14 of the 22 recommendations made by the Quality of Advice Review. The purpose of the Quality of Advice Review was to improve the accessibility and affordability of quality financial advice.

Implementation of the recommendations has been divided into three workstreams. Workstream one addresses issues with the current paperwork required to be produced by financial advisers, as well as other issues where changes to legislation are not required.

Workstream two deals with the expansion of the provision of advice by super funds. These recommendations are likely to require legislation changes before they can be implemented.

Workstream three will undertake further consultation on the remaining recommendations that haven’t yet been accepted by the Commonwealth Government.

Once further detail on how the government will roll out these changes is released, we will assess the impact to GESB schemes and services.

Tax increase on super balances above \$3 million

The Commonwealth Government announced that from 1 July 2025, super balances above \$3 million will be taxed at a concessional rate of 30%, up from the current rate of 15%. As further information becomes available, we will assess the impact on GESB members.

Member complaints and process improvements

At GESB, we’re committed to providing members with quality super and retirement products and services. We recognise that despite our best intentions, sometimes a member might want to make an enquiry or raise a complaint. We consider a complaint as ‘any expression of dissatisfaction with our products or services where a response is expected’. Members can make a complaint verbally or in writing.

We have a straightforward process for handling member complaints. We will call the member or send them a letter or email to acknowledge their complaint within two working days. This includes providing them with a contact name and telephone number for one of our staff should they wish to talk about any issues related to their complaint. We aim to resolve member complaints within 30 days. Once resolved, we will send the member a letter confirming our findings and intended actions. If not resolved within 30 days, we’ll contact the member to explain the delay.

Members who are not satisfied with the outcome can request a review of their complaint by an independent staff member at GESB. This review is separate from the initial investigation, and we will aim to complete it within 90 days of receiving the member’s initial complaint. We advise members of the outcome of this review in writing, and if they are still not satisfied with the outcome, they have the right to appeal directly to the relevant external dispute resolution body. It does not cost members anything to access our complaints process.

During 2022/23, we received a total of 311 complaints. All complaints were acknowledged within two working days and a full response provided within agreed timeframes. Of these, 9 members were dissatisfied with the response to their complaint and requested an independent review. 19 members escalated their complaint to an external complaints body.

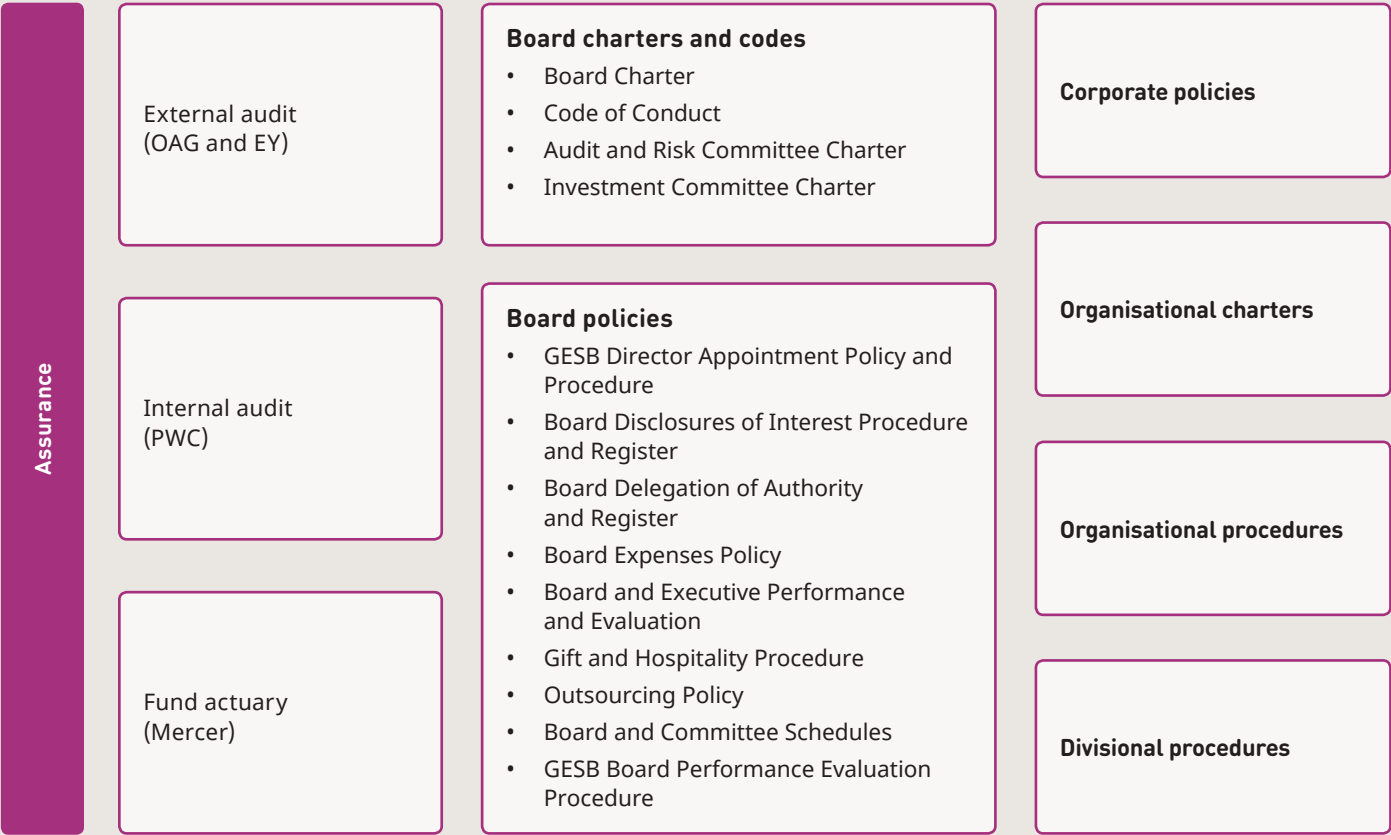
A trend that emerged during the year was that members found the paperwork and process to make a financial hardship or compassionate grounds application difficult. As a result, we made changes to the application form, produced an easy-to-follow fact sheet, and simplified our processes.

Corporate overview

GESB governance structure



GESB internal governance policies and procedures



^ The Public Sector Commissioner is the CEO's Employing Authority under Section 5 of the *Public Sector Management Act 1994*.

The Board

The Board

As a statutory authority, the GESB Board has powers and functions under the *State Superannuation Act 2000* (SSA) and is ultimately accountable to the Treasurer.

The Board is responsible for administering the schemes, managing the fund, the overall governance and performance of GESB in accordance with the SSA, and has responsibility for all matters relating to the operation of GESB.

In governing GESB, the Board sets the values and standards and ensures that GESB's obligations to its members and other stakeholders are understood and met.

In the course of carrying out its responsibilities, the Board must act honestly, fairly, diligently and, as far as practicable, in the best interests of members.

GESB is a State regulated public sector fund rather than Commonwealth regulated like most other superannuation providers. GESB is a statutory authority, subject to the Heads of Government Agreement (HoGA) between the Commonwealth and the State, and administers exempt public sector superannuation schemes (see page 20).

As a matter of good practice, GESB's operations are aligned where practicable with industry standards and Commonwealth Prudential Standards.

The role of the Minister

The Treasurer of Western Australia is the Minister responsible for administering the SSA and its corresponding regulations. The Board is accountable to the Treasurer for performance of its obligations under the SSA in the best interests of members, as far as practicable. The Treasurer has a role in GESB matters that affect the financial rights and obligations of the State along with the general operation of GESB. Specific responsibilities of the Treasurer under the SSA include (but are not restricted to):

- Issuing Prudential Guidelines for Investments which cover investment strategies and the categories of investments permitted
- Approving the appointment of Investment Managers
- Issuing reserving guidelines
- Guarantor of payment of benefits for schemes administered by GESB
- Approving GESB's annual Statement of Corporate Intent (SCI) and rolling five-year Strategic Development Plan (SDP), and
- Directing employers around superannuation practice and procedures

Board appointments and elections

The Board comprises a Chair, three Employer Directors and three Member Directors. Directors are appointed or elected under Schedule 1 of the SSA as follows:

- The Chair is appointed by the Governor of the State of Western Australia on the nomination of the Treasurer after consultation with representative unions;
- Three Directors are appointed by the Governor of the State of Western Australia as Employer Directors;
- Three Directors are elected as Member Directors via elections conducted by UnionsWA in accordance with the *State Superannuation Regulations 2001*, and
- The Chair and Employer Directors are appointed for a term not exceeding five years. Member Directors are elected for a term not exceeding three years.

All GESB Board Directors are eligible for re-appointment or re-election. If a casual vacancy occurs in the office of a Member Director, the Treasurer may appoint a member to fill the vacancy after consultation with representative unions, until the new Member Director is elected. The Minister may also remove a Director in accordance with Section 6(2) of Schedule 1 to the SSA under certain circumstances.

Members of the Board



Jo Gaines
Chair

Ms Gaines was appointed as Chair of the Board for a five-year term expiring on 18 October 2026.

Ms Gaines is an experienced leader and strategic policy director having worked as Deputy Chief of Staff to the Premier of Western Australia.

For more than 10 years, Ms Gaines served as Branch Secretary for the Community and Public Sector Union/Civil Service Association (CPSU/CSA).

Ms Gaines has worked with government, private sector and non-government organisations to drive reforms in a diverse range of fields including job creation, economic diversification, energy, training, child protection, health, contracting and procurement, and climate change. She was a leader in the development of the WA Recovery Plan in response to the COVID-19 pandemic.

Ms Gaines is currently serving as Executive Director of Gaines Advisory, a Director of Development WA and an Independent Non Executive Director of Chalice Mining and Technology Metals Australia.

Ms Gaines qualifications include a Bachelor of Arts from the University of Western Australia and a Graduate Diploma in Occupational Health and Safety from the Curtin University. She is also a Graduate member of the Australian Institute of Company Directors.



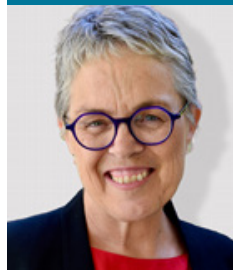
Virginia Christie
Employer Director

Ms Christie was appointed to the Board as Employer Director in October 2019, for a term of five years. This is her first term serving on the Board.

Ms Christie's qualifications include an Australian Institute of Company Directors (AICD) Foundations of Directorship, a Bachelor of Economics (Honours) from the University of WA, and a Graduate Diploma in Applied Finance and Investment from the Securities Institute.

Ms Christie has a wealth of experience, including 20 years with the Reserve Bank of Australia (RBA) and four years with the Australian Commonwealth Treasury. She was previously on the RBA Superannuation Board of Trustees and was head of the RBA's WA office.

She has extensive board experience, having served as a non-executive Director of Keystart Loans Ltd and the Chamber of Commerce and Industry WA. She was a member of the Foundation Board of Management at St Mary's Anglican Girls' School and was on the State Advisory Council of the Committee for Economic Development of Australia (CEDA) WA.



Janine Freeman
Member Director

Ms Freeman was appointed to the Board to fill a casual vacancy in April 2022. She was elected as a Member Director to the Board for a three-year term, commencing 5 May 2022.

As a social equity advocate and former WA Member of Parliament, Ms Freeman served her diverse community for 13 years as the Member for Mirrabooka. She has spent her career representing working people and their families, including the role of Assistant State Secretary of UnionsWA.

Ms Freeman has extensive board and committee experience, joining her first board in 1993. She has been Chair of the WA Legislative Assembly Education and Health Committee, Member of the WA WorkCover Board, and Deputy Chair of the industry superannuation fund, HESTA.

Currently, Ms Freeman is a Board Member of Anglicare WA and Water Corporation.

Ms Freeman holds a Bachelor of Economics from the University of Western Australia, a Certificate IV in Finance Services (Superannuation) from the Association of Superannuation Funds of Australia, and a Post Graduate Diploma in Occupational Health & Safety Management from Curtin University. She has also completed a Company Director's Course through the Australian Institute of Company Directors.



Anne Gisborne
Member Director

Ms Gisborne was appointed to the Board as a Member Director in February 2017, for a period of three years. She was re-appointed for a second three-year term, effective 8 February 2020 and has been re-appointed for a further three-year term expiring in February 2026.

For more than 15 years, Ms Gisborne was an executive member of the State School Teacher's Union (SSTUWA), which looks after WA teachers in the workplace and promotes public education to the wider community.

Ms Gisborne was President of SSTUWA from 2008 to 2013, and was appointed trustee of the organisation as part of this role. While at SSTUWA, her responsibilities included executive board compliance, financial management, appointments and management of staff, policy development, and strategic planning.

Between 2005 and 2013, Ms Gisborne completed two one-year terms as President of UnionsWA. During this time, she was also an executive member of the Australian Education Union.

Ms Gisborne is currently employed by the Edith Cowan University, and holds a Bachelor of Arts and Diploma of Education from the University of Western Australia.



Bruce Hawkins
Member Director

Mr Hawkins was first appointed as a Member Director to the Board for a three-year term on 1 July 2018. He has been reappointed for a further three-year term, commencing 5 July 2021.

Mr Hawkins graduated from TAFE with a Diploma of Management (Business). He is also a Graduate of AIST (Adv.) having completed the Advanced Trustee Director Course.

His professional experience includes working in the public sector in a number of different roles. Mr Hawkins previously held the role of Treasurer for Community and Public Sector Union – Civil Service Association (CPSU/CSA) and is a member of Unions WA.

Previously, Mr Hawkins worked as a Principal Compliance Officer for the Department of Health. He is also President of the North Suburban Community Cricket Umpires Association, in a voluntary capacity.



Janice Jones
Employer Director

Ms Jones was appointed to the Board for a five-year term to 22 March 2027. This is her first term serving on the Board.

In her current role as an Actuarial Educator at the Actuaries Institute, she designs and delivers post graduate education in professionalism, investments, superannuation and retirement incomes.

As a Director and Actuary at PricewaterhouseCoopers from 2004 to 2022, Ms Jones advised trustee boards, companies and government departments on super, employee benefits and investments.

She also has experience providing strategic advice to the WA Department of Treasury on public sector super policy, and actuarial and advisory services for the NSW public sector superannuation schemes. Other areas of expertise include strategic planning, risk management, investment strategy and tender management for corporate and statutory super funds.

Ms Jones was the Chair of the not-for-profit aged care provider ECHO Community Services and is a mentor for young actuaries in Perth completing their professional qualifications.

Her qualifications include a Bachelor of Arts (Mathematics) from the University of Western Australia, a Graduate Diploma in Management from the Australian Graduate School of Management, Diploma in Financial Services (Financial Planning) and Fellowship of the Institute of Actuaries of Australia. She is also a Graduate member of the Australian Institute of Company Directors.



Warren Bird
Employer Director

Mr Bird was appointed to the Board as Employer Director in November 2022, for a term of five years. This is his first term serving on the Board.

Mr Bird has been an independent member of GESB's Investment Committee for 10 years, having been first appointed in June 2013. He has over 30 years of experience in finance and investment roles, including six years as Executive Director at Uniting Financial Services (until 2021). Prior to this, he worked at Colonial First State for a combined 16 years, first as Head of Fixed Interest and later Co-head of Global Fixed Interest and Credit.

Mr Bird has recently been appointed to the Audit and Risk Committee for the Illawarra Shoalhaven Local Health District Board and also serves as a consultant to HOPE Housing Fund Management Ltd. He has previously been a Board member, Chair of the Investment Committee and member of the Finance Committee at WorldShare, an overseas aid charity.

His qualifications include a Bachelor of Economics (Honours) from the University of Sydney and a Cert IV in Workplace Training and Assessment from the Australian School of Commerce and Management.

Former directors

The GESB Board would like to thank Frank Sciarrone and recognise his valuable contribution during his time on the Board.



Frank Sciarrone – Employer Director

Mr Sciarrone was appointed to the Board on 21 February 2016 as an Employer Director. His appointment was renewed for a further one-year term, which concluded on 21 February 2022. He was re-appointed a second five-year period expiring on 20 February 2027. Mr Sciarrone resigned as an Employer Director of GESB with effect from 16 September 2022.

Meetings

The Board meets monthly other than in January.

Board member attendance during the period complied with the requirements of the *State Superannuation Act 2000* (SSA) and the GESB Board Charter. All meetings held met quorum requirements.

Board committees

The Board has a number of committees to assist in the discharge of its functions under the SSA. The Chief Executive Officer supports the operation of the following committees and attends to assist their deliberations.

Audit and Risk Committee

The Audit and Risk Committee assists GESB to fulfil its statutory, regulatory and fiduciary responsibilities by overseeing GESB’s activities in relation to risk management, compliance, financial management and reporting and the internal and external audit functions.

GESB’s Audit and Risk Committee provides the Board with assurances that adequate controls and risk management practices are in place across the organisation and are effective in promoting a risk-aware culture.

Investment Committee

The Investment Committee assists the Board in carrying out its responsibility to discharge its statutory, regulatory and fiduciary responsibilities in relation to the prudent management and investment of the assets of the GES Fund.

Given the technical nature of GESB’s investment function, the Investment Committee is selected for its high levels of financial and investment expertise.

The Investment Committee comprises GESB Board Directors and two external appointees.

The members of the Investment Committee have sufficient investment expertise to enable the committee to discharge its duties in line with obligations under its Charter.

The number of meetings attended by each Board/committee member for Board meetings, Audit and Risk Committee meetings and Investment Committee meetings during the 12-month reporting period is indicated in the table below.

| Member | Board | | Audit and Risk Committee | | Investment Committee | |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------|--------------------------|-------------------|----------------------|-------------------|
| | Meetings held | Meetings attended | Meetings held | Meetings attended | Meetings held | Meetings attended |
| Jo Gaines (<i>Chair</i>) | 11 | 11 | N/A | N/A | 4 | 4 |
| Warren Bird (<i>Employer Director</i>) [%] | 7 | 7 | N/A | N/A | 3 | 3 |
| Virginia Christie (<i>Employer Director</i>) | 11 | 10 | 5 | 5 | 4 | 4 |
| Janine Freeman (<i>Member Director</i>) | 11 | 11 | N/A | N/A | 4 | 4 |
| Anne Gisborne (<i>Member Director</i>) [^] | 11 | 11 | 5 | 5 | 4 | 4 |
| Bruce Hawkins (<i>Member Director</i>) | 11 | 11 | 5 | 5 | 4 | 4 |
| Janice Jones (<i>Employer Director</i>) [*] | 11 | 11 | 3 | 3 | 4 | 4 |
| Frank Sciarrone (<i>Employer Director</i>) (<i>Former Chair Investment Committee</i> <i>Former Chair Audit and Risk Committee</i>) | 3 | 3 | 2 | 2 | 1 | 1 |
| Simon Warner (<i>External expert</i>) [#] | N/A | N/A | N/A | N/A | 3 | 3 |
| Warren Bird (<i>External expert</i>) [%] | N/A | N/A | N/A | N/A | 1 | 1 |
| John Stroud (<i>External expert</i>) | N/A | N/A | N/A | N/A | 4 | 4 |

[%] Warren Bird joined the Board on 31 October 2022 so attended one IC meeting as external and the three as a Board member

[^] Anne Gisborne appointed Chair, Audit and Risk Committee on 2 November 2022

^{*} Janice Jones joined the Audit and Risk Committee on 2 November 2022

[#] Simon Warner joined the Investment Committee on 5 December 2022

Corporate Governance and External Relations Committee

The Corporate Governance and External Relations Committee was suspended from 1 July 2016, with all the committee’s duties and obligations being transferred to the GESB Board.

Executive Performance Committee

The Executive Performance Committee ceased from 1 July 2016, with all the committee’s duties and obligations being transferred to the GESB Board.



The GESB Board
Top row (from left to right):
Janine Freeman, Bruce Hawkins,
Anne Gisborne, Virginia Christie
Bottom row (from left to right):
Janice Jones, Jo Gaines, Warren Bird

Corporate governance

Corporate governance policy framework

Effective corporate governance supports compliance with regulatory and legal requirements. It also provides support to an organisation to do what is right for its stakeholders. This incorporates elements of internal controls, ethics, risk functions, policies and procedures and internal and external audit. It is underpinned by transparent disclosure, effective communication and proper planning, measurement and accountability across the organisation.

The Board operates within a corporate governance policy framework that incorporates legislative and regulatory requirements aligned to industry best practice. The framework reflects GESB’s operating environment as a State authority within the financial services market. GESB operates within the State’s Integrity Framework.

In pursuing the Board’s purpose to look after members’ superannuation with excellence, GESB is committed to transparent, high quality and accountable governance. To facilitate this, the Board:

- Established specialist Audit and Risk and Investment Committees to assist in discharging its legal and statutory obligations
- Granted appropriate delegations to the Chief Executive Officer and relevant business units to enable the day-to-day operation of the organisation
- Embedded internal and external accountability measures, including organisational key performance indicators (KPIs) and internal and external audit practices

The Board and its committees have individual charters and are subject to a Code of Conduct that outlines the practices and processes that the Board, individual Directors and committee members adopt to discharge their responsibilities. The Board’s focus on good governance is integrated across the operations of the organisation.

Other governance matters

Directors’ duties

In carrying out its responsibilities, the Board must act honestly, fairly, diligently and, as far as practicable, in the best interests of members.

Under Section 5(1) of the *Statutory Corporations (Liability of Directors) Act 1996 (WA)* a Board Director of GESB has the same fiduciary relationship to GESB and the same duties to act with loyalty and in good faith as a Director of a company that is incorporated under the *Corporations Act 2001 (Cth)*.

These duties are also incorporated in the Board’s Code of Conduct.

Fit and proper standards

The Board understands the need to have the range of skills, knowledge and experience on the Board to effectively govern GESB. Members of the Board have to demonstrate competencies in a number of areas.

Operating standards have been developed by the Australian Prudential Regulation Authority (APRA) to cover the fitness and propriety of superannuation trustees.

To achieve best practice, the Board decided that GESB would operate under a similar fit and proper standard for its Board Directors. The GESB Director Appointment Policy and Procedure requires that each Board Director meets certain standards of fitness and propriety on an ongoing basis.

The Board’s education program ensures all Directors meet and maintain educational and technical competencies, enabling them to effectively discharge their duties in a knowledgeable and prudent manner and in accordance with the requirements of the GESB Director Appointment Policy and Procedure.

Ethical standards

The Board acknowledges the need for, and the continued maintenance of, high standards of ethical conduct for Directors, management and staff. The Board Directors are required to comply with the GESB Board Charter, and all staff and Board Directors are required to comply with the GESB Code of Conduct.

The organisational values of GESB are promoted via a strong communication and training program, which includes information on its intranet and the incorporation of those values into role descriptions and performance management processes.

Material interests

The Board has policies and procedures in place that set out the requirements for each Director with regard to the disclosure of interests, including Related Party Interests as required under AASB 124, in order to avoid actual, potential or perceived conflicts of interest or duty and to provide guidance for dealing with any conflicts in an open and transparent way.

Directors are required to disclose any material or personal interests relevant to the Board or GESB and to abstain from discussions or voting on any issues where their judgement may be influenced by any material or personal interests in, or duty to, another organisation.

Compensation and remuneration

Directors and committee members are entitled to the remuneration and allowances determined by the responsible Minister on the recommendation of the Public Sector Commissioner and endorsed by Cabinet. Superannuation Guarantee contributions are paid at the rate of 10.5%.

| Board | | | | |
|-------------------|-------------------|----------------------|----------------------|------------------------------------------------------|
| Position | Name | Type of remuneration | Period of membership | Gross / actual remuneration including superannuation |
| Chair | Jo Gaines | Annual | 12 months | \$119,335 |
| Employer Director | Virginia Christie | Annual | 12 months | \$59,668 |
| Employer Director | Janice Jones | Annual | 12 months | \$59,668 |
| Employer Director | Warren Bird | Annual | 8 months | \$38,558 |
| Employer Director | Frank Sciarrone | Annual | 2.5 months | \$13,977 |
| Member Director | Janine Freeman | Annual | 12 months | \$59,668 |
| Member Director | Anne Gisborne | Annual | 12 months | \$16,294* |
| Member Director | Bruce Hawkins | Annual | 12 months | \$59,668 |
| Total | | | | \$426,832 |

*Effective 16 March 2023 commenced receiving remuneration

Audit and Risk Committee

| Position | Name | Type of remuneration | Period of membership | Gross / actual remuneration including superannuation |
|-------------------|-------------------|----------------------|----------------------|------------------------------------------------------|
| Chair | Anne Gisborne | Annual | 12 months | \$1,531* |
| Chair (former) | Frank Sciarrone | Annual | 2.5 months | \$1,314 |
| Employer Director | Virginia Christie | Annual | 12 months | No payment |
| Member Director | Bruce Hawkins | Annual | 12 months | No payment |
| Employer Director | Janice Jones | Annual | 8 months | No payment |
| Total | | | | \$2,845 |

*Effective 16 March 2023 commenced receiving remuneration

Investment Committee

| Position | Name | Type of remuneration | Period of membership | Gross / actual remuneration including superannuation |
|-------------------|-------------------|----------------------|----------------------|------------------------------------------------------|
| GESB Chair | Jo Gaines | Annual | 12 months | \$8,973 |
| Employer Director | Frank Sciarrone | Annual | 2.5 months | \$2,102 |
| Employer Director | Virginia Christie | Annual | 12 months | \$8,973 |
| Employer Director | Janice Jones | Annual | 12 months | \$8,973 |
| Employer Director | Warren Bird | Annual | 8 months | \$5,797 |
| Member Director | Janine Freeman | Annual | 12 months | \$8,973 |
| Member Director | Anne Gisborne | Annual | 12 months | \$2,450* |
| Member Director | Bruce Hawkins | Annual | 12 months | \$8,973 |
| External Expert | Warren Bird | Annual | 4 months | \$4,762 |
| External Expert | John Stroud | Annual | 12 months | \$13,459 |
| External Expert | Simon Warner | Annual | 7 months | \$7,454 |
| Total | | | | \$80,889 |

*Effective 16 March 2023 commenced receiving remuneration

In accordance with government policy, Directors who are public sector employees were not paid additional remuneration for sitting on the Board. Ms Gisborne received no payment as she is a public sector employee. Ms Gisborne ceased employment in the public sector on the 15 March 2023 therefore was paid the additional remuneration for sitting on the Board effective 16 March 2023.

Risk management

Risk management is a key consideration in GESB’s strategy, operations and financial processes and aims to identify, assess, and control all potential threats to GESB. Our risk management framework sets out GESB’s approach to the identification and management of financial and non-financial risks to support the delivery of GESB’s strategic objectives.

GESB’s risk environment is influenced by State Government policy, the Heads of Government Agreement (HoGA) between the Commonwealth and the State, the requirements of both State and Commonwealth legislation, Regulators and developments in the wider superannuation industry.

Material operational and strategic risks are reviewed quarterly.

GESB continues with a program of operational risk reviews focused on the areas within the organisation with the greatest exposure to risk. Most notably:

1. GESB’s Integrity Framework has a focused approach to integrity at the core of our work. Improved integrity helps minimise the incidence and impact of misconduct.
2. As required under the *Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Act 2006*, GESB has an independently reviewed AML/CTF Program A and B to comply with the requirements for Reporting Entities. The primary purpose of Part A is to identify, mitigate and manage money laundering and terrorist financing risk. The primary purpose of Part B is to set out the applicable customer-member identification procedures, transaction monitoring and ongoing customer due diligence.
3. GESB’s Information Security Steering Committee is responsible for ensuring the security of GESB’s information assets. The Committee meets as required to assess, amongst other things, security threats and adequacy of GESB’s cyber and third-party IT risk environment. This ensures that GESB remains vigilant to the threat of fraudulent access to members’ benefits and/or identity theft.
4. Reliable suppliers and service providers form part of GESB operations and to ensure the smooth running of our operations, GESB identifies a range of risks related to companies, with strict on-boarding and procurement processes when selecting vendors - and monitor their work on an ongoing basis with regular risk assessments related to integrity, modern slavery, money laundering and terrorism financing, privacy and cybersecurity risks.

This schedule of work assists with the identification of risks, improved controls, assurance activities and responsible decision making. This exercise also further embeds GESB’s risk-aware culture throughout all areas of the business. GESB has a governance, risk and compliance monitoring and reporting system, which has been configured to automate risk management, compliance and governance processes.

Heads of Government Agreement

As with the other States and Territories, Western Australia is a signatory to the ‘*National Superannuation Standards*’ Heads of Government Agreement (HoGA) with the Commonwealth. The HoGA applies the principle of national standards to State superannuation arrangements.

The HoGA impacts broadly on all the State’s superannuation arrangements and public sector superannuation funds. Most of the specific terms within the HoGA are applicable to the State’s Exempt Public Sector Superannuation Schemes¹ (EPSSSs), which include all the schemes administered by the GESB, the Parliamentary Pension Scheme and Judges’ Pension Scheme.

Under the HoGA, the State Government is committed to conform to the principles of the Commonwealth’s Retirement Incomes Policy to the best of its endeavours. Broadly, this means that governance and superannuation benefits provided under the GESB administered schemes are consistent with national standards. These standards include rules around preservation and protection of benefits, vesting of benefits, member disclosures and adequate prudential and supervisory arrangements. Additionally, the HoGA requires GESB to provide Commonwealth bodies with regular information on a similar basis as Commonwealth regulated funds.

In exchange for this undertaking, the Commonwealth has agreed to exempt the EPSSSs, or deem them compliant with, certain provisions within the *Income Tax Assessment Acts 1936 and 1997*, the *Superannuation Industry (Supervision) Act 1993* and parts of the *Superannuation Guarantee (Administration) Act 1992*, thereby providing concessional tax treatment of the GES Fund.

GESB and the schemes it administers continues to comply fully with the HoGA.

Compliance

GESB’s compliance program was established in accordance with the International Standard on Compliance Program ISO 37301-2021 and is consistent with Commonwealth regulatory standards and industry good practice.

¹ The EPSSSs are superannuation schemes recognised in Commonwealth legislation as being regulated under State legislation.

GESB’s compliance framework protects our members, staff and our business and incorporates specific operating obligations on GESB to ensure compliance with the SSA and Regulations, the HoGA, other legislation relevant to State public sector agencies and the unique tax arrangements for the untaxed schemes operating within the Government Employees Superannuation Fund.

The Compliance framework ensures GESB and its employees are meeting their legislative obligations and operating in accordance with GESB policies and the internal control environment.

The Compliance program assists in informing GESB’s risk profile and monitors its corporate governance, risk management and compliance performance. GESB’s automated governance, risk and compliance system provides the mechanism to ensure that risk control failures and incidents are detected and managed appropriately.

Ongoing monitoring and reporting provides assurance to the Board, executives, members, and other stakeholders that adequate systems and processes are in place and working effectively.

GESB works closely with its stakeholders including the Department of Treasury and the State Solicitor’s Office to assess the impact of Commonwealth superannuation reforms, to ensure GESB continues to meet its obligations under the HoGA.

Investment risk

Risk management is an integral component of GESB’s investment process. GESB manages investment risk by:

- A structured approach to diversification across the major asset classes via a strategic asset allocation framework
- Diversification of Investment Managers and investment style within each of the major asset classes
- A rigorous Investment Manager review process encompassing due diligence, selection and ongoing review
- Considering environmental, social and governance risk in all stages of the investment process

In some asset classes, GESB appoints both lower risk and higher risk managers. Regardless of a manager’s investment style, GESB ensures that no single manager contributes a disproportionate amount of risk within an asset class or across the GESB portfolio as a whole.

GESB does not manage derivatives directly. Our Investment Managers are permitted to use derivatives within the restrictions of their mandates and the Treasurer’s Prudential Guidelines for Investments.

Relationship with stakeholders

State Department of Treasury

GESB continues to work with Treasury to ensure the Government employees superannuation is effectively managed, and complies with State and Commonwealth standards, as far as practicable. In addition, Treasury and GESB work collaboratively on State and Commonwealth superannuation reform initiatives (see page 10).

Employers

The Key Account Management (KAM) team also provides assistance to employers’ payroll staff, to ensure timely and efficient contribution data transmission and payment. We work with them to:

- Implement onboarding initiatives to optimise the GESB experience when new employees join the public sector

A key focus of GESB is to provide educational solutions for members:

- To help them achieve a quality retirement by delivering enhanced seminar and webinar content
- By presenting seminars in various regional centres and distributing GESB information to remote employees through our webinar program
- By offering tailored education programs, dedicated agency landing pages, onsite seminars, and Q&A sessions through WA public sector employers

GESB’s KAM team work on building relationships with WA Public Sector Unions by:

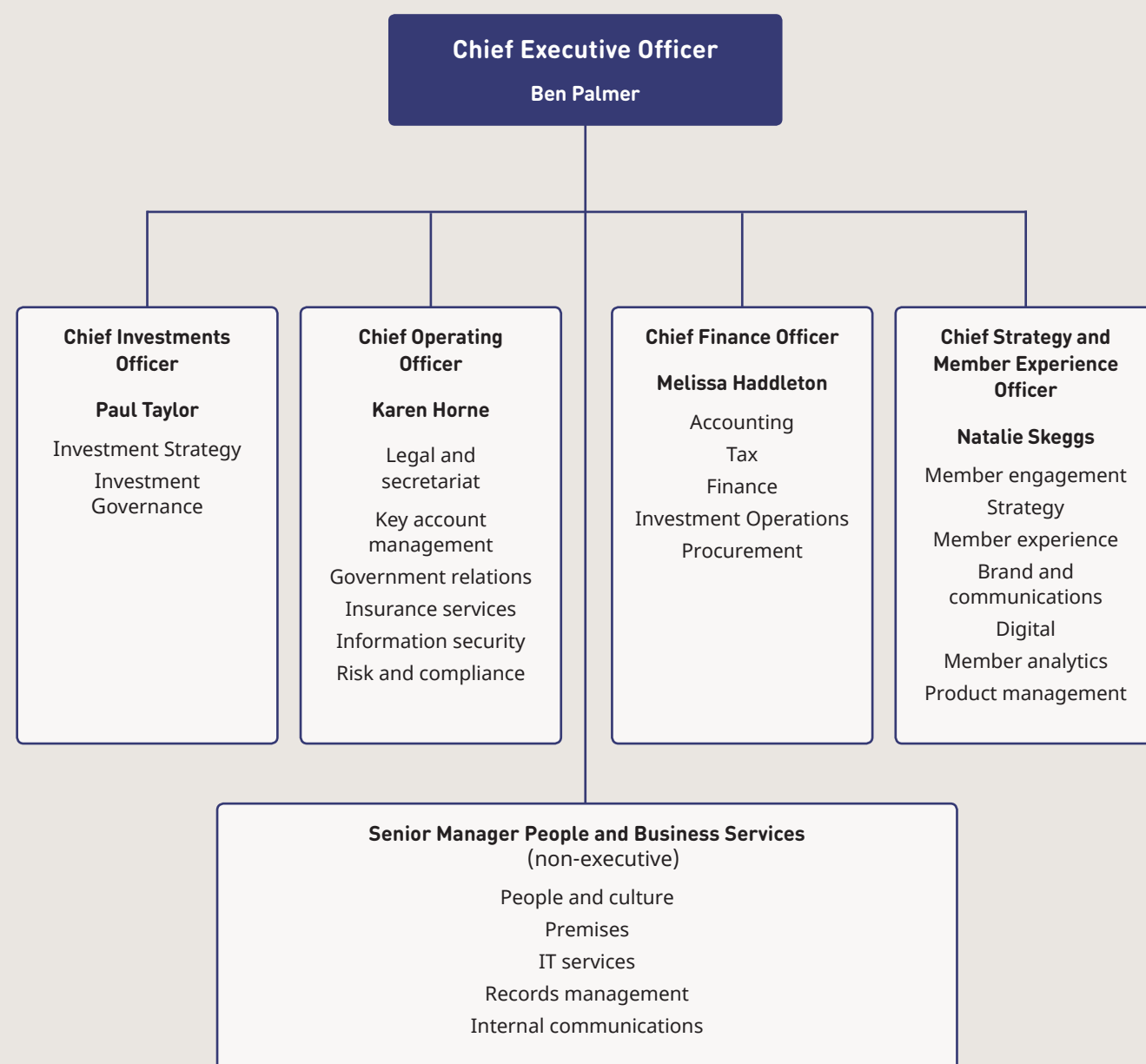
- Meeting with key contacts to provide support for future initiatives
- Providing articles in union magazines to support their membership
- Present educational seminars at union conferences and retirement planning days

Unions

The Board comprises seven Directors, including three Member Directors. UnionsWA is responsible for the nomination, election and appointment of the Member Director positions on the Board. These three Board positions are currently held by nominees from the CPSU/CSA, the State School Teachers’ Union of WA and UnionsWA.

GESB works with all key public sector unions including those unions that nominate Member Director candidates.

Organisational structure



All compliance requirements

Freedom of information

GESB provided members with access to all of their personal and account information. An information statement that provides background on the operations of GESB, a description of the documents held and the way in which the public can access the information was made available on the website and via our Member Services Centre.

GESB's designated freedom of information officer during the period was:

Ms Vesna Odak, GESB, Level 30, DMJC, 28 Barrack Street, Perth

Diversity profile

Our Workforce and diversity plan incorporates workforce planning and equal employment opportunity principles. It is aligned with our Disability Access and Inclusion Plan, Reconciliation Action Plan and Multicultural Access Plan.

To support our workforce diversity groups, during the year we:

- Increased the number of diversity events and awareness activities that we promoted to staff
- Continued to grow our diversity networks and consult with relevant stakeholders, we are now proud members of Diversity Council Australia, Pride in Diversity and the Australian Network on Disability
- Increased the availability of diversity and inclusion resources for staff and promoted our Diversity and Inclusion intranet page
- Asked our staff what they thought about working for GESB – 87.3% were extremely satisfied or very satisfied
- Continued to invest in our staff by providing continuing professional development opportunities, such as seminar and conference attendance, to all teams across GESB
- Created a dedicated Reconciliation and Policy Officer role to guide our reconciliation journey
- Rolled out new workplace behaviour training, including modules on workplace bullying, discrimination and sexual harassment, diversity and inclusion, for all staff with 100% completion rate
- Provided grievance officer training for People and Business Services staff

| Diversity group | 2021/22 % | 2022/23 % |
|-------------------------------------------------|--------------|--------------|
| Women | 53.8 | 56.8 |
| Employees from culturally diverse backgrounds | 18.5 | 17.6 |
| Aboriginal and Torres Strait Islander employees | 1.5 | 1.4 |
| Employees with Disability | 3.1 | 4.1 |
| Youth (age 24 and under) | 4.6 | 2.7 |
| Mature workers (age 45 and older) | 53.8 | 45.9 |
| Women in Tier 2 roles | 33.3 | 75 |
| Women in Tier 3 roles | 30.0 | 16.7 |

WA Multicultural Policy Framework (WAMPF)

Our Multicultural Access Plan (MAP) displays our commitment to multicultural access and inclusion and fulfils our obligations under the Western Australian Multicultural Policy Framework. The MAP was developed in alignment with our Workforce and Diversity Plan.

In 2022/23 the following initiatives were implemented to support the priorities of the WAMPF, our culturally and linguistically diverse members and staff:

- Provided unconscious bias training for staff
- Invited people from Cultural and Linguistically Diverse backgrounds to share their experience of immigrating to Australia as part of our Harmony Day event
- Drafted our Vulnerable members policy
- Drafted our new MAP

In accordance with the Multicultural Policy Framework, we submitted a report on our progress to the Office of Multicultural Interests.

Disability access and inclusion plan outcomes

Our Disability Access and Inclusion Plan (DAIP) aligns to the requirements of the *Disability Services Act 1993*.

In 2022/23 we continued to make progress towards making our information, tools, and services more accessible and inclusive for everyone.

Key disability access and inclusion outcomes for the year include:

- Publishing our new DAIP for 2023-28
- GESB's Jane Ots being recognised as a leader in accessibility and being asked to judge the 2023 Australian Accessibility Awards
- Partnering with the Australian Network on Disability to complete our inclusive recruitment review
- Our Key Account Management team attending a presentation on accessible and inclusive communication

In accordance with the *Disability Services Act 1993*, we submitted a report on our achievements against the DAIP to the Department of Communities.

Public interest disclosure

GESB is committed to the aims and objectives of the *Public Interest Disclosure Act 2003*. GESB recognises the importance of staff and public contributions to enhance administrative and management practices and strongly supports disclosures being made regarding corrupt and improper conduct.

The GESB Whistleblowing (Public Interest Disclosure) Policy and the GESB Whistleblowing Procedures are instrumental in fraud and corruption detection. They also provide protection to staff and members who make disclosures from any detrimental action in reprisal of making of a public interest disclosure.

GESB has a Public Interest Disclosure (PID) Officer who is responsible for receiving public interest disclosures and maintains an anonymous reporting tool for confidentiality.

No public interest or anonymous disclosures were made during 2022/23.

Compliance with Public Sector Standards and ethical codes

We complied with the Public Sector Standards in Human Resource Management and Public Sector Code of Ethics.

Staff are informed of these standards in our Code of Conduct, relevant human resource management policies and processes, during induction, working at GESB webinars, and information published on our intranet.

Our People and Business Services team provided advice, support and guidance to managers and staff on the standards.

In 2022/23:

- Our Code of Conduct was reviewed, updated and communicated to staff
- Our Dignity at Work Policy was reviewed, updated and communicated to staff
- We rolled out a new online compliance training system to staff
- No breach of standard claims lodged
- There were no breaches found of the WA public sector Code of Ethics or our Code of Conduct

| FTE | 2021/22 | 2022/23 |
|------------------------------------------|---------|---------|
| Permanent public service officers | 54.1 | 58.8 |
| Fixed term public service officers | 5.0 | 5.6 |
| State Superannuation Act (SSA) employees | 2.0 | 3.8 |
| Total | 61.1 | 68.2 |

Occupational safety, health and injury management

Our Board and Executive Management Group continued to demonstrate their commitment to lead a mentally and physically healthy and safe workplace.

We reviewed and updated our work health and safety policies and procedures in line with the *Work Health and Safety Act 2020*. Our Health and Safety Committee helped to ensure the safety of our workplace. Meetings were held in July, September, November, February and May.

We continued to offer workplace training on topics such as mental health awareness, psychological safety at work, defibrillator use, team effectiveness, and emotional intelligence and resilience.

In 2023/24 we will complete our psychosocial risk review and implement any recommendations.

Safety and injury management performance reporting 2020/21 to 2022/23

| Measures | 2020/21 | 2021/22 | 2022/23 | Targets | Comments about targets |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|-----------------------------|-----------------------------------------------------------------------------|
| Number of fatalities | 0 | 0 | 0 | 0 | Target met |
| Lost Time Injury and/or disease incident rate | 0 | 0 | 0 | 0 or 10% reduction achieved | Target met |
| Lost Time Injury and severity rate | 0 | 0 | 0 | 0 or 10% reduction achieved | Target met |
| Percentage of injured workers returned to work (i) within 13 weeks | N/A | N/A | N/A | N/A | Zero injured workers |
| Percentage of injured workers returned to work (ii) within 26 weeks | N/A | N/A | N/A | N/A | Zero injured workers |
| Percentage of managers trained in occupational safety, health and injury management responsibilities, including refresher training within 3 years | 100% | 100% | 100% | 80% | A new WHS course was rolled out in April 2023 and completed by all managers |

Requirements of the Electoral Act 1907

GESB incurred \$69,162 total expenditure for 2022/23 to undertake member and employer satisfaction surveys and research into members' investment behaviour.

| | 2021/22 | 2022/23 |
|------------------------------------------------------------|-----------|----------|
| Advertising agencies | Nil | Nil |
| Market research organisations Research Solutions | \$125,391 | \$69,162 |

Record keeping plan

GESB recognises information as a valuable corporate asset and is committed to ensuring practices and systems are compliant. During this period a number of improvement actions were undertaken to better support GESB's business. Highlights include:

- Automation of processes to enable automatic capture and workflow management in Content Manager
- Review data capture requirements and removal of unnecessary sensitive data from processes
- Migration of data to Content Manager to improve information governance
- Upgrade of Content Manager to the latest version and introduction of new functionality
- Integration between Governance system and Content Manager

In accordance with State Records Commission Standards, Standard 2, Principle 6 the following compliance information is provided:

Evaluation of recordkeeping systems

- The current recordkeeping plan was approved by the State Records Commission (SRC) in July 2021 for 5 years
- Various records and information management policies and procedures were updated to reflect current practices and align with SRC and ISO standards
- The information asset register was reviewed, updated and remediation work continued to ensure reliable management of data collected by GESB processes
- The use of the recordkeeping system is actively monitored to ensure its effectiveness and efficiency in meeting compliance and operational requirements
- Performance indicators are reported monthly to identify areas for improvement

Recordkeeping training program

- All staff and contractors are provided with records and information management obligation training during their induction, which includes knowledge check multiple choice questions. Knowledge check results are emailed to the recipient and evaluated by Information Management staff
- All staff and contractors are required to complete an annual records and information management obligation training
- All staff and contractors are required to complete Content Manager training during their induction, appropriate to their role
- Additional training sessions are scheduled with teams every six months, focused on improving and maturing information management practices
- 30-minute lunchtime training sessions are scheduled each month, available to all staff, to reinforce specific processes, functions, or practices
- On demand recordkeeping advice to ensure timely support and guidance is available to all staff and contractors
- All staff have received training specific to the Content Manager upgrade and new functionality
- A range of self-help 'How To' guides and videos are published on the intranet 'The Hive'
- Communications on good records and information management are emailed to all staff monthly, including statistics on team usage, volumes, process changes and other matters to highlight

Evaluation of the recordkeeping training program

- Ongoing monitoring of the training effectiveness is conducted by reviewing monthly usage statistics, which highlights behaviours and practices across GESB
- Feedback is requested from teams and management throughout the year

Recordkeeping induction program

- The records and information management induction covering obligations and responsibilities is mandatory for all staff and contractors at the commencement of employment. The training is repeated annually to ensure staff are updated with any changes
- Separate face to face system training is provided to all staff
- The induction content was updated in 2023 to reflect policy and process changes

Unauthorised use of credit cards

Officers of GESB hold corporate credit cards where their functions warrant usage of this facility. GESB's Purchasing Card Policy specifies the use of, eligibility, responsibilities and restrictions for these cards.

During 2022/23, no GESB card holders inadvertently utilised corporate credit cards for personal purchases.

| | 2022/23 |
|-----------------------------------------------------------------------------|---------|
| Aggregate amount of personal use expenditure for the reporting period | Nil |
| Aggregate amount of personal use expenditure settled within 5 working days | Nil |
| Aggregate amount of personal use expenditure settled outside 5 working days | Nil |
| Aggregate amount of personal use expenditure outstanding at balance date | Nil |

Act of grace payments

During the 2022/23 financial year, GESB did not make any Act of Grace payments under Section 80 of the *Financial Management Act 2006* in accordance with Treasurer's Instruction 903(15).

Certification of the financial statements

The accompanying Financial Statements of the Government Employees Superannuation Board ('the Fund' or 'GESB'), have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records, to present fairly the financial transactions for the financial year ended 30 June 2023, and the financial position as at 30 June 2023.

At the date of signing, we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



M HADDLETON
Chief Finance Officer
6 September 2023



A GISBORNE
Director
6 September 2023



J GAINES
Chair
6 September 2023

Statement of financial position as at 30 June 2023

| | Note | 2023 \$'000 | 2022 \$'000 |
|----------------------------------------------------|------|---------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | 24 | 59,092 | 67,612 |
| Receivables | 9 | 349,686 | 263,176 |
| Employer-sponsor receivables | 10 | 3,216,018 | 3,547,120 |
| Investments | | | |
| Cash and term deposits | 8 | 5,304,233 | 4,719,801 |
| Australian equities | 8 | 5,958,017 | 5,630,715 |
| International equities | 8 | 11,628,495 | 11,182,457 |
| Units in unit trusts | 8 | 5,599,515 | 5,012,116 |
| Other interest-bearing securities | 8 | 7,655,639 | 7,112,685 |
| Derivative assets | 8 | 309,553 | 227,098 |
| Plant and equipment | | 22 | 52 |
| Intangible assets | | 2,403 | 2,024 |
| Income tax receivable | 15 | 42,806 | 33,369 |
| Deferred tax assets | 15 | 4,387 | 28,595 |
| Total assets | | 40,129,866 | 37,826,820 |
| Liabilities | | | |
| Derivative liabilities | 8 | (226,905) | (805,100) |
| Payables | 11 | (490,327) | (212,504) |
| Provision for employee benefits | 12 | (2,268) | (2,056) |
| Provision for post-employment benefits | 13 | (662) | (837) |
| Income tax payable | 15 | - | - |
| Deferred tax liabilities | 15 | (154,165) | (97,542) |
| Total liabilities excluding member benefits | | (874,327) | (1,118,039) |
| Net assets available for member benefits | | 39,255,539 | 36,708,781 |
| Member benefits | | | |
| Defined contribution member liabilities | 3 | (32,715,536) | (30,072,361) |
| Defined benefit member liabilities | 4 | (5,411,983) | (5,719,030) |
| Total member benefits | | (38,127,519) | (35,791,391) |
| Net assets | | 1,128,020 | 917,390 |
| Reserves | | | |
| Other reserves | 14 | (152,817) | (154,021) |
| Operational risk reserve | 14 | (85,514) | (76,581) |
| Defined benefits that are over funded | 5 | (889,689) | (686,788) |
| Total reserves | | (1,128,020) | (917,390) |

This statement should be read in conjunction with the accompanying notes.

Income statement for the year ended 30 June 2023

| | Note | 2023 \$'000 | 2022 \$'000 |
|----------------------------------------------------------------|------|------------------|--------------------|
| Income | | | |
| Interest | 16 | 369,825 | 200,327 |
| Dividends | 16 | 532,336 | 588,488 |
| Distributions | 16 | 134,149 | 189,227 |
| Changes in assets/liabilities measured at fair value | 16 | 1,869,426 | (2,666,953) |
| Other investment income | 16 | 5,411 | 5,523 |
| Other income | 17 | 6,862 | 6,640 |
| Total income | | 2,918,009 | (1,676,748) |
| Expenses | | | |
| Administration expenses | 18 | (45,544) | (39,893) |
| Investment expenses | 16 | (77,983) | (79,695) |
| Depreciation and amortisation | 19 | (322) | (65) |
| Total expenses | | (123,849) | (119,653) |
| Net result from operating activities | | 2,794,160 | (1,796,401) |
| Net benefits allocated to defined contribution member accounts | | (2,591,496) | 1,267,149 |
| Net change in defined benefit member liabilities | | 368,040 | (64,931) |
| Net result before income tax | | 570,704 | (594,183) |
| Income tax (expense)/benefit | 15 | (29,355) | 81,620 |
| Net result after income tax | | 541,349 | (512,563) |

This statement should be read in conjunction with the accompanying notes.

Statement of changes in member benefits for the year ended 30 June 2023

| | DC members \$'000 | DB members \$'000 | Total \$'000 |
|------------------------------------------------------------------------------------|----------------------|----------------------|-------------------|
| Opening balance as at 1 July 2022 | 30,072,361 | 5,719,030 | 35,791,391 |
| Contributions: | | | |
| Employer | 1,698,820 | 297,101 | 1,995,921 |
| Member | 265,662 | 5,248 | 270,910 |
| Transfers from other superannuation plans | 359,317 | - | 359,317 |
| Government co-contributions | 900 | - | 900 |
| Income tax on contributions | (201,308) | - | (201,308) |
| Net after tax contributions | 2,123,391 | 302,349 | 2,425,740 |
| Benefits to members/beneficiaries | (2,027,768) | (243,421) | (2,271,189) |
| Insurance premiums charged to member accounts | (113,145) | - | (113,145) |
| Death and disability insurance benefits credited to member accounts | 71,650 | - | 71,650 |
| Reserves allocated to/(from) members: | | | |
| General reserve | (2,449) | - | (2,449) |
| WSS government guaranteed payment reserve | - | 2,065 | 2,065 |
| Net benefits allocated to/(from) defined contribution member accounts, comprising: | | | |
| Net investment income | 2,629,710 | - | 2,629,710 |
| Administration fees | (38,214) | - | (38,214) |
| Net change in defined benefit member accrued benefits | - | (368,040) | (368,040) |
| Closing balance as at 30 June 2023 | 32,715,536 | 5,411,983 | 38,127,519 |

| | DC members \$'000 | DB members \$'000 | Total \$'000 |
|------------------------------------------------------------------------------------|----------------------|----------------------|-------------------|
| Opening balance as at 1 July 2021 | 31,131,147 | 5,492,613 | 36,623,760 |
| Contributions: | | | |
| Employer | 1,616,298 | 450,289 | 2,066,587 |
| Member | 293,310 | 6,462 | 299,772 |
| Transfers from other superannuation plans | 403,413 | - | 403,413 |
| Government co-contributions | 732 | - | 732 |
| Income tax on contributions | (207,146) | - | (207,146) |
| Net after tax contributions | 2,106,607 | 456,751 | 2,563,358 |
| Benefits to members/beneficiaries | (1,853,827) | (295,955) | (2,149,782) |
| Insurance premiums charged to member accounts | (116,743) | - | (116,743) |
| Death and disability insurance benefits credited to member accounts | 52,510 | - | 52,510 |
| Reserves allocated to members: | | | |
| General reserve | 19,816 | - | 19,816 |
| WSS government guaranteed payment reserve | - | 690 | 690 |
| Net benefits allocated to/(from) defined contribution member accounts, comprising: | | | |
| Net investment losses | (1,228,809) | - | (1,228,809) |
| Administration fees | (38,340) | - | (38,340) |
| Net change in defined benefit member accrued benefits | - | 64,931 | 64,931 |
| Closing balance as at 30 June 2022 | 30,072,361 | 5,719,030 | 35,791,391 |

This statement should be read in conjunction with the accompanying notes.

Statement of changes in reserves for the year ended 30 June 2023

| | Defined benefits that are over funded \$'000 | Other reserves \$'000 | Operational risk reserve \$'000 | Total reserves \$'000 |
|-----------------------------------------------------|----------------------------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| Opening balance as at 1 July 2022 | 686,788 | 154,021 | 76,581 | 917,390 |
| Transfers from defined contribution member accounts | - | 384 | - | 384 |
| Transfers between reserves | - | (6,500) | 6,500 | - |
| Movement in WATC loan recoverable from State | - | - | - | - |
| Movement in employer-sponsor receivables | (331,102) | - | - | (331,102) |
| Net result | 534,004 | 4,912 | 2,433 | 541,349 |
| Closing balance as at 30 June 2023 | 889,689 | 152,817 | 85,514 | 1,128,020 |

| | Defined benefits that are over funded \$'000 | Other reserves \$'000 | Operational risk reserve \$'000 | Total reserves \$'000 |
|---------------------------------------------------|----------------------------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| Opening balance as at 1 July 2021 | 918,833 | 174,168 | 76,408 | 1,169,409 |
| Transfers to defined contribution member accounts | - | (20,506) | - | (20,506) |
| Movement in employer-sponsor receivables | 281,050 | - | - | 281,050 |
| Net result | (513,095) | 359 | 173 | (512,563) |
| Closing balance as at 30 June 2022 | 686,788 | 154,021 | 76,581 | 917,390 |

This statement should be read in conjunction with the accompanying notes.

Statement of cash flows for the year ended 30 June 2023

| | Note | 2023 \$'000 | 2022 \$'000 |
|-----------------------------------------------------------------|------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Interest received | | 323,462 | 199,950 |
| Dividends received | | 533,418 | 580,030 |
| Distributions received | | 132,373 | 187,582 |
| Insurance recoveries | | 71,090 | 52,620 |
| Administration expenses paid | | (44,820) | (42,860) |
| Investment expenses paid | | (70,409) | (87,954) |
| Insurance premiums paid | | (113,965) | (116,274) |
| Other investment income received | | 5,411 | 5,523 |
| Other income received | | 7,779 | 5,077 |
| Income tax refund/(paid) | | 39,257 | (22,022) |
| Net cash inflows from operating activities | 24 | 883,596 | 761,672 |
| Cash flows from investing activities | | | |
| Purchase of investments | | (48,777,209) | (36,059,247) |
| Proceeds from sale of investments | | 47,738,263 | 34,845,239 |
| Purchase of plant and equipment | | (76) | (57) |
| Purchase of intangible assets | | (595) | (2,024) |
| Net cash outflows from/(used in) investing activities | | (1,039,617) | (1,216,089) |
| Cash flows from financing activities | | | |
| Employer contributions received | | 1,997,097 | 2,072,137 |
| Member contributions received | | 271,146 | 300,172 |
| Transfers from other superannuation plans received | | 359,317 | 403,413 |
| Government co-contributions received | | 900 | 732 |
| Benefits paid to members/beneficiaries | | (2,282,514) | (2,143,130) |
| Income tax paid on contributions received | | (198,445) | (199,126) |
| Net cash inflows from financing activities | | 147,501 | 434,198 |
| Net decrease in cash and cash equivalents | | (8,520) | (20,219) |
| Cash and cash equivalents at beginning of financial year | | 67,612 | 87,831 |
| Cash and cash equivalents at end of financial year | 24 | 59,092 | 67,612 |

This statement should be read in conjunction with the accompanying notes.

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Note 1: Statement of significant accounting policies

(a) Basis of preparation

Government Employees Superannuation Board ('the Fund' or 'GESB') is a not-for-profit entity for the purpose of preparing financial statements.

The financial statements are a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'), the *Financial Management Act 2006* ('FMA'), *Treasurer's Instructions* ('TI') and the *State Superannuation Act 2000* ('SSA').

The FMA and the TI are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and other authoritative pronouncements of the AASB. Several of these accounting standards are modified by the TI to vary application, disclosure, format and wording. If any such modification has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in individual notes to these financial statements.

The financial statements have been prepared on the basis required by *AASB 1056 Superannuation Entities*, which provides specific measurement requirements for assets and liabilities. The estimates, associated assumptions, and results are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The financial statements have been prepared on the accrual basis of accounting. The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

The financial statements were approved by the Board of GESB on 6 September 2023.

(b) New Accounting Standards and Interpretations

There were no new or amended standards and interpretations that became effective for the first time for the financial year beginning 1 July 2022 that were relevant or have a material impact to the Fund.

Accounting Standards and Interpretations issued, but not yet effective

The Fund cannot early adopt an Australian Accounting Standard unless specifically permitted by *TI1101 Application of Australian Accounting Standards and Other Pronouncements*. Therefore, the Fund will adopt any Standards which have been issued and are applicable from their operative date.

The impact of these Standards and Interpretations has been or is in the process of being assessed and to the extent applicable to the Fund are outlined in the table below. Standards issued, that are not expected to have a significant impact on the Fund have not been included.

| Accounting Standard | Application date periods beginning on/after | Application date to GESB |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------|
| <p><i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i></p> <p>This Standard amends <i>AASB 101 Presentation of Financial Statements</i> to clarify the requirements for presentation of liabilities as current or non-current.</p> <p>The amendments clarify that a liability is classified as current if the entity has no right to defer settlement for at least 12 months at the end of the reporting period. It also clarified the meaning of ‘settlement’ of a liability.</p> <p>AASB 2020-6 amends the effective date to be applied for annual reporting periods on or after 1 January 2023 instead of 1 January 2022.</p> <p>AASB 2022-6 further defers the mandatory effective date of amendments that were originally made in AASB 2020-1 and AASB 2020-6 so that the amendments are to be applied for annual reporting periods on or after 1 January 2024 instead of 1 January 2023.</p> <p>There is no financial impact to the Fund.</p> | 1 January 2024 | 1 July 2024 |
| <p><i>AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i></p> <p>This Standard amends:</p> <ul style="list-style-type: none">• <i>AASB 7 Financial Instruments: Disclosures</i>;• <i>AASB 101 Presentation of Financial Statements</i>;• <i>AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors</i>;• <i>AASB 134 Interim Financial Reporting</i>; and• <i>AASB Practice Statement 2 Making Materiality Judgements</i>. <p>These amendments provide guidance on how to apply the concept of materiality to accounting policy disclosures.</p> <p>There is no financial impact to the Fund.</p> | 1 January 2023 | 1 July 2023 |

(c) Financial instruments

- (i) Classification
- The Fund classifies all its financial assets and liabilities, with the exception of member liabilities and tax assets and liabilities, at fair value through profit or loss (‘FVTPL’) in accordance with AASB 1056.
- (ii) Recognition
- The Fund recognises a financial asset or financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.
- Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date (i.e. the date that the Fund commits to purchase or sell the assets).

- (iii) Derecognition
- A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- The rights to receive cash flows from the asset have expired; or
 - The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and
 - Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.
- (iv) Initial measurement
- Financial assets and financial liabilities at FVTPL are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in the Income Statement.
- For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the Income Statement, unless specified otherwise.

- (v) Subsequent measurement
- After initial measurement, the Fund measures financial assets and financial liabilities at FVTPL. Subsequent changes in the fair value of those instruments are recorded as ‘changes in assets/liabilities measured at fair value’ through the Income Statement. Interest and dividends earned on those instruments are recorded separately in interest income and dividend income in the Income Statement.

(d) Fair value measurement

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
 - In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible to/by the Fund.
- The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
- The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
- All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
 - Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
 - Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement of the asset or liability is unobservable.
- Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

(e) Cash and cash equivalents

- Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.
- For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(f) Receivables and payables

Receivables are carried at nominal amounts which approximate fair value. Receivables, excluding investments and employer sponsor receivable, normally have a term of 7 to 14 days.

Investment receivables are comprised of investment income receivables, withholding tax reclaims and unsettled sales proceeds on the investment portfolio at the reporting date.

Payables are carried at nominal amounts which approximate fair value. Payables, excluding investments, represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables under \$1 million are normally settled within 20 days and payables over \$1 million are normally settled within 30 days.

Investment payables are comprised of unsettled buy orders on the investment portfolio at the reporting date.

(g) Benefits payable

Benefits payable are valued at fair value which comprise the entitlements of members who ceased employment prior to the year-end but had not been paid at that time. Benefits payable are settled within the industry standard of 30 days.

(h) Provisions

Provisions are liabilities of uncertain timing and amount. The Fund only recognises a provision where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision – employee benefits

Annual leave and long service leave

All annual leave and long service leave provisions are in respect of employee services up to the end of the reporting period.

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be ‘other long-term employee benefits’. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Fund does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Unconditional long service leave provisions are classified as current liabilities as the Fund does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Fund has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Superannuation

The Fund’s employees are eligible to receive superannuation under one of the schemes established under the *State Superannuation Act 2000*.

Eligible employees contribute to the Pension Scheme (‘PS’), a defined benefit pension scheme closed to new members since 1987, or Gold State Super (‘GSS’), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the PS or GSS became non-contributory members of West State Super (‘WSS’). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (‘GESB Super’). From 30 March 2012, existing members of WSS or GESB Super and new employees have been able to choose their preferred superannuation fund provider. The Fund contributes to the schemes or other fund providers on behalf of employees in compliance with the *Commonwealth Government’s Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Fund’s liability for superannuation charges in respect of employees who are not members of PS or GSS.

PS and the pre-transfer benefit for employees who transferred to GSS are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided at the end of the reporting period. The liabilities under these schemes have been calculated separately for each scheme annually by the Fund’s actuary using the projected unit credit method.

The expected future payments are discounted to present value using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The current service superannuation charge is paid by the Fund to GSS, WSS and GESB Super. The liabilities for current service superannuation charges under GSS, WSS, and GESB Super are extinguished by the concurrent payment of employer contributions to these schemes.

WSS and GESB Super are defined contribution schemes. GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, from the Fund’s perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119 Employee Benefits.

Provisions – other

Employment on-costs

Employment on-costs, including workers’ compensation insurance, fringe benefits tax and payroll tax, are not employee benefits and are recognised as liabilities and expenses when the employment to which they relate has occurred.

(i) Accrued salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight after the reporting period. The Fund considers the carrying amount of accrued salaries to be equivalent to the fair value.

(j) Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured, regardless of when the payment is received. Income is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before income is recognised:

Changes in assets measured at fair value

Changes in assets measured at fair value are changes in the fair value of financial assets and liabilities as at FVTPL and exclude interest and dividend income. Changes in the fair value are calculated as the difference between the fair value at sale (realised gains or losses), or at reporting date (unrealised gains or losses), and the fair value at the previous valuation point. All changes are recognised in the Income Statement.

Interest

Interest income on cash and cash equivalents and other financial assets carried at fair value is recorded according to the terms of the contract and is recognised in the Income Statement.

Dividends and distributions

Dividend and distribution income are recognised when the Fund’s right to receive payment is established. Income is presented gross of any non-recoverable withholding taxes, which are disclosed separately as a tax expense in the Income Statement.

(k) Income tax

The *Commonwealth Income Tax Assessment Regulations 1997* confirm that schemes established by Section 29 of the State *Superannuation Act 2000* are to be constitutionally protected. The following schemes administered by the Fund are constitutionally protected and therefore exempt from income tax:

- Pension Scheme (including Provident Account)
- Gold State Super
- West State Super

Retirement products, which consist of Retirement Income Pension (Allocated Pension and Transition to Retirement Pension) and Retirement Income Term Allocated Pension, were introduced for members as taxed schemes within the Fund and are subject to income tax. The Retirement Income schemes are complying superannuation funds under the *Superannuation Industry (Supervision) Act 1993* and accordingly are concessionally taxed.

GESB Super and GESB Super - Retirement Access are complying superannuation funds under the *Superannuation Industry (Supervision) Act 1993* and accordingly are concessionally taxed. All further references in the financial statements to GESB Super include both schemes.

The Fund apportions investment income and expenses to the taxed and non-taxed schemes of the Fund on the basis of the proportion of funds under management. Other expenses are apportioned on the basis of actual or allocated cost.

Income tax in the Income Statement for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using the concessional tax rate of 15% for the Fund income and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor the taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward unused tax losses, to the extent that it is probable that a taxable surplus will be available against which the deductible temporary differences, and the carry-forward unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor the taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable surplus will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(l) Superannuation expense

The superannuation expense of the defined benefit plans is made up of the following elements:

- Current service cost;
- Interest cost (unwinding of the discount);
- Actuarial gains and losses; and
- Past service cost.

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expenses in the Income Statement. The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

(m) Goods and services tax ('GST')

Income, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the income or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the taxation authority is classified as operating cash flows.

(n) Investments in controlled entities

The Fund is the sole unit-holder of the Global Private Equity Fund ('GPEF') with registered address of Level 1, 575 Bourke Street, Melbourne VIC 3000. The investment is held at fair value.

GPEF via Equity Trustees Limited as Trustee provides exposure to companies that are not publicly traded on a stock exchange. These may be start-up companies, but are often more established firms. Common strategies in private equity include leveraged buyouts, venture capital and growth capital. Private equity strategies are typically illiquid, meaning the investment may not be exited as quickly as investments that trade on public stock exchanges. GPEF or Equity Trustees Limited do not control any subsidiaries. The Fund receives income in the form of distributions from the unconsolidated subsidiary, and there are no significant restrictions on the transfer of funds from this entity to the Fund. The Fund did not provide support to GPEF in the current year (2022: Nil). The Fund has no contractual commitments or current intentions to provide any financial or other support to its unconsolidated subsidiary (2022: Nil).

The Fund is an investment entity and, as such, does not consolidate the entity it controls. Instead, interests in subsidiaries are classified as FVTPL and measured at fair value.

(o) Superannuation contributions surcharge

The *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005* abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

Superannuation contributions surcharge is levied on surchargeable contributions for a relevant year on the basis of the individual member's adjusted taxable income for that year. The liability for the superannuation contributions surcharge is recognised when the assessment is received, as the Fund considers this is when it can be reliably measured.

The superannuation surcharge liability recognised by the Fund has been charged to the relevant members' accounts.

(p) Foreign currency

The functional and presentation currency of the Fund is Australian dollars, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity managed in Australian dollars. Therefore, the Australian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, are recognised in the Income Statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(q) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

Defined benefit member liabilities are measured as the amount 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 that date when they are expected to fall due.

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

Liability for accrued benefits

Accrued benefits are the benefits that the Fund is committed to provide in the future in respect of the membership at reporting date.

The liability represents the Fund's present obligation to pay benefits to members and other beneficiaries and has been calculated on the present value of expected future payments arising from membership of the Fund up to reporting date. For the defined benefit schemes the liability is 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 meet accrued benefits when they are expected to fall due. For defined contribution schemes, the liability has been calculated as the difference between the carrying amount of the assets and the carrying amount of non-interest bearing liabilities at reporting date.

The liability for accrued benefits is measured annually at the reporting date by the Fund's actuary, Mercer (Australia) Pty Ltd, as part of a comprehensive actuarial review of the Fund.

Vested benefits

Vested benefits are the benefits that are not conditional upon continued membership of the Fund and include benefits which members are entitled to receive had they terminated membership at the reporting date.

Under the provisions of the *State Superannuation Act 2000*, member entitlements are vested as follows:

- i) **Pension Scheme** – no vesting rights until retirement at age 55 years or over or earlier death or disablement, although on redundancy members have an option to elect for either:
 - An actuarial deferred pension payable upon attainment of age 55 years; or
 - An immediate cash payment including a State subsidy equal to 2.5 times the member's primary unit contributions; or
 - A transfer of membership to Gold State Super and retention of their transferred service entitlements.
- ii) **Provident Scheme** – same vesting rights as the Pension Scheme except for redundancy:
 - Subsidised Provident members made redundant do not have the right to a deferred pension; and
 - Non-subsidised Provident members made redundant do not have the right to a deferred pension or State subsidy.
- iii) **Gold State Super, West State Super, Retirement Income Pension (Allocated Pension and Transition to Retirement Pension), Retirement Income Term Allocated Pension and GESB Super** – full vesting from inception.

(r) Reserves

The Fund maintains an Operational Risk, Accumulation General and WSS Government Guaranteed Payment Reserve in accordance with the Fund's Reserving Strategy and are held at a Fund level. The purpose of these reserves is set out in Note 14.

(s) Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Fair value of investments

When the fair values of the investments recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model ('DCF model'). The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility as set out in Note 25.

Changes in assumptions about these factors could affect the reported fair value of these investments.

Expenditure commitments

The Fund has entered into an outsourcing arrangement for the provision of administration services. This arrangement is a services agreement as all the significant risks and rewards of ownership of related assets are retained by the Link Group (Australian Administration Services Pty Limited).

Assessment as investment entity

Entities that meet the definition of an investment entity within AASB 10 are required to measure their subsidiaries at FVTPL rather than consolidate them. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purposes of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund's objective is to provide services to members which include investing in equities, fixed income securities and private equity for the purposes of returns in the form of investment income and capital appreciation.

The Fund reports to its members via an annual report, and to its management, via internal management reports, on a fair value basis to the extent allowed by AASB 1056. The Fund has a clearly documented exit strategy for all of its investments.

Management has also concluded that the Fund meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

Management has therefore concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

Valuation of defined benefits member liabilities

The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions include member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long-term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the Fund's actuary considers an investment portfolio that reflects the opportunities reasonably available to the Fund in the investment markets, and also reflects the Fund's actual investments and investment strategy in respect of defined benefit member liabilities.

The mortality assumption is based on publicly available mortality tables. Future salary increases are based on the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors as set out in Note 4.

Note 2: Scheme information

The Fund’s activities are governed by the *State Superannuation Act 2000* and under this Act, it manages the following superannuation schemes:

Pension Scheme – was the Government’s original superannuation scheme and has been closed to new members since August 1986. It provides a salary-linked unit-based pension for retiring members. This scheme is an untaxed scheme.

Provident Account – is a lump sum scheme for persons who were not eligible to join the Pension Scheme. This scheme was also closed to new members in August 1986. For scheme reporting purposes the Provident Account is included with the Pension Scheme. This scheme is an untaxed scheme.

Gold State Super – is a defined benefit, lump sum superannuation scheme that has been closed to new members since December 1995. This scheme is an untaxed scheme.

West State Super – is a market-linked, accumulation superannuation scheme established to comply with the provisions of the *Commonwealth Superannuation Guarantee (Administration) Act 1992*. Within the scheme there are certain members entitled to a Minimum Benefit Guarantee amount. These members are classified as having a defined benefit interest. It has been closed to new members since April 2007. This scheme is an untaxed scheme.

GESB Super – is a market-linked, taxed, accumulation superannuation scheme which also includes GESB Super (Retirement Access). GESB Super has been open to new employees of the State Government since April 2007.

Retirement Income Pension – has been open to new members since April 2003 and can be categorised as:

- (i) **Retirement Income Allocated Pension** – is an allocated pension that enables retiring members to keep their funds with GESB in a concessional tax environment, while receiving flexible periodic payments. Members are able to make lump sum withdrawals and no maximum amount applies; and
- (ii) **Transition to Retirement Pension** – is a ‘transition to retirement income stream’ that enables those members who want to access their superannuation as an income stream whilst still working. Effective from 1 July 2017, members cannot make lump sum withdrawals and the amount of withdrawals is limited to 10% of the members’ account balance per annum. To be eligible to open a Transition to Retirement Pension account, the members must have reached the Commonwealth preservation age.

Retirement Income Term Allocated Pension – is a market-linked income stream similar to an allocated pension but with restricted redemption options and qualifies as a complying pension for tax and social security purposes. It has been closed to new members since September 2007.

Note 3: Defined contribution member liabilities

Defined contribution member account balances are determined by unit prices that are determined based on the underlying investment movements.

Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure defined contribution member liabilities. Unit prices are updated daily on a working day.

At 30 June 2023, all net assets attributable to defined contribution members have been allocated to those members (2022: nil unallocated).

Refer to Note 25 for the Fund’s management of the investment market risks.

Defined contribution member liabilities are fully vested as at 30 June 2023 and 30 June 2022.

Liability for accrued benefits

The liability for accrued benefits is the Fund’s present obligation to pay benefits to members and beneficiaries arising from membership of the Fund up to the reporting date. For the defined contribution schemes, the liability has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the non-interest-bearing liabilities as at reporting date.

Details of this liability are set out below:

| | 2023 \$’000 | 2022 \$’000 |
|------------------------|----------------|----------------|
| West State Super | 19,046,748 | 17,861,732 |
| GESB Super | 7,411,111 | 6,287,941 |
| Retirement Income | 6,243,682 | 5,908,138 |
| Term Allocated Pension | 13,995 | 14,550 |
| Total | 32,715,536 | 30,072,361 |

Vested benefits

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.

The following is the value of vested benefits:

| | 2023 \$’000 | 2022 \$’000 |
|------------------------|----------------|----------------|
| West State Super | 19,046,748 | 17,861,732 |
| GESB Super | 7,411,111 | 6,287,941 |
| Retirement Income | 6,243,682 | 5,908,138 |
| Term Allocated Pension | 13,995 | 14,550 |
| Total | 32,715,536 | 30,072,361 |

Note 4: Defined benefit member liabilities

The Fund engages a qualified actuary on an annual basis to measure the defined benefit member liabilities. The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability.

The key assumptions used to determine the values of accrued benefits for the Fund were:

| | 2023 | 2022 |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Future investment return (net of investment fees and taxes) | 6.0% p.a. | 5.5% p.a. |
| Future salary increase | 3.5% p.a. | 3.5% p.a. |
| Future Perth CPI increase* | Pension Scheme 5.8% p.a. for the first year, 3.0% p.a. for the next 2 years, 2.5% p.a. thereafter Gold State Super 3.0% p.a. for the first 3 years, 2.5% p.a. thereafter | Pension Scheme 5.5% p.a. for the first year, 3.0% p.a. for the next 2 years, 2.5% p.a. thereafter Gold State Super 3.0% p.a. for the first 3 years, 2.5% p.a. thereafter |

* Different short-term assumptions have been applied to Gold State Super and Pension Scheme to reflect the timing of indexation of benefits and known Consumer Price Index ('CPI') experience to March 2023

The defined benefit member liabilities have changed in the current financial year as a result of additional benefit accrual, benefit payments, interest cost, and gains and losses relative to the actuarial assumptions adopted (e.g. salary and pension increases, type and timing of benefit payments).

The Fund has a number of steps in place to manage the risks associated with the defined benefit schemes. The Fund has appointed an external consulting actuary to advise on the risks, including establishing suitable funding objectives. These funding objectives and the defined benefit scheme's circumstances are taken into account by the actuary when recommending the required employer contribution levels.

The Fund's actuary also uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The Fund's actuary has identified three assumptions (being the discount rate, the rate of salary adjustment and general price inflation) for which changes are reasonably possible that would have a significant impact on the amount of the defined benefit member liabilities:

- The assumed discount rate has been determined by reference to investment returns expected on an investment portfolio that reflects the opportunities reasonably available to the Fund in the investment markets, and also reflects the Fund's actual investments and investment strategy in respect of defined benefit member liabilities;
- The assumed annual salary adjustment has been determined based on general economic forecasts and the experience of defined benefit members and allows for any promotional increases; and
- The assumed general price inflation has been determined based on general economic forecasts and implied underlying rates of inflation.

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a significant effect, include pension indexation rates, mortality rates and resignations.

The following are sensitivity calculations on a univariate basis and based on reasonably possible changes for the investment return, rate of salary and Consumer Price Index ('CPI') adjustment assumptions for the defined benefit schemes in aggregate:

| Assumption | Assumed at reporting date | Reasonably possible change | Increase/(decrease) in member benefit liabilities \$'000 |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------|
| Investment return | 2023: 6.0% p.a. 2022: 5.5% p.a. | +1.0% / -1.0% +1.0% / -1.0% | (330,942) / 370,320 (349,975) / 393,447 |
| Salary increase | 2023: 3.5% p.a. 2022: 3.5% p.a. | +1.0% / -1.0% +1.0% / -1.0% | 95,953 / (88,833) 124,948 / (115,495) |
| Perth CPI increase | 2023: Pension Scheme 3.0% p.a. for the first 2 years, 2.5% p.a. thereafter Gold State Super 5.8% p.a. for the first year, 3.0% p.a. for the second year, 2.5% p.a. thereafter 2022: Pension Scheme 5.5% p.a. for the first year, 3.0% p.a. for the next 2 years, 2.5% p.a. thereafter Gold State Super 3.0% p.a. for the first 3 years, 2.5% p.a. thereafter | +1.0% / -1.0% +1.0% / -1.0% | 260,799 / (235,432) 249,113 / (223,141) |

Liability for accrued benefits

For the defined benefit schemes, the liability is measured as the present value amount based on a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would meet accrued benefits when they are expected to fall due.

The gross accrued benefits amount stated below has been determined by adding the liability for accrued benefits related to funded liabilities and unfunded liabilities in respect of completed membership.

| | Gross accrued benefits | | Accrued benefits related to funded liabilities | | Accrued benefits related to unfunded liabilities | |
|------------------|------------------------|------------------|------------------------------------------------|------------------|--------------------------------------------------|------------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Pension Scheme | 1,335,122 | 1,424,513 | 64,308 | 69,643 | 1,270,814 | 1,354,870 |
| Gold State Super | 4,076,861 | 4,294,517 | 2,131,657 | 2,102,267 | 1,945,204 | 2,192,250 |
| Total | 5,411,983 | 5,719,030 | 2,195,965 | 2,171,910 | 3,216,018 | 3,547,120 |

Vested benefits

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.

The levels of vested benefits, as calculated by the Fund’s actuary are as follows. The gross vested benefits amount stated below has been determined by adding the liability for vested benefits related to funded liabilities and unfunded liabilities.

| | Gross vested benefits | | Vested benefits related to funded liabilities | | Vested benefits related to unfunded liabilities | |
|------------------|-----------------------|----------------|-----------------------------------------------|----------------|-------------------------------------------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Pension Scheme | 1,361,176 | 1,446,536 | 64,308 | 69,643 | 1,296,868 | 1,376,893 |
| Gold State Super | 5,352,728 | 5,368,173 | 2,324,416 | 2,276,454 | 3,028,312 | 3,091,719 |
| Total | 6,713,904 | 6,814,709 | 2,388,724 | 2,346,097 | 4,325,180 | 4,468,612 |

Note 5: Defined benefit schemes that are over funded

| | Note | 2023 \$'000 | 2022 \$'000 |
|------------------------------------------------|------|----------------|----------------|
| Pension Scheme | A | | |
| Accrued benefits related to funded liabilities | | 64,308 | 69,643 |
| Net assets available for member benefits | | (90,362) | (91,666) |
| Over funded amount for Pension Scheme | | (26,054) | (22,023) |
| Gold State Super | B | | |
| Accrued benefits related to funded liabilities | | 2,131,657 | 2,102,267 |
| Net assets available for member benefits | | (2,995,292) | (2,767,032) |
| Over funded amount for Gold State Super | | (863,635) | (664,765) |
| Total over funded amount | | (889,689) | (686,788) |

In the opinion of the Fund’s actuary, the overall financial position of the Fund has improved since the previous actuarial investigation as at 30 June 2022 primarily due to investment returns for the defined benefit schemes of 10.02% for the year being higher than the previously assumed returns of 5.5% per annum.

The combined funding percentage in respect of the funded liabilities for Gold State Super (‘GSS’) and Pension Scheme (‘PS’) has increased from 131.6% at 30 June 2022 to 140.5% of funded liabilities at 30 June 2023. However, the net position for GSS may also be expressed as 116.5% (2022: 112.5%) of all defined benefit liabilities, which highlights the overall position for this scheme. Under this approach, the net financial position expressed as a percentage of both past and future service benefits is considerably lower than when expressed as a percentage of accrued funded benefits.

Note A – Pension Scheme

Pensions are indexed half-yearly by the Perth CPI and all indexation costs are met by appropriations from the Consolidated Account. The surplus of assets for the funded component in the PS must be made available to help meet pension indexation costs.

The Fund’s actuary noted that the PS rules suggest that surplus assets should be used to finance future indexation of the pensions. The Fund’s actuary also noted that the Board may wish to explore this option.

However, the Fund’s actuary is not recommending any immediate change to the employer contributions in respect of the PS. The reason is that the PS is primarily a pay-as-you-go scheme and the assets represent a small proportion of the total projected liabilities.

The expenses incurred by the Fund in administering the PS are appropriated from the Consolidated Account.

Note B – Gold State Super

For funded employers, the cost of the employer-financed benefit is met at the time the member leaves service. Where the member has a deferred benefit, this means that an amount equal to the State Share cost of the benefit is paid into the Fund. This deferred benefit is then increased at the rate of Perth CPI plus 1% per annum until age 55, after which it increases by Perth CPI plus 2% per annum. As these increases are expected to be lower than the expected investment return, this arrangement is a potential source of surplus to GSS.

In the Fund’s actuary’s opinion, GSS continues to be in a very strong financial position, with Scheme assets exceeding the funded share of accrued liabilities by 40.5%. Under the current investment strategy and contribution rate settings this position is expected to further strengthen in the future, as the number of members continues to reduce and the existing surplus is spread across a smaller number of members. The term of the liabilities continues to reduce, with approximately 60% of the active membership and 44% of the deferred membership expected to retire in the next six years. The weighted average term of the defined benefit liabilities (funded and unfunded) is six years (a slight decrease from last year, but no change to rounded figures). Over the remaining life of the Scheme, it is expected that the term of the liabilities will continue to shorten and the proportion of liabilities linked to Perth CPI (rather than salary inflation) will continue to increase. The very strong financial position enables the Board to consider a number of options for the future funding of the Scheme. The funds’ actuary recommended the Board discuss these options with Treasury.

Pending these discussions, the fund’s actuary recommended no change to the employer contribution rate of 15.0% of salaries and the recoupment percentage of 73.6% for unfunded benefits for the year ending 30 June 2024.

Note 6: Guaranteed benefits

The payment of benefits to members or their beneficiaries of the Pension Scheme (‘PS’), Gold State Super, West State Super, GESB Super, Retirement Income Pension (Allocated Pension and Transition to Retirement Pension) and Retirement Income Term Allocated Pension is guaranteed by the State under Section 31 of the *State Superannuation Act 2000*.

Benefits paid to members and beneficiaries of the PS are guaranteed to the extent that Sections 30, 46, 62 and 83AA of the *Superannuation and Family Benefits Act 1938* (continued under Section 26 (Transitional and Consequential Provisions) of the *State Superannuation Act 2000*) provide for the State to pay the required employer share of benefits. The Consolidated Account is permanently appropriated for the purpose of meeting the State’s obligations.

Note 7: Employer funding arrangement

The funding policy adopted by the government in respect of the Fund is directed at ensuring that benefits accruing to members and beneficiaries are fully funded at the time benefits become payable. As such, the Fund's actuary has considered long-term trends in such factors as scheme membership, salary growth and average market value of Fund assets when advising the government on employer and employee contribution rates. The employer funding arrangements under the *State Superannuation Act 2000* (Gold State Super ('GSS'), West State Super ('WSS') and GESB Super) and the *Superannuation and Family Benefits Act 1938* (Pension Scheme ('PS')) are summarised below.

(a) Pension Scheme

The level of pension payable is determined by the number of units purchased, the length of service and the final salary of the member. The employer liability is funded only on the emergence of a member's pension benefit entitlement and is recouped fortnightly following the payment of each pension.

(b) Gold State Super

Those employers listed in Division 2 of Schedule 1 of the *State Superannuation Regulations 2001* are required under Regulations 29 and 30 to make concurrent employer contributions direct to the Fund in respect of contributory members who are their employees.

The remaining employers, as listed under Division 1 of Schedule 1 of the *State Superannuation Regulations 2001*, are not required to make concurrent contributions. It is Government policy that these employer liabilities be met from the Consolidated Account at the time that the benefits become payable to members. In this case, contributions are unfunded but notional contributions are placed in departmental budgets so that the superannuation component is accurately reflected in an agency's financial statements. The agency forwards the notional GSS contribution to Government Employees Superannuation Board ('GESB') and these are credited directly to a Department of Treasury bank account.

During the reporting period, the employer contribution rate for contributory members was 15% (2022: 15%) of a member's salary, based on a 5.0% member contribution. The employer contribution rate is proportionately less or more where members elect for a contribution rate of 3%, 4%, 6% or 7% of salary. The Consolidated Account liability for the reporting period was assessed at 73.6% (2022: 73.6%), net of administration fee, of the contributory service benefit and is payable at the time payment is made to the member.

In respect of those members who transferred their membership from the PS, the employer liability in relation to service or period of employment constituted as service for the purposes of the *Superannuation and Family Benefits Act 1938*, is calculated at a rate of 12% of final average salary for each year of such service, based upon a 5% member's average contribution rate to the scheme (this rate is proportionately less where a member's average contribution rate is less than 5%). This employer liability becomes payable on payment (Division 1, Schedule 1 Employers) or the emergence (Division 2, Schedule 1 Employers) of the benefit to the member.

(c) West State Super

The employer contribution rate payable is determined under State legislation and is currently 10.5% (2022: 10%). The rate has increased to 11% on 1 July 2023.

(d) GESB Super

The employer contribution rate payable is determined under State legislation and is currently 10.5% (2022: 10%). The rate has increased to 11% on 1 July 2023.

Note 8: Investments and derivatives

(a) Fair value hierarchy

The table below set outs the level of fair value hierarchy as outlined in Note 1(d) within which the fair value measurements of the Fund's investments and derivatives are categorised:

| 30 June 2023 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|-------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Investment assets | | | | |
| Cash and term deposits | 5,304,233 | - | - | 5,304,233 |
| Australian equities: | | | | |
| Listed equity securities | 5,957,382 | - | 635 | 5,958,017 |
| International equities: | | | | |
| Listed international equity securities | 11,607,607 | 13 | 593 | 11,608,213 |
| Listed international preferred securities | 20,282 | - | - | 20,282 |
| Units in unit trusts: | | | | |
| Listed unit trusts | 495,579 | - | - | 495,579 |
| Unlisted unit trusts | - | 2,556,680 | 2,088,655 | 4,645,335 |
| Limited partnerships | - | 20,335 | 438,266 | 458,601 |
| Other interest-bearing securities: | | | | |
| Asset-backed securities | - | 553,905 | - | 553,905 |
| Bank loans | - | 139,472 | 3,465 | 142,937 |
| Commercial paper | - | 107,397 | - | 107,397 |
| Fixed interest bonds | - | 6,017,696 | 5,576 | 6,023,272 |
| Indexed bonds | - | 83,395 | - | 83,395 |
| Mortgage-backed securities | - | 744,733 | - | 744,733 |
| Derivative assets | | | | |
| Futures | - | 15,428 | - | 15,428 |
| Options | 1,234 | 910 | - | 2,144 |
| Swaps | - | 92,419 | - | 92,419 |
| Forwards | - | 199,562 | - | 199,562 |
| Warrants | - | - | - | - |
| Derivative liabilities | | | | |
| Futures | - | (12,142) | - | (12,142) |
| Options | (225) | (6,847) | - | (7,072) |
| Swaps | - | (109,288) | - | (109,288) |
| Forwards | - | (98,403) | - | (98,403) |
| Total investments and derivatives | 23,386,092 | 10,305,265 | 2,537,190 | 36,228,547 |

30 June 2022

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|-------------------------------------------|-------------------|-------------------|-------------------|-----------------|
| Investment assets | | | | |
| Cash and term deposits | 4,719,801 | - | - | 4,719,801 |
| Australian equities: | | | | |
| Listed equity securities | 5,628,669 | - | 2,046 | 5,630,715 |
| International equities: | | | | |
| Listed international equity securities | 11,169,412 | 1,552 | 1,532 | 11,172,496 |
| Listed international preferred securities | 9,961 | - | - | 9,961 |
| Units in unit trusts: | | | | |
| Listed unit trusts | 498,744 | - | - | 498,744 |
| Unlisted unit trusts | - | 2,360,215 | 2,149,105 | 4,509,320 |
| Limited partnerships | - | - | 4,052 | 4,052 |
| Other interest-bearing securities: | | | | |
| Asset-backed securities | - | 538,255 | - | 538,255 |
| Bank loans | 671 | 209,903 | 1,038 | 211,612 |
| Commercial paper | - | 5,804 | - | 5,804 |
| Fixed interest bonds | - | 5,633,479 | 436 | 5,633,915 |
| Indexed bonds | - | 48,737 | - | 48,737 |
| Mortgage-backed securities | - | 674,362 | - | 674,362 |
| Derivative assets | | | | |
| Futures | - | 29,325 | - | 29,325 |
| Options | 930 | 1,853 | - | 2,783 |
| Swaps | - | 73,276 | - | 73,276 |
| Forwards | - | 121,714 | - | 121,714 |
| Warrants | - | - | - | - |
| Derivative liabilities | | | | |
| Futures | - | (15,143) | - | (15,143) |
| Options | (29) | (7,845) | - | (7,874) |
| Swaps | - | (140,744) | - | (140,744) |
| Forwards | - | (641,339) | - | (641,339) |
| Total investments and derivatives | 22,028,159 | 8,893,404 | 2,158,209 | 33,079,772 |

Valuation technique

The pricing for the majority of the Fund's investments is generally sourced from independent pricing sources, the relevant investment managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets (e.g. recognised stock exchanges) and therefore classified within level 1, include active listed equities and exchange-traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The level 2 instruments include unlisted managed investment schemes, investment-grade corporate bonds and over-the-counter derivatives.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted unit trusts, limited partnership and equities securities that are suspended, delisted or stale. As observable prices are not available for these securities, the Fund has used valuation techniques to derive fair value.

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions (e.g. redemption restrictions). Valuations for these investments may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Typically, prices of units in unlisted managed investment schemes that are either published on the investment manager's website and/or circulated among market participants as executable quotes are categorised as level 2.

There were no changes in valuation techniques during the year.

Valuation process for Level 3 valuations

Level 3 instruments include units in unit trusts and equities securities that are suspended, delisted or stale that are not based on market inputs or in an inactive/illiquid market and which are valued using models and internal data. Level 3 investments may be adjusted to reflect illiquidity and/or restrictions, however, the adjustments are not based on available market information. Level 3 instruments also include those that have a stale price, that is, where the pricing for a particular security has remained static for an extended period of time. Level 3 valuations are reviewed by the relevant investment managers. The investment manager considers the appropriateness of the valuation inputs, methods and techniques used in the valuations. The valuation inputs are generally sourced from independent third party pricing sources without adjustment, such as stock exchanges, pricing agencies and/or fund managers. Where the inputs are considered stale, unobservable, proprietary or from an inactive market, they are categorised as level 3.

There were no changes in valuation techniques during the year.

Quantitative information of significant unobservable inputs – Level 3:

| Description | | \$'000* | Valuation technique | Significant unobservable inputs | Range (weighted average) |
|-----------------------------------|--------|-----------|----------------------------|---------------------------------|--------------------------|
| Australian equities** | 2023 : | 635 | Adjusted last traded price | Last traded price | 2023 : 0% - 100% (50%) |
| | 2022 : | 2,046 | | | 2022 : 0% - 100% (50%) |
| International equities** | 2023 : | 593 | Adjusted last traded price | Last traded price | 2023 : 0% - 100% (50%) |
| | 2022 : | 1,532 | | | 2022 : 0% - 100% (50%) |
| Units in unit trusts | 2023 : | 2,526,921 | Net asset value | Net asset value | 2023 : 0% - 10% (5%) |
| | 2022 : | 2,153,157 | | | 2022 : 0% - 10% (5%) |
| Other interest-bearing securities | 2023 : | 9,041 | Adjusted last traded price | Last traded price | 2023 : 0% - 100% (50%) |
| | 2022 : | 1,474 | | | 2022 : 0% - 100% (50%) |

* The fair value would increase/decrease if significant unobservable inputs increase/decrease.

** Listed equities are included due to the equities having been suspended from trading on their relative stock markets. The price used is the last available price, prior to suspension. Due to the time that has elapsed since suspension, these prices are considered stale.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy – Level 3:

| Description | Input | Sensitivity used* | Effect on fair value \$'000 | \$'000 |
|-----------------------------------|--------------------------------------|-------------------|-----------------------------|---------------------|
| Australian equities | Last traded price and the adjustment | 100% | 2023 : | 635 / (635) |
| | | 100% | 2022 : | 2,046 / (2,046) |
| International equities | Last traded price and the adjustment | 100% | 2023 : | 593 / (593) |
| | | 100% | 2022 : | 1,532 / (1,532) |
| Units in unit trusts | Net asset value | 5% | 2023 : | 126,346 / (126,346) |
| | | 5% | 2022 : | 107,658 / (107,658) |
| Other interest-bearing securities | Last traded price and the adjustment | 100% | 2023 : | 9,041 / (9,041) |
| | | 100% | 2022 : | 1,474 / (1,474) |

* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value.

(b) Level 3 reconciliation

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

| 30 June 2023 | Australian equities \$'000 | International equities \$'000 | Units in unit trusts \$'000 | Other Interest-bearing securities \$'000 | Total \$'000 |
|--------------------------------------------|----------------------------|-------------------------------|-----------------------------|------------------------------------------|--------------|
| Opening balance | 2,046 | 1,532 | 2,153,157 | 1,474 | 2,158,209 |
| Total realised/unrealised gains and losses | (120) | 2,296 | 33,688 | (182) | 35,682 |
| Purchases | 82 | 201 | 600,492 | 5,122 | 605,897 |
| Sales | (233) | (3,588) | (260,416) | (12) | (264,249) |
| Transfers into Level 3 | 123 | 152 | - | 2,639 | 2,914 |
| Transfers out of Level 3 | (1,263) | - | - | - | (1,263) |
| Closing balance | 635 | 593 | 2,526,921 | 9,041 | 2,537,190 |

| 30 June 2022 | Australian equities \$'000 | International equities \$'000 | Units in unit trusts \$'000 | Other Interest-bearing securities \$'000 | Total \$'000 |
|--------------------------------------------|----------------------------|-------------------------------|-----------------------------|------------------------------------------|--------------|
| Opening balance | 27,957 | 9,792 | 1,749,474 | 5,549 | 1,792,772 |
| Total realised/unrealised gains and losses | 449 | (21) | 197,708 | 342 | 198,478 |
| Purchases | - | 156 | 376,811 | - | 376,967 |
| Sales | (3,713) | (277) | (170,836) | (4,423) | (179,249) |
| Transfers into Level 3 | 1,314 | - | - | 6 | 1,320 |
| Transfers out of Level 3 | (23,961) | (8,118) | - | - | (32,079) |
| Closing balance | 2,046 | 1,532 | 2,153,157 | 1,474 | 2,158,209 |

Gains or losses are presented in the change in assets measured at fair value through the Income Statement as follows:

| 30 June 2023 | Australian equities \$'000 | International equities \$'000 | Units in unit trusts \$'000 | Other Interest-bearing securities \$'000 | Total \$'000 |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------|-----------------------------|------------------------------------------|--------------|
| Total gains/(losses) recognised in the Income Statement for the period | (120) | 2,296 | 33,688 | (182) | 35,682 |
| Total gains/(losses) recognised in the Income Statement for the period for assets held at the end of the reporting period | (120) | 2,296 | 33,687 | (182) | 35,681 |

| 30 June 2022 | Australian equities \$'000 | International equities \$'000 | Units in unit trusts \$'000 | Other Interest-bearing securities \$'000 | Total \$'000 |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------|-----------------------------|------------------------------------------|--------------|
| Total gains/(losses) recognised in the Income Statement for the period | 449 | (21) | 197,708 | 342 | 198,478 |
| Total gains/(losses) recognised in the Income Statement for the period for assets held at the end of the reporting period | - | 123 | 145,482 | 52,226 | 197,831 |

(c) Transfer between hierarchy levels

The Fund recognises transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The transfers between levels are shown in the table below:

| 30 June 2023 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
|-----------------------------------------------|----------------|----------------|----------------|
| Transfers between Level 1 and Level 3: | | | |
| Equity securities: | | | |
| Australian listed securities | 1,140 | - | (1,140) |
| International listed securities | (152) | - | 152 |
| Transfers between Level 2 and Level 3: | | | |
| Other interest-bearing securities: | | | |
| Bank loans | - | (2,639) | 2,639 |

| 30 June 2022 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
|-----------------------------------------------|----------------|----------------|----------------|
| Transfers between Level 1 and Level 3: | | | |
| Equity securities: | | | |
| Australian listed securities | 22,647 | - | (22,647) |
| International listed securities | 8,118 | - | (8,118) |
| Transfers between Level 2 and Level 3: | | | |
| Other interest-bearing securities: | | | |
| Bank loans | - | (6) | 6 |

Note 9: Receivables

| | 2023 \$'000 | 2022 \$'000 |
|-----------------------------------------------|----------------|----------------|
| Recoverable within 12 months | | |
| Investment | | |
| Interest receivable | 89,414 | 43,051 |
| Investment income receivable | 51,275 | 50,582 |
| Other investment receivable | 194,662 | 158,428 |
| Pension Scheme | | |
| Recoup State's share of pensions | 2,648 | 2,249 |
| Gold State Super | | |
| Employer contributions receivable | 2,821 | 4,397 |
| Contributions in arrears | 1,509 | 1,880 |
| West State Super | | |
| Insurance benefits recoverable | 574 | 14 |
| Others | | |
| Administration fees recoverable from Treasury | 918 | 121 |
| GST receivable | 308 | 289 |
| Prepayments | 1,564 | 381 |
| Other debtors | 3,993 | 1,784 |
| Total | 349,686 | 263,176 |

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Information regarding credit risk exposure is set out in Note 25.

Note 10: Employer-sponsor receivables

Section 31 of the *State Superannuation Act 2000* provides a statutory guarantee for any shortfall of the defined benefit member liabilities that are administered by the Fund. The State Government is the employer sponsor for any unfunded member benefits and has a statutory obligation to pay the benefits when they fall due. The guarantee set out in Section 31 is unconditional and unlimited in its terms.

The amount due and receivable from the employer sponsor as at the reporting date is as below:

| | 2023 \$'000 | 2022 \$'000 |
|--------------------|------------------|------------------|
| Current | | |
| Pension Scheme | 147,990 | 145,872 |
| Gold State Super | 414,598 | 395,867 |
| | 562,588 | 541,739 |
| Non-Current | | |
| Pension Scheme | 1,122,824 | 1,208,998 |
| Gold State Super | 1,530,606 | 1,796,383 |
| | 2,653,430 | 3,005,381 |
| Total | 3,216,018 | 3,547,120 |

Note 11: Payables

| | 2023 \$'000 | 2022 \$'000 |
|--------------------------------------------|----------------|----------------|
| Due within 12 months | | |
| Investment | | |
| Investments payable | 424,706 | 148,069 |
| Management fees payable | 31,059 | 23,485 |
| GESB Super | | |
| Insurance premiums payable | 6,766 | 6,790 |
| Gold State Super | | |
| Contributions in advance | 1,014 | 1,149 |
| West State Super | | |
| Insurance premiums payable | 8,331 | 9,127 |
| Pension and Retirement Scheme | | |
| Pension benefits due and payable | 2,759 | 2,342 |
| Retirement income benefits due and payable | 3,528 | 773 |
| Others | | |
| Benefits due and payable | 4,234 | 14,638 |
| PAYG withholding tax | 997 | 1,126 |
| Superannuation surcharge liability | 793 | 712 |
| Other payables and accruals | 6,140 | 4,293 |
| Total | 490,327 | 212,504 |

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 25.

Note 12: Provision for employee benefits

The provision for employee benefits for long service leave and annual leave has been calculated in accordance with the provisions of the *Accounting Standard AASB 119 Employee Benefits*.

The value of leave benefits has been estimated as described in the table below.

| | 2023 \$'000 | 2022 \$'000 |
|-----------------------------------------|----------------|----------------|
| Current | | |
| Long-service leave | 977 | 849 |
| Annual leave | 762 | 718 |
| | 1,739 | 1,567 |
| Non-Current | | |
| Long-service leave | 529 | 489 |
| | 529 | 489 |
| Total employee benefits | 2,268 | 2,056 |
| Number of employees (head count) | 72 | 66 |

The split between current and non-current liabilities has been determined in accordance with the *Accounting Standard AASB 101 Presentation of Financial Statements*. All unconditional leave entitlements as at reporting date plus any entitlement becoming unconditional within 12 months of that date have been classified as a current liability.

Note 13: Provision for post-employment benefits

The defined benefit obligation is being valued by a qualified actuary on an annual basis. The changes of present value in the defined benefit obligations are as follows:

| | Pension Scheme | | Gold State Super | |
|-----------------------------------------------|----------------|----------------|------------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Present value at beginning of the year | 762 | 979 | 75 | 70 |
| (+) Interest cost | 24 | 14 | 2 | 1 |
| (+) Actuarial (gains)/losses | (50) | (137) | (13) | 4 |
| (-) Benefits paid | (74) | (94) | (64) | - |
| Present value at end of the year | 662 | 762 | - | 75 |

The nature of benefits provided by the Fund are:

- Pension Scheme** - The employer-financed benefit is a pension benefit payable on retirement, death or invalidity, or a lump sum benefit on resignation; and
- Gold State Super (transferred benefits)** - Some former Pension Scheme members have transferred to Gold State Super. In respect of their transferred benefit the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

Note 14: Reserves

| | 2023 \$'000 | 2022 \$'000 |
|--------------------------------------------------------------|----------------|----------------|
| Accumulation General Reserve | | |
| Opening balance | 112,487 | 132,039 |
| Utilisation of reserve | (3,711) | (25,904) |
| Contribution to reserve | 6,160 | 6,088 |
| Transfer between reserve | (6,500) | - |
| Investment performance | 3,608 | 264 |
| Closing balance | 112,044 | 112,487 |
| WSS¹ Government Guaranteed Payment Reserve | | |
| Opening balance | 41,534 | 42,129 |
| Utilisation of reserve | (2,065) | (690) |
| Investment performance | 1,304 | 95 |
| Closing balance | 40,773 | 41,534 |
| Total Other Reserves | 152,817 | 154,021 |
| Operational Risk Reserve | | |
| Opening balance | 76,581 | 76,408 |
| Transfer between reserve | 6,500 | - |
| Investment performance | 2,433 | 173 |
| Closing balance | 85,514 | 76,581 |

¹ West State Super ('WSS').

Accumulation General Reserve

This reserve was established in the 2014 financial year to support the costs of strategic, system and operational development and ongoing Commonwealth superannuation reform that are relevant for the Accumulation and Retirement Product schemes.

The current Accumulation General Reserve represents approximately 0.34% (2022: 0.37%) of the net assets available for the accumulation schemes' member benefits (WSS, GESB Super and Retirement products).

Utilisation of reserves in 2023 is related to spend on specific strategic initiatives and operational directives including an insurance premium payment of \$2.1m paid to AIA Insurance in March 2023 to cover outstanding claims resulting from TPD definition changes.

WSS Government Guaranteed Payment Reserve

As of 31 January 2017, the Treasurer approved guidelines which merged the 'Minimum Benefit Guarantee Reserve' and 'Insurance Reserve', creating the 'WSS Government Guaranteed Payment Reserve'.

The Minimum Benefit Guarantee Reserve arose from the guarantee provided to WSS members in respect of their balance as at 30 June 2001 indexed by CPI plus 2%.

The Insurance Reserve had been established for eligible WSS members prior to 1 July 2008. The reserve covered the self-insured Permanent Partial Disability insurance claims and the run-off in respect of pre-existing conditions for WSS members that are continuing to be provided by GESB.

In the Fund's actuary's opinion, the WSS Government Guaranteed Payment Reserve is expected to be sufficient to meet all future payments in respect of the minimum benefit guarantee and the death and disability claims that are not covered by external insurance. However, the Fund's actuary recommended that the Fund continue to monitor the emerging self-insured claims experience, particularly in relation to 'top up' payments, and investigate the possibility of maintaining additional data to assist in the quantification of this risk.

Operational Risk Reserve

The Operational Risk Reserve provides the Fund with access to funds to protect members' interests and mitigate the impact of an adverse event. Transfers in and out of the reserve are made in accordance with GESB's Reserving Strategy for GES Fund Reserves.

The current level of this reserve represents the contributions made to this reserve from the accumulation schemes since 30 June 2009. It also includes all relevant investment returns.

The current Operational Risk Reserve represents approximately 0.26% (2022: 0.25%) of the net assets available for the accumulation schemes' member benefits (WSS, GESB Super and Retirement products).

Note 15: Income tax

(a) Major components of income tax expenses

| | 2023 \$'000 | 2022 \$'000 |
|----------------------------------------------------------------------------------------|----------------|-----------------|
| Income statement | | |
| Current tax expense | (52,553) | (36,251) |
| Adjustment to the current tax for prior periods | 1,077 | 4,796 |
| Deferred tax | | |
| Deferred tax expense relating to the origination and reversal of temporary differences | 80,831 | (46,797) |
| Adjustment to the deferred tax for prior periods | - | (3,368) |
| Total income tax expense/(benefit) as reported in the Income Statement | 29,355 | (81,620) |

(b) Reconciliation between income tax expenses and the net result before income tax

| | 2023 \$'000 | 2022 \$'000 |
|----------------------------------------------------------------------|------------------|------------------|
| Net result before income tax | 570,704 | (594,183) |
| Adjustments: | | |
| Related to constitutionally protected schemes | 470,583 | (156,406) |
| Related to reserves | (9,794) | 19,284 |
| Total net result related to GESB Super and Retirement schemes | 1,031,493 | (731,305) |

| | | |
|-------------------------------------------------------------------------------|----------------|------------------|
| Income tax calculated at 15% | 154,724 | (109,696) |
| Tax effect of expenses that are not deductible in determining taxable income: | | |
| Non-deductible expenses | 1,023 | 1,058 |
| Tax effect of income that is not assessable in determining taxable income: | | |
| Income from managed portfolio | (75,681) | 97,366 |
| Tax credit and offsets | (43,059) | (52,268) |
| Exempt current pension income | (1,186) | (12,078) |
| Other items | (15) | (23) |
| Tax effect of other adjustments: | | |
| Other deductions | (7,528) | (7,407) |
| Current tax for prior year | 1,077 | 4,796 |
| Deferred tax for prior year | - | (3,368) |
| Income tax expense/(benefit) | 29,355 | (81,620) |

(c) Recognised tax assets and liabilities

| | 2023 \$'000 | | 2022 \$'000 | |
|-------------------------------------------|----------------|--------------|----------------|--------------|
| | Current Tax | Deferred Tax | Current Tax | Deferred Tax |
| Opening balance | 33,369 | (68,947) | (12,052) | (119,112) |
| Charged to income | 51,476 | (80,831) | 31,455 | 50,165 |
| Charged to changes in member benefits | (201,308) | | (207,146) | |
| Other payments / (refunds) | (39,257) | | 22,022 | |
| Income tax paid on contributions received | 198,526 | | 199,090 | |
| Closing balance | 42,806 | (149,778) | 33,369 | (68,947) |

Deferred tax asset at 30 June related to the following:

| | | |
|-------------------------------|--------------|---------------|
| Realised capital losses | - | - |
| Net unrealised revenue losses | 4,387 | 28,595 |
| Closing balance | 4,387 | 28,595 |

Deferred tax liability at 30 June related to the following:

| | | |
|-------------------------|------------------|-----------------|
| Unrealised capital gain | (152,174) | (95,760) |
| Accrued income | (1,991) | (1,782) |
| Closing balance | (154,165) | (97,542) |

| | | |
|----------------------------------------------|------------------|-----------------|
| Net deferred tax liability at 30 June | (149,778) | (68,947) |
|----------------------------------------------|------------------|-----------------|

The Fund offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities.

Note 16: Investment income and expenses

| 30 June 2023 | Interest income \$'000 | Dividend income \$'000 | Distribution income \$'000 | Other investment income \$'000 | Changes in fair value \$'000 | Total \$'000 |
|-------------------------------------------|---------------------------|---------------------------|-------------------------------|-----------------------------------|---------------------------------|------------------|
| Investment income | | | | | | |
| Cash and term deposits | 108,678 | - | - | 5,411 | 15,247 | 129,336 |
| Australian equities | - | 267,235 | - | - | 543,885 | 811,120 |
| International equities | - | 264,679 | - | - | 1,658,247 | 1,922,926 |
| Units in unit trusts: | | | | | | |
| Listed unit trusts | - | (2) | 21,085 | - | (2,350) | 18,733 |
| Unlisted unit trusts | - | - | 112,771 | - | 80,972 | 193,743 |
| Limited partnerships | - | - | 293 | - | 14,808 | 15,101 |
| Other interest-bearing securities: | | | | | | |
| Asset-backed securities | 28,407 | - | - | - | 8,119 | 36,526 |
| Bank loans | 15,692 | - | - | - | 5,625 | 21,317 |
| Commercial paper | 4,921 | - | - | - | 8,115 | 13,036 |
| Fixed interest bonds | 184,236 | 424 | - | - | (3,959) | 180,701 |
| Indexed bonds | 373 | - | - | - | 1,793 | 2,166 |
| Mortgage-backed securities | 27,518 | - | - | - | 7,894 | 35,412 |
| Derivatives | - | - | - | - | (468,970) | (468,970) |
| Total investment income/(losses)* | 369,825 | 532,336 | 134,149 | 5,411 | 1,869,426 | 2,911,147 |
| Investment expenses | | | | | | |
| External fund management base fees | | | | | | 56,176 |
| External fund management performance fees | | | | | | 9,885 |
| Custodial fees | | | | | | 6,140 |
| Investment administration costs | | | | | | 5,782 |
| Total investment expenses | | | | | | 77,983 |
| Net investment income | | | | | | 2,833,164 |

| 30 June 2022 | Interest income \$'000 | Dividend income \$'000 | Distribution income \$'000 | Other investment income \$'000 | Changes in fair value \$'000 | Total \$'000 |
|-------------------------------------------|---------------------------|---------------------------|-------------------------------|-----------------------------------|---------------------------------|--------------------|
| Investment income | | | | | | |
| Cash and term deposits | 8,962 | - | - | 5,523 | (3,651) | 10,834 |
| Australian equities | - | 326,496 | - | - | (556,177) | (229,681) |
| International equities | - | 262,024 | - | - | (724,700) | (462,676) |
| Units in unit trusts: | | | | | | |
| Listed unit trusts | - | (2) | 21,874 | - | (29,565) | (7,693) |
| Unlisted unit trusts | - | - | 166,157 | - | 38,478 | 204,635 |
| Limited partnerships | - | - | 1,196 | - | 1,877 | 3,073 |
| Other interest-bearing securities: | | | | | | |
| Asset-backed securities | 12,639 | - | - | - | 306 | 12,945 |
| Bank loans | 13,598 | - | - | - | (3,450) | 10,148 |
| Commercial paper | 97 | - | - | - | 565 | 662 |
| Fixed interest bonds | 153,775 | (30) | - | - | (717,138) | (563,393) |
| Indexed bonds | 962 | - | - | - | (4,220) | (3,258) |
| Mortgage-backed securities | 10,294 | - | - | - | 14,354 | 24,648 |
| Derivatives | - | - | - | - | (683,632) | (683,632) |
| Total investment income/(losses)* | 200,327 | 588,488 | 189,227 | 5,523 | (2,666,953) | (1,683,388) |
| Investment expenses | | | | | | |
| External fund management base fees | | | | | | 59,888 |
| External fund management performance fees | | | | | | 8,233 |
| Custodial fees | | | | | | 6,345 |
| Investment administration costs | | | | | | 5,229 |
| Total investment expenses | | | | | | 79,695 |
| Net investment losses | | | | | | (1,763,083) |

* Refer to Note 30(i) for explanation of variance between 2023 and 2022.

Note 17: Other income

| | 2023 \$'000 | 2022 \$'000 |
|-----------------------------------|----------------|----------------|
| Administration expenses recovered | 6,647 | 6,512 |
| Other | 215 | 128 |
| Total other income | 6,862 | 6,640 |

Note 18: Administration expenses

Details of administration expenses incurred by the Fund during the reporting period are set out below:

| | Note | 2023 Actual \$'000 | 2023 Budget \$'000 | Variance actual to budget \$'000 | % | 2022 Actual \$'000 | Variance actual to prior year actual \$'000 | % |
|---------------------------------------------------------------------------|--------|--------------------------|--------------------------|----------------------------------------|----------|--------------------------|---------------------------------------------------|-------------|
| Outsourced administration costs | (i) | 28,133 | 31,158 | 3,025 | 10 | 26,281 | (1,852) | (7) |
| Employment expenses | (ii) | 10,600 | 10,157 | (443) | (4) | 9,001 | (1,599) | (18) |
| Information technology costs | (iii) | 1,730 | 2,303 | 573 | 25 | 1,277 | (453) | (35) |
| Consultants | (iv) | 83 | 112 | 29 | 26 | 43 | (40) | (93) |
| Accommodation costs ¹ | | 688 | 681 | (7) | (1) | 666 | (22) | (3) |
| Professional fees: | | | | | | | | |
| Actuarial fees | (v) | 225 | 285 | 60 | 21 | 179 | (46) | (26) |
| Audit fees - external | (vi) | 399 | 362 | (37) | (10) | 382 | (17) | (4) |
| Audit fees - internal | (vii) | 352 | 450 | 98 | 22 | 379 | 27 | 7 |
| Legal and other fees | (viii) | 190 | 100 | (90) | (90) | 137 | (53) | (39) |
| Postage, printing and record management | (ix) | 29 | 107 | 78 | 73 | 34 | 5 | 15 |
| Product information and engagement | | 86 | 98 | 12 | 12 | 88 | 2 | 2 |
| Other administration costs | (x) | 5,452 | 4,322 | (1,130) | (26) | 3,743 | (1,709) | (46) |
| | | 47,967 | 50,135 | 2,168 | 4 | 42,210 | (5,757) | (14) |
| Less: | | | | | | | | |
| Investment administration costs | | 2,423 | 2,612 | 189 | 7 | 2,317 | (106) | (5) |
| Total administration costs excluding depreciation and amortisation | | 45,544 | 47,523 | 1,979 | 4 | 39,893 | (5,651) | (14) |
| Add: | | | | | | | | |
| Depreciation and amortisation | | 322 | 288 | (34) | (12) | 65 | (257) | (395) |
| Total administration costs | | 45,866 | 47,811 | 1,945 | 4 | 39,958 | (5,908) | (15) |

¹ 2023 actuals include other accommodation costs (parking) of \$68k (2022: \$45k).

Notes on significant variances in administration expenses

In accordance with *Treasurer's Instruction 945P*, the following notes are provided where there is 'significant variation' between actual expenditure and budget or the prior year's actual.

'Significant variation' is defined as a variance of greater than 10% of total administrative expenditure and/or deemed significant in the context of the operations of the Fund.

(i) Outsourced administration costs

2022/23 Actual to Budget (decreased expenditure \$3,025k).

The decreased expenditure compared to budget in 2022/23 is primarily due to less than planned projects being undertaken during the year by our outsourced provider.

(ii) Employment expenses

2022/23 Actual to Prior Year's Actual (increased expenditure \$1,599k).

The increased expenditure compared to prior years is due to an increase in staff as well as a Cost of Living payment and the 3% pay increase made to WA Government employees.

(iii) Information technology ('IT') costs

2022/23 Actual to Budget (decreased expenditure \$573k). Actual to Prior Year's Actual (increased expenditure \$453k).

The decreased expenditure compared to budget in 2022/23 is due to a decrease in outsourced IT contractors due to bringing these services in house. The increased expenditure compared to prior years is due to additional projects being completed in the 2022/23 financial year.

(iv) Consultants

2022/23 Actual to Budget (decreased expenditure \$29k). Actual to Prior Year's Actual (increased expenditure \$40k).

The decreased expenditure compared to budget in 2022/23 is due to less than planned projects being undertaken during the year which resulted in less requirement for consultants. The increased expenditure compared to prior year is due to additional projects being completed in the 2022/23 financial year.

(v) Actuarial fees

2022/23 Actual to Budget (decreased expenditure \$60k). Actual to Prior Year's Actual (increased expenditure \$46k).

The decreased expenditure compared to budget in 2022/23 is due to less than planned projects being completed which resulted in less requirement for analysis. The increased expenditure compared to prior year's is due to additional member analysis being conducted.

(vi) Audit fees - external

2022/23 Actual to Budget (increased expenditure \$37k).

The increased expenditure compared to budget in 2022/23 is due to additional audit fees related to Investment Management services.

(vii) Audit fees - internal

2022/23 Actual to Budget (decreased expenditure \$98k).

The decreased expenditure compared to budget in 2022/23 is due to a decrease in fees compared to projected figures.

(viii) Legal fees

2022/23 Actual to Budget (increased expenditure \$90k). Actual to Prior Year's Actual (increased expenditure \$53k).

The increased expenditure compared to budget in 2022/23 and to prior years actuals is due to an external insurance policy review conducted in December 2022.

(ix) Postage, printing and record management

2022/23 Actual to Budget (decreased expenditure \$78k). Actual to Prior Year's Actual (decreased expenditure \$5k).

The decreased expenditure compared to budget in 2022/23 and to prior years actuals is due to a decrease in overall printing requirements.

(x) Other administration costs

2022/23 Actual to Budget (increased expenditure \$1,130k). Actual to Prior Year's Actual (increased expenditure \$1,709k).

The increased expenditure compared to budget in 2022/23 and to prior years actuals is primarily due to a payment of \$2.15 million to AIA Insurance in March 2023 to cover outstanding claims resulting from TPD definition changes.

Note 19: Depreciation and amortisation

| | 2023 \$'000 | 2022 \$'000 |
|--------------------------------------------|----------------|----------------|
| Depreciation | | |
| Computer hardware | 75 | 48 |
| Office furniture and equipment | 30 | 6 |
| Total depreciation | 105 | 54 |
| Amortisation | | |
| Computer software | 216 | 11 |
| Total amortisation | 216 | 11 |
| Total depreciation and amortisation | 321 | 65 |

The straight-line method is used to calculate the depreciation and amortisation. Assets costing less than \$5,000 each are written off in the year of acquisition.

Note 20: Employee benefits expense

| | 2023 \$'000 | 2022 \$'000 |
|-----------------------------------------------------|----------------|----------------|
| Salaries | 7,444 | 6,577 |
| Superannuation - defined contribution plans | 957 | 807 |
| Superannuation - defined benefit plans ² | (1) | (81) |
| Long service leave ¹ | 464 | 181 |
| Annual leave ¹ | 780 | 667 |
| Other related expenses | 956 | 850 |
| Total employee benefits expense | 10,600 | 9,001 |

¹ Includes an accrued payroll tax and superannuation contribution component.

² A negative movement in 2022 provision due to decrease in valuation for Pension Scheme.

Employment on-costs such as workers' compensation insurance is included within 'Other administration costs' in Note 18.

Note 21: Auditor's remuneration

The total fee paid or due and payable to the Auditor General for the financial years was as follows:

| | 2023 \$'000 | 2022 \$'000 |
|-------------------------------------------------------------------------------------|----------------|----------------|
| Fees for auditing the financial statements, controls and key performance indicators | 293 | 282 |

Note 22: Remuneration of senior officers

| Position | Name | Period of employment | Remuneration 2023 \$ | 2022 \$ |
|----------------------------------------------|----------------------------------|---------------------------|----------------------------|------------------|
| Chief Executive Officer | Benjamin Palmer ¹ | 04 Jul 2018 - Current | 420,975 | 372,164 |
| Chief Investment Officer | Paul Taylor ² | 21 Jan 2019 - Current | 350,818 | 321,660 |
| Chief Operating Officer | Karen Horne ² | 03 Nov 2014 - Current | 269,593 | 242,758 |
| Chief Finance Officer | Mark Caldwell ³ | 03 Nov 2014 - 25 Jul 2022 | 14,947 | 204,183 |
| Chief Finance Officer | Melissa Haddleton ^{3,4} | 01 Aug 2022 - Current | 199,180 | - |
| Chief Strategy & Member Experience Officer | Natalie Skeggs ^{3,5} | 01 Feb 2022 - Current | 186,294 | 70,701 |
| Total | | | 1,441,807 | 1,211,466 |
| | | | | |
| Short-term employee benefits | | | 1,260,475 | 1,060,400 |
| Post-employment benefits | | | 136,374 | 113,708 |
| Other long-term benefits | | | 44,958 | 37,358 |
| Total remuneration of senior officers | | | 1,441,807 | 1,211,466 |

¹ Benjamin Palmer was appointed as Chief Executive Officer of GESB under a contract of employment with the Public Sector Commissioner which applies in conjunction with, and subject to, the relevant provisions of the Public Sector Management Act 1994 and the Minimum Conditions of Employment Act 1993. This contract is for the period 4 July 2018 to 3 July 2021, which has since been renewed for a further period of 4 July 2021 to 3 July 2026. The remuneration of the Chief Executive Officer of GESB is set by the Salaries and Allowances Tribunal.

² These officers are appointed under Section 11(2) of the State Superannuation Act (2000).

³ Remuneration of this officer adheres to Public Sector Commission executive salary classifications.

⁴ Melissa Haddleton commenced acting in the role of Chief Finance Officer effective 1 August 2022 and was appointed as Chief Finance Officer effective 3 October 2022.

⁵ Natalie Skeggs commenced acting in the role of Head of Strategy and Member Experience effective 1 February 2022. The role was renamed Chief Strategy & Member Experience Officer and Natalie Skeggs was appointed.

'Senior Officer' represents a person, by whatever name called, who is concerned with or takes part in the management of the Fund, but excludes any person acting in such a position for a limited period.

Representation of remuneration adheres to the *Superannuation Industry (Supervision) Act 1993*.

The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

| Remuneration band (\$) | 2023 | 2022 |
|------------------------|----------|----------|
| \$10,001 - 20,000 | 1 | - |
| \$70,001 - 80,000 | - | 1 |
| \$180,001 - 190,000 | 1 | - |
| \$190,001 - 200,000 | 1 | - |
| \$200,001 - 210,000 | - | 1 |
| \$240,001 - 250,000 | - | 1 |
| \$260,001 - 270,000 | 1 | - |
| \$320,001 - 330,000 | - | 1 |
| \$350,001 - 360,000 | 1 | - |
| \$370,001 - 380,000 | - | 1 |
| \$420,001 - 430,000 | 1 | - |
| Total | 6 | 5 |

Note 23: Remuneration of members of the Board and Investment Committee

Government Employees Superannuation Board ('GESB') has determined the key management personnel include the Treasurer, Board members and senior officers of GESB. GESB is not obligated to compensate the Treasurer and therefore disclosures in relation to the Treasurer's compensation may be found in the Annual Report on State Finances.

Remuneration of members of the Board

| Position | Name | Period of membership | Remuneration | |
|---------------------------------------------------|----------------------------------|---------------------------|----------------|----------------|
| | | | 2023 \$ | 2022 \$ |
| Chair | Jo Gaines | 19 Oct 2021 - Current | 128,308 | 84,112 |
| Chair | John Langoulant | 02 Nov 2010 - 15 Oct 2021 | - | 39,792 |
| Employer Director | Catherine Nance | 07 Mar 2011 - 6 Mar 2022 | - | 47,568 |
| Employer Director | Francesco Sciarrone ¹ | 21 Feb 2016 - 16 Sep 2022 | 17,393 | 73,913 |
| Employer Director | Virginia Christie ² | 12 Nov 2019 - Current | 68,641 | 62,181 |
| Employer Director | Janice Jones ² | 22 Mar 2022 - Current | 68,641 | 17,871 |
| Employer Director | Warren Bird | 01 Nov 2022 - Current | 44,352 | - |
| Member Director | Anne Gisborne ¹ | 08 Feb 2017 - Current | 20,276 | - |
| Member Director | Bruce Hawkins ² | 04 Jul 2018 - Current | 68,641 | 62,181 |
| Member Director | Naomi McCrae | 31 Aug 2018 - 10 Mar 2022 | - | 48,619 |
| Member Director | Janine Freeman | 4 Apr 2022 - Current | 68,641 | 15,506 |
| Total | | | 484,893 | 451,743 |
| | | | | |
| Short-term employee benefits | | | 438,841 | 410,675 |
| Post-employment benefits | | | 46,052 | 41,068 |
| Total remuneration of members of the Board | | | 484,893 | 451,743 |

¹ The remuneration for this officer also incorporates a fee paid as Chair of the Audit and Risk Committee.

² These officers are also members of the Audit and Risk Committee but do not receive any further remuneration for their role.

All officers are also members of the Investment Committee and the remuneration included in the table above reflects this.

The number of Board members whose total fees, salaries and superannuation for the financial year fall within the following bands are:

| Remuneration band (\$) | 2023 | 2022 |
|------------------------|----------|-----------|
| \$0 - 10,000 | - | 1 |
| \$10,001 - 20,000 | 1 | 2 |
| \$20,001 - 30,000 | 1 | - |
| \$30,001 - 40,000 | - | 1 |
| \$40,001 - 50,000 | 1 | 2 |
| \$60,001 - 70,000 | 4 | 2 |
| \$70,001 - 80,000 | - | 1 |
| \$80,001 - 90,000 | - | 1 |
| \$120,001 - 130,000 | 1 | - |
| Total | 8 | 10 |

Remuneration of members of the Investment Committee

| Position | Name | Period of membership | Remuneration | |
|---------------------------------------------------------------------------|--------------|-------------------------|---------------|---------------|
| | | | 2023 \$ | 2022 \$ |
| Member | John Stroud | 01 Oct 2018 - Current | 13,459 | 13,398 |
| Member | Warren Bird | 10 Jun 2013 - 31 Oct 22 | 4,762 | 13,398 |
| Member | Simon Warner | 05 Dec 2022 - Current | 7,454 | - |
| Total | | | 25,675 | 26,796 |
| | | | | |
| Short-term employee benefits | | | 23,235 | 24,360 |
| Post-employment benefits | | | 2,440 | 2,436 |
| Total remuneration of external members of the Investment Committee | | | 25,675 | 26,796 |

The number of Investment Committee members whose total fees, salaries and superannuation for the financial year fall within the following bands are:

| Remuneration band (\$) | 2023 | 2022 |
|------------------------|----------|----------|
| \$0 - 10,000 | 2 | - |
| \$10,001 - 20,000 | 1 | 2 |
| Total | 3 | 2 |

Note 24: Cash flow statement reconciliation

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | 2023 \$'000 | 2022 \$'000 |
|----------------------------------|----------------|----------------|
| Cash and cash equivalents | 59,092 | 67,612 |

Reconciliation of net cash from operating activities to net result after income tax

| | 2023 \$'000 | 2022 \$'000 |
|------------------------------------------------------|----------------|----------------|
| Net result after income tax | 541,349 | (512,563) |
| Adjustments for: | | |
| (Increase)/Decrease in assets measured at fair value | (1,869,426) | 2,666,953 |
| Increase in insurance | (41,495) | (64,233) |
| Increase in receivables | (46,700) | (11,933) |
| Depreciation and amortisation | 322 | 65 |
| Increase/(Decrease) in payables | 7,478 | (10,757) |
| Increase/(Decrease) in income tax payable | 68,612 | (103,642) |
| Allocation to members' accounts | 2,223,456 | (1,202,218) |
| Net cash inflows from operating activities | 883,596 | 761,672 |

Note 25: Financial risk management objectives and policies

The Fund's principal financial instruments comprise units in unit trusts, listed and unlisted equities, property assets and securities, fixed interest securities, cash and short-term deposits. The main purpose of these financial instruments is to generate a return on investment.

The Fund also enters into derivative transactions, principally in forward foreign exchange contracts, swaps, futures, options and warrants. The main purpose is to manage financial risks associated with the Fund's investment transactions, to hedge particular investment exposures or to generate returns. Investments in derivatives are not used to gear the Fund's investment portfolio, and are limited to the asset allocation limits for the underlying investment class.

The Fund also has various other financial instruments such as receivables and payables, which arise directly from its operations; these are mainly current in nature.

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed using a process of ongoing identification, measurement and monitoring. The main risks arising from the Fund's financial instruments are credit risk, market risk (other price risk, foreign currency risk, interest rate risk) and liquidity risk. The Fund establishes and reviews policies and investment parameters for managing these risks, which are summarised below.

(a) Risk management structure

GESB is responsible for the prudent management and investment of the assets of the Fund. To fulfil this statutory responsibility and meet its legal and fiduciary obligations, the Board has an integrated investment governance framework to govern its processes for formulating investment objectives, setting strategic asset allocations and developing appropriate investment strategies.

The Treasurer issues Prudential Guidelines for Investments to the Board incorporating the roles and responsibilities of both parties, investment objectives, asset allocation parameters, permitted investments and reporting obligations. These guidelines are subject to review annually.

An Investment Committee reports to and advises the Board about investment matters. The Committee draws on expertise outside the Board, and meets regularly to consider, recommend and/or approve as appropriate, and monitor the Fund's investment activities. The Committee is comprised of Board Directors and external appointees, who have been appointed for their specialist professional expertise and who discharge their duties as specified in the Committee's Charter.

The internal GESB Investments team provides strategic advice to the Board and Investment Committee in setting investment objectives, asset allocation, investment strategy and investment manager selection. Professional, specialist consultant(s) are appointed to conduct market and investment manager research and provide asset allocation, investment manager selection and other investment advice and recommendations to the Fund.

The assets of the portfolio are managed by specialist external investment managers, who are approved by the Treasurer prior to being appointed. Each manager is required to invest the assets it manages in accordance with the Treasurer's Prudential Guidelines for Investments and report regularly on compliance with their mandate. Some cash investments are managed internally by GESB, as authorised by the Treasurer.

The Board monitors investment manager performance as well as compliance with investment management agreements and the Treasurer's Prudential Guidelines for Investments. Derivative exposure and asset allocation are managed in accordance with Board approved policies.

(b) Use of derivative financial instruments

The Treasurer's Prudential Guidelines for Investments allow the Fund to transact derivative financial instruments.

Under the investment strategy of the Fund, derivatives are principally used to hedge foreign currency or other investment risks, as an effective alternative to physical assets or to gain access to, or allow flexibility in, financial markets. This enables the Fund to manage and structure its investment portfolio to achieve a desired level of total exposure to various asset classes. Derivatives are not used to leverage the investment portfolio.

The Fund only uses derivative financial instruments via its external investment manager mandates. The derivatives held by the Fund as at the reporting date are as follows:

| 2023 | Gross derivative amounts \$'000 | Derivative amounts set off \$'000 | Net amounts presented in statement of financial position \$'000 |
|-------------------------------------|---------------------------------------|-----------------------------------------|--------------------------------------------------------------------------|
| Derivative assets: | | | |
| Futures | 15,428 | - | 15,428 |
| Options | 2,144 | - | 2,144 |
| Swaps | 685,324 | (592,905) | 92,419 |
| Forwards | 199,562 | - | 199,562 |
| Warrants | - | - | - |
| Total derivative assets | 902,458 | (592,905) | 309,553 |
| Derivative liabilities: | | | |
| Futures | 12,142 | - | 12,142 |
| Options | 7,072 | - | 7,072 |
| Swaps | 702,193 | (592,905) | 109,288 |
| Forwards* | 98,403 | - | 98,403 |
| Total derivative liabilities | 819,810 | (592,905) | 226,905 |
| Net derivative asset | 82,648 | - | 82,648 |

| 2022 | Gross derivative amounts \$'000 | Derivative amounts set off \$'000 | Net amounts presented in statement of financial position of financial position \$'000 |
|-------------------------------------|---------------------------------|-----------------------------------|---------------------------------------------------------------------------------------|
| Derivative assets: | | | |
| Futures | 29,325 | - | 29,325 |
| Options | 2,783 | - | 2,783 |
| Swaps | 425,230 | (351,954) | 73,276 |
| Forwards | 121,714 | - | 121,714 |
| Warrants | - | - | - |
| Total derivative assets | 579,052 | (351,954) | 227,098 |
| Derivative liabilities: | | | |
| Futures | 15,143 | - | 15,143 |
| Options | 7,874 | - | 7,874 |
| Swaps | 492,698 | (351,954) | 140,744 |
| Forwards* | 641,339 | - | 641,339 |
| Total derivative liabilities | 1,157,054 | (351,954) | 805,100 |
| Net derivative liability | (578,002) | - | (578,002) |

* Included in the forwards are To-Be-Announced ('TBA') Agency Securities. At 30 June 2023, TBA Agency Investments are accounted as derivative instruments as it is likely that the Fund will not take or make physical delivery of the Agency Security upon settlement of the contracts. TBA Agency Investments are essentially forward contracts for the purchase ("long position") or sale ("short position") of an Agency pool of mortgages at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. These mortgage pools are guaranteed by the issuing Agency and backed by the US Government. The fair value of TBA investments is based on similar methods used to value our mortgage-backed securities. At 30 June 2023, the notional value of long and short positions in TBA Agency Investments was \$1,501,554,000 (2022: \$630,979,000) and \$863,248,000 (2022: \$447,954,000).

All derivative financial assets and liabilities are classified as Level 2 in the fair value hierarchy, except for certain options and warrants which belong to Level 1 because they have an available price on an active market. The net derivative liability position for options and swaps at the reporting date is primarily a result of the decrease in the value of the Australian dollar against major global currencies from the time the reported positions were initiated. This currency movement will have increased the Australian dollar value of the corresponding underlying foreign currency denominated assets included in the investments.

The main reason for the fall in the liability value of Forwards from 2021/22 to 2022/23 relates to currency movements. In particular, there was a meaningful fall in the value of the Australian dollar against the US dollar in the months leading up to 30 June 2022, which resulted in a relatively high value of unrealised currency losses (i.e. a liability as at 30 June 2022). This liability was gradually realised over 2022/23. In the months leading up to 30 June 2023, the value of the Australian dollar marginally appreciated against the US dollar, resulting in small unrealised currency gains (i.e. a small asset as at 30 June 2023).

(c) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to meet a financial obligation and cause the Fund to incur a financial loss. It arises from the financial assets of the Fund, which comprise cash and cash equivalents, receivables, investments and derivative financial instruments. The carrying amounts of financial assets best represent the maximum credit risk exposure of the Fund at the reporting date.

The Fund is exposed to the risk of credit related losses that arises from default by the counterparty on a financial obligation to pay the Fund.

Credit risk arising from derivative financial instruments is, at any time, generally limited to those with positive fair values (i.e. derivative assets, where a counterparty has an obligation to pay the Fund).

The Fund manages credit risk by undertaking transactions with a large number of creditworthy counterparties in various countries. The Fund does not have any significant exposure to any individual counterparty or industry other than the State of Western Australia in respect of GESB's unfunded superannuation liability and term deposits held with the big four Australian banks.

The operational bank account is held with Commonwealth Bank. The Fund monitors its credit risk by monitoring the credit quality and financial positions of the bank through regular analysis of its financial reports.

For investments in listed Australian equities, credit risk arising on these investments is mitigated by restrictions in investment manager agreements to only allow managers to transact with reputable brokers on recognised exchanges.

Credit risk arising from other collective investments is mitigated by extensive due diligence prior to the appointment of investment managers.

Credit risk associated with employer-sponsor receivables and other receivables is considered low as there is usually a short settlement period as the receivable relates to timing differences in respect of the receipt of contributions from the employer-sponsors.

All investment and cash assets of the Fund, other than operational cash and bank loans are held via a Custodian, Northern Trust. Bank loans are held in GESB's name, with underlying documentation being stored electronically by the Custodian. The Fund monitors the credit risk of the Custodian through regular analysis of its financial accounts and reports.

Credit quality per class of financial instrument

Credit ratings are a key indicator in assessing the credit quality of financial assets. The Fund uses the Standard and Poor's rating (or equivalent) categories. Exposure in each grade is monitored on a periodic basis, which assists in assessing the potential loss as a result of the risks and any corrective actions necessary.

The Fund's interest-bearing financial instruments portfolio is managed in a manner that is consistent with investment restrictions and credit rating limits contained within each fund manager's mandate and individual investment management agreements.

The table below shows the credit quality by class of asset for financial instruments:

| 2023 | AAA to AA-\$'000 | A+ to A-\$'000 | BBB+ to BBB-\$'000 | BB+ to D \$'000 | Not Rated ¹ \$'000 | Total \$'000 |
|----------------------------|------------------|------------------|--------------------|-----------------|-------------------------------|-------------------|
| Cash and term deposits | 4,595,334 | 422,524 | 269,212 | 3,088 | 14,075 | 5,304,233 |
| Asset-backed securities | 264,414 | 40,573 | 56,824 | 70,406 | 121,688 | 553,905 |
| Bank loans | - | 1,503 | 3,401 | 134,781 | 3,252 | 142,937 |
| Commercial paper | 15,126 | 92,271 | - | - | - | 107,397 |
| Fixed interest bonds | 2,825,557 | 1,419,968 | 1,535,872 | 234,534 | 7,341 | 6,023,272 |
| Indexed bonds | 72,577 | 10,818 | - | - | - | 83,395 |
| Mortgage-backed securities | 663,352 | 45,500 | 21,764 | 3,894 | 10,223 | 744,733 |
| Total | 8,436,360 | 2,033,157 | 1,887,073 | 446,703 | 156,579 | 12,959,872 |

| 2022 | AAA to AA-\$'000 | A+ to A-\$'000 | BBB+ to BBB-\$'000 | BB+ to D \$'000 | Not Rated ¹ \$'000 | Total \$'000 |
|----------------------------|------------------|------------------|--------------------|-----------------|-------------------------------|-------------------|
| Cash and term deposits | 4,013,403 | 435,828 | 222,059 | 1,831 | 46,680 | 4,719,801 |
| Asset-backed securities | 276,971 | 17,877 | 25,402 | 69,451 | 148,554 | 538,255 |
| Bank loans | - | - | 3,146 | 146,902 | 61,564 | 211,612 |
| Commercial paper | - | - | - | - | 5,804 | 5,804 |
| Fixed interest bonds | 2,225,790 | 1,372,532 | 1,630,049 | 303,794 | 101,750 | 5,633,915 |
| Indexed bonds | 41,903 | 6,834 | - | - | - | 48,737 |
| Mortgage-backed securities | 595,817 | 18,865 | 18,873 | 6,218 | 34,589 | 674,362 |
| Total | 7,153,884 | 1,851,936 | 1,899,529 | 528,196 | 398,941 | 11,832,486 |

¹ The Fund's Custodian uses the Standard and Poor's ('S&P') rating category to determine credit quality for each financial asset. Not all financial assets are rated by S&P. Although some financial assets are unrated this does not imply that they are non-investment grade. The investment quality of the portfolio is managed through compliance with each manager's investment management agreement.

The Fund restricts the exposure to credit losses on derivative instruments it holds by entering into master netting arrangements with major counterparties with whom a significant volume of transactions are undertaken. Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master-netting arrangements do not result in an offset of balance-sheet assets and liabilities unless certain conditions for offsetting under AASB 132 apply.

Although master-netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realised; and
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

As at the reporting date, master-netting arrangements reduced the credit risk on contracts that have a fair value of \$291,981k (2022: \$194,990k).

(d) Market risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument (or its issuer) or factors affecting all instruments in the market. 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 exposure within acceptable parameters, while appropriately balancing the return for risk.

The Fund’s investment managers may invest, where permitted under their mandate, in Australian and overseas equities, fixed interest securities, property and other financial securities and therefore are exposed to market risk on all of their investment assets. The Fund manages this risk by ensuring that all investment activities are undertaken in accordance with the Treasurer’s Prudential Guidelines for Investments, approved investment strategies and mandated exposure limits.

Market risk may be further mitigated by the Fund entering into derivative transactions, including fixed interest rate swaps and foreign exchange contracts, via its investment managers.

The market risk disclosures are prepared on the basis of the Fund’s direct investments and not on a look through basis for indirect investments held in the Fund.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of investments held that are denominated in foreign currencies, the Fund’s Statement of Financial Position and Income Statement can be affected significantly by movements in foreign currencies when translated to Australian dollars. The Fund manages its exposure to foreign currency risk and mitigates effects of its foreign currency translation exposure by adhering to the Fund’s Foreign Exchange (‘FX’) Hedging Policy which establishes the nature and extent of the Fund’s exposure to foreign currency. This foreign exchange policy is monitored against actual holdings on an ongoing basis throughout the year.

The Fund uses instruments such as currency forward contracts and swaps to manage currency exposure via investment manager mandates. The terms of such contracts typically do not exceed one year, during which time the contract commitment is typically covered by cash, debt securities or equities denominated in the foreign currency or one highly correlated with the currency sold forward.

The Fund’s exposure to currency risk was as follows:

| | 2023 \$'000 | 2022 \$'000 |
|------------------------------------------|----------------|----------------|
| Financial assets held at fair value | | |
| British Pound | 991,174 | 1,105,237 |
| Canadian Dollar | 491,686 | 634,696 |
| Euro | 3,306,943 | 3,402,388 |
| Hong Kong Dollar | 394,818 | 469,549 |
| Japanese Yen | 1,594,568 | 1,627,232 |
| Swiss Franc | 361,904 | 369,557 |
| US Dollar | 18,456,994 | 18,863,369 |
| Other Currencies | 1,922,423 | 1,873,041 |
| Total financial assets | 27,520,510 | 28,345,069 |
| Financial liabilities held at fair value | | |
| British Pound | 776,086 | 867,400 |
| Canadian Dollar | 426,871 | 533,654 |
| Euro | 2,647,663 | 2,963,961 |
| Hong Kong Dollar | 224,095 | 296,483 |
| Japanese Yen | 1,297,276 | 1,379,432 |
| Swiss Franc | 224,244 | 243,841 |
| US Dollar | 15,534,188 | 16,816,052 |
| Other Currencies | 1,148,968 | 1,225,292 |
| Total financial liabilities | 22,279,391 | 24,326,115 |
| Net exposure | | |
| | 5,241,119 | 4,018,954 |

The following table details the Fund’s sensitivity to a 10% (2022: 10%) reasonably possible increase or decrease in the value of major foreign currencies against the Australian dollar. A positive number indicates an increase in the net results after income tax and net assets where the respective foreign currency strengthens against the Australian dollar. For a weakening of the respective foreign currency against the Australian dollar there would be an equal and opposite impact on the net result after income tax and on the net assets available to pay benefits.

| | Movement in exchange rate | | Effect on net assets / net result | |
|----------------------|------------------------------|-----------|-----------------------------------|---------------------|
| | 2023 % | 2022 % | 2023 \$'000 | 2022 \$'000 |
| British Pound/AUD | +/-10 | +/-10 | 20,934 / (20,934) | 23,107 / (23,107) |
| Canadian Dollar/AUD | +/-10 | +/-10 | 6,308 / (6,308) | 9,817 / (9,817) |
| EUR/AUD | +/-10 | +/-10 | 64,166 / (64,166) | 42,596 / (42,596) |
| Hong Kong Dollar/AUD | +/-10 | +/-10 | 16,616 / (16,616) | 16,814 / (16,814) |
| Japanese Yen/AUD | +/-10 | +/-10 | 28,935 / (28,935) | 24,075 / (24,075) |
| Swiss Franc/AUD | +/-10 | +/-10 | 13,398 / (13,398) | 12,214 / (12,214) |
| USD/AUD | +/-10 | +/-10 | 284,471 / (284,471) | 198,909 / (198,909) |
| Other/AUD | +/-10 | +/-10 | 75,279 / (75,279) | 62,933 / (62,933) |

The sensitivity is based on reasonably possible changes over the following financial year using management’s internal analysis and market available information and reflects plausible movements in key market variables to which the Fund has exposure. The analysis for current financial year was performed on the same basis as prior financial year.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk is managed by a combination of duration and geographical parameters, in accordance with the Fund's investment strategy and mandated exposure limits. This risk is measured using sensitivity analysis.

Financial assets and financial liabilities of the Fund exposed to interest rate risk are cash and cash equivalents and other interest-bearing securities.

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair value, categorised by maturity dates:

| 2023 | Floating interest rate \$'000 | Fixed rate 3 months or less \$'000 | Fixed rate 3 to 12 months \$'000 | Fixed rate 1 to 5 years \$'000 | Fixed rate over 5 years \$'000 | Non-interest bearing \$'000 | Total \$'000 |
|-------------------------------|-------------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------|-----------------------------|-------------------|
| Financial assets | | | | | | | |
| Cash and term deposits | 3,569,481 | 279,877 | - | - | - | 1,541,346 | 5,390,704 |
| Asset-backed securities | 425,980 | - | - | 7,961 | 119,964 | - | 553,905 |
| Bank loans | 139,365 | - | - | - | 3,572 | - | 142,937 |
| Commercial paper | - | - | - | - | - | 107,397 | 107,397 |
| Fixed interest bonds | 940,736 | 105,139 | 198,816 | 1,750,322 | 2,605,371 | 422,888 | 6,023,272 |
| Indexed bonds | - | - | - | 45,708 | 37,688 | - | 83,396 |
| Mortgage-backed securities | 523,461 | - | - | 2,347 | 218,924 | - | 744,732 |
| Total financial assets | 5,599,023 | 385,016 | 198,816 | 1,806,338 | 2,985,519 | 2,071,631 | 13,046,343 |

| | | | | | | | |
|------------------------------------|---------------|----------|----------|----------|----------|----------|---------------|
| Financial liabilities | | | | | | | |
| Cash and term deposits | 86,471 | - | - | - | - | - | 86,471 |
| Total financial liabilities | 86,471 | - | - | - | - | - | 86,471 |

| 2022 | Floating interest rate \$'000 | Fixed rate 3 months or less \$'000 | Fixed rate 3 to 12 months \$'000 | Fixed rate 1 to 5 years \$'000 | Fixed rate over 5 years \$'000 | Non-interest bearing \$'000 | Total \$'000 |
|-------------------------------|-------------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------|-----------------------------|-------------------|
| Financial assets | | | | | | | |
| Cash and term deposits | 1,646,876 | 810,891 | 939,000 | - | - | 1,375,045 | 4,771,812 |
| Asset-backed securities | 387,948 | - | - | 16,954 | 133,353 | - | 538,255 |
| Bank loans | 207,090 | - | - | - | 4,522 | - | 211,612 |
| Commercial paper | - | - | - | - | - | 5,804 | 5,804 |
| Fixed interest bonds | 943,105 | 51,159 | 150,710 | 1,529,728 | 2,624,322 | 334,891 | 5,633,915 |
| Indexed bonds | - | - | - | 8,130 | 40,607 | - | 48,737 |
| Mortgage-backed securities | 503,707 | - | - | 3,224 | 167,431 | - | 674,362 |
| Total financial assets | 3,688,726 | 862,050 | 1,089,710 | 1,558,036 | 2,970,235 | 1,715,740 | 11,884,497 |

| | | | | | | | |
|------------------------------------|---------------|----------|----------|----------|----------|----------|---------------|
| Financial liabilities | | | | | | | |
| Cash and term deposits | 52,011 | - | - | - | - | - | 52,011 |
| Total financial liabilities | 52,011 | - | - | - | - | - | 52,011 |

The table below analyses the sensitivity of the Fund's Statement of Financial Position and Income Statement to the movement of interest rates to which the Fund had significant exposure at the reporting date. The analysis calculates the effect of reasonably possible interest rate movements on net assets and interest income, with all other variables held constant.

| | 2023 Reasonably possible change in basis points increase/(decrease) | 2023 Sensitivity of interest income and changes on net assets \$'000 increase/(decrease) | 2022 Reasonably possible change in basis points increase/(decrease) | 2022 Sensitivity of interest income and changes on net assets \$'000 increase/(decrease) |
|--------|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| AUD | + 100 / (100) | 86,892 / (86,892) | + 100 / (100) | 75,225 / (75,225) |
| USD | + 100 / (100) | 29,285 / (29,285) | + 100 / (100) | 27,273 / (27,273) |
| EUR | + 100 / (100) | 6,912 / (6,912) | + 100 / (100) | 6,940 / (6,940) |
| GBP | + 100 / (100) | 1,594 / (1,594) | + 100 / (100) | 1,955 / (1,955) |
| Others | + 100 / (100) | 8,716 / (8,716) | + 100 / (100) | 7,823 / (7,823) |

The sensitivity is based on reasonably possible changes over the following financial year using management's internal analysis and available market information and reflects plausible movements in key market variables to which the Fund has exposure. The analysis for current financial year is based on a higher level of sensitivity compare with the prior financial year based on the higher level and greater uncertainty of prevailing interest rates.

Other price risk

Other price risk is the risk that the fair value of 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. These risks include geopolitical and inflation risks.

To mitigate other price risk, the Fund diversifies its investment portfolio in line with its investment strategy. Additionally, the Fund invests in a range of asset classes that tend to have differing degrees of price risk (volatility) and be imperfectly correlated to each other. The Fund monitors its exposure to various asset classes and markets on an ongoing basis throughout the year to ensure appropriate diversification, and compliance with the Treasurer's Prudential Guidelines for Investments and GESB's Liquidity Policy.

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

The Fund's exposure at year end to other market price risk is detailed below:

| | Reasonably possible market price change | | Effect on net assets / net result | |
|------------------------------------|-----------------------------------------|-----------|-----------------------------------|-------------------------|
| | 2023 % | 2022 % | 2023 \$'000 | 2022 \$'000 |
| Cash and term deposits | +/-0.2 | +/-0.2 | 10,608 / (10,608) | 9,440 / (9,440) |
| Australian equities | +/-20 | +/-20 | 1,191,603 / (1,191,603) | 1,126,143 / (1,126,143) |
| International equities | +/-20 | +/-20 | 2,325,699 / (2,325,699) | 2,236,491 / (2,236,491) |
| Units in unit trusts: | | | | |
| Listed unit trusts | +/-20 | +/-20 | 99,116 / (99,116) | 99,749 / (99,749) |
| Unlisted unit trusts | +/-15 | +/-15 | 696,800 / (696,800) | 676,398 / (676,398) |
| Limited partnerships | +/-10 | +/-10 | 45,860 / (45,860) | 405 / (405) |
| Other interest-bearing securities: | | | | |
| Asset-backed securities | +/- 5 | +/- 5 | 27,695 / (27,695) | 26,913 / (26,913) |
| Bank loans | +/-10 | +/-10 | 14,294 / (14,294) | 21,161 / (21,161) |
| Commercial paper | +/- 5 | +/- 5 | 5,370 / (5,370) | 290 / (290) |
| Fixed interest bonds | +/- 5 | +/- 5 | 301,164 / (301,164) | 281,696 / (281,696) |
| Indexed bonds | +/- 5 | +/- 5 | 4,170 / (4,170) | 2,437 / (2,437) |
| Mortgage-backed securities | +/- 5 | +/- 5 | 37,237 / (37,237) | 33,718 / (33,718) |
| Derivatives | +/-10 | +/-10 | 8,265 / (8,265) | (57,800) / 57,800 |

(e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in having sufficient liquid assets to meet obligations associated with financial liabilities. This risk is controlled through the Fund's investment in financial instruments, which is managed to ensure that an appropriate proportion of the Fund is readily convertible to cash. In addition, the Fund maintains prudent levels of cash and cash equivalents to meet normal operating requirements.

The Fund's significant financial liabilities are benefits payable to members, payables and current tax liabilities. The contractual maturity of vested superannuation benefits means that these can be considered payable on demand. On-demand payments comprise the entire defined contribution component and the vested portion of the defined benefit component (refer to Note 3 and Note 4).

The Fund manages its obligation to pay the defined contribution component on an expected maturity basis based on management's estimates of when such funds will be drawn down by members. The Fund considers it is highly unlikely that all defined contribution members will request payment in full of their superannuation fund account at the same time. Furthermore, in relation to the vested obligations when called upon under normal conditions. In addition, the Crown guarantees payment of every benefit payable under a GESB scheme.

Other financial liabilities of the Fund comprise payables which are contractually due within 30 days and derivative liabilities comprising foreign exchange contracts payable within 12 months.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements for the Fund. Member benefits have been included in the 'Less than 3 months' column below as this is the amount that members could call upon as at year end.

| | Carrying amount \$'000 | Contractual cash flows \$'000 | Less than 3 months \$'000 | 3 months to 1 year \$'000 | > 1 year \$'000 |
|------------------------|------------------------------|-------------------------------------|---------------------------------|---------------------------------|--------------------|
| 30 June 2023 | | | | | |
| Derivative liabilities | 226,905 | 226,905 | 108,872 | 45,469 | 72,564 |
| Payables | 490,327 | 490,327 | 490,327 | - | - |
| Member benefits | 38,127,519 | 38,127,519 | 38,127,519 | - | - |
| Total | 38,844,751 | 38,844,751 | 38,726,718 | 45,469 | 72,564 |
| | Carrying amount \$'000 | Contractual cash flows \$'000 | Less than 3 months \$'000 | 3 months to 1 year \$'000 | > 1 year \$'000 |
| 30 June 2022 | | | | | |
| Derivative liabilities | 805,100 | 805,100 | 654,680 | 9,091 | 141,329 |
| Payables | 212,504 | 212,504 | 212,504 | - | - |
| Member benefits | 35,791,391 | 35,791,391 | 35,791,391 | - | - |
| Total | 36,808,995 | 36,808,995 | 36,658,575 | 9,091 | 141,329 |

(f) Concentrations of risk

Concentrations of risk arise when a number of financial instruments or contracts have the same features or have the same underlying exposure, for example, where they are entered into with the same counterparty, or when a number of counterparties are engaged in similar business activities, have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, the Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels, and imposes mandated limits on the use of derivative instruments by investment managers and on maximum exposures to specific issuers or market segments, as appropriate.

The following table classifies the Fund's listed equity portfolio by industry sector as at the reporting date:

| | 2023 | | 2022 | |
|------------------------|-------------------|---------------|-------------------|---------------|
| | \$'000 | % | \$'000 | % |
| Consumer discretionary | 1,610,890 | 8.89 | 1,349,737 | 7.78 |
| Consumer staples | 1,127,303 | 6.22 | 1,035,407 | 5.97 |
| Energy | 814,367 | 4.49 | 976,789 | 5.63 |
| Financials | 3,306,313 | 18.24 | 2,907,154 | 16.75 |
| Health care | 1,802,871 | 9.95 | 1,741,082 | 10.03 |
| Industrials | 1,832,701 | 10.11 | 1,688,346 | 9.73 |
| Information technology | 2,397,952 | 13.23 | 2,213,261 | 12.75 |
| Materials | 1,990,756 | 10.98 | 1,865,197 | 10.75 |
| Real Estate | 1,445,726 | 7.98 | 1,521,414 | 8.77 |
| Communication services | 997,191 | 5.50 | 1,044,647 | 6.01 |
| Utilities | 797,830 | 4.40 | 1,013,746 | 5.83 |
| Total | 18,123,900 | 100.00 | 17,356,780 | 100.00 |

The following table analyses the Fund's net investment portfolio by geographic regions (excluding the effect of foreign currency exposure) as at the reporting date:

| | 2023 | | 2022 | |
|----------------|-------------------|---------------|-------------------|---------------|
| | \$'000 | % | \$'000 | % |
| Australia | 18,329,369 | 50.72 | 16,456,389 | 49.59 |
| Canada | 574,928 | 1.59 | 653,689 | 1.97 |
| France | 638,338 | 1.77 | 536,679 | 1.62 |
| Germany | 390,006 | 1.08 | 364,382 | 1.10 |
| Hong Kong | 168,578 | 0.47 | 195,961 | 0.59 |
| Japan | 1,297,300 | 3.59 | 1,189,318 | 3.58 |
| Netherlands | 307,182 | 0.85 | 256,512 | 0.77 |
| Singapore | 100,085 | 0.28 | 122,584 | 0.37 |
| Switzerland | 331,258 | 0.92 | 330,719 | 1.00 |
| United Kingdom | 769,497 | 2.13 | 876,506 | 2.64 |
| United States | 10,300,050 | 28.50 | 9,096,113 | 27.41 |
| Other | 2,931,869 | 8.11 | 3,104,671 | 9.36 |
| Total | 36,138,460 | 100.00 | 33,183,523 | 100.00 |

Note 26: Scheme financial reporting

| 2023 | Pension Scheme \$'000 | Gold State Super \$'000 | West State Super \$'000 | GESB Super \$'000 | Retirement | | Term Allocated Pension \$'000 | Reserves \$'000 | Scheme Elimination \$'000 | Total \$'000 |
|-----------------------------------------------------------------------|-----------------------|-------------------------|-------------------------|-------------------|-----------------------|--|-------------------------------|-----------------|---------------------------|--------------|
| | | | | | Income Pension \$'000 | | | | | |
| Net assets available for member benefits at the beginning of the year | 91,666 | 2,767,032 | 17,861,732 | 6,287,941 | 5,908,138 | | 14,550 | 230,602 | - | 33,161,661 |
| Investment income | | | | | | | | | | |
| Investment income/(losses) (net of investment expenses) | 9,024 | 272,422 | 1,485,023 | 652,280 | 403,132 | | 1,077 | 10,204 | - | 2,833,162 |
| Superannuation income | | | | | | | | | | |
| Employer contributions | 150,890 | 146,211 | 945,587 | 753,233 | - | | - | - | - | 1,995,921 |
| Member contributions | 39 | 5,208 | 187,773 | 77,888 | - | | - | - | - | 270,908 |
| Government co-contributions | - | - | 598 | 302 | - | | - | - | - | 900 |
| Transfers from other superannuation plans | - | - | 175,684 | 289,815 | 866,238 | | - | - | (972,419) | 359,318 |
| Income tax on contributions | - | - | - | (117,645) | (83,663) | | - | - | - | (201,308) |
| Lag gain/(loss) | - | - | (489) | (159) | 86 | | - | 562 | - | - |
| Other income | | | | | | | | | | |
| Death and disability insurance received | - | - | 43,420 | 28,230 | - | | - | - | - | 71,650 |
| Other income | - | 169 | (149) | 32 | 134 | | - | 6,677 | - | 6,863 |
| Total income | 159,953 | 424,010 | 2,837,447 | 1,683,976 | 1,185,927 | | 1,077 | 17,443 | (972,419) | 5,337,414 |
| Expenses | | | | | | | | | | |
| Benefits to members/beneficiaries | (158,134) | (198,873) | (1,576,343) | (449,825) | (856,722) | | (1,647) | (2,065) | 972,419 | (2,271,190) |
| Insurance premiums charged | - | - | (62,958) | (50,187) | - | | - | - | - | (113,145) |
| Administration expenses | - | - | (13,130) | (17,747) | (7,297) | | (40) | (7,652) | - | (45,866) |
| Total expenses | (158,134) | (198,873) | (1,652,431) | (517,759) | (864,019) | | (1,687) | (9,717) | 972,419 | (2,430,201) |
| Change in net assets before income tax | 1,819 | 225,137 | 1,185,016 | 1,166,217 | 321,908 | | (610) | 7,726 | - | 2,907,213 |
| Income tax (expense)/benefit | - | - | - | (43,047) | 13,636 | | 56 | - | - | (29,355) |
| Change in net assets after income tax | 1,819 | 225,137 | 1,185,016 | 1,123,170 | 335,544 | | (555) | 7,729 | - | 2,877,860 |
| Reclassification of defined benefit assets | (3,123) | 3,123 | - | - | - | | - | - | - | - |
| Net assets available for member benefits at the end of the year | 90,362 | 2,995,292 | 19,046,748 | 7,411,111 | 6,243,682 | | 13,995 | 238,331 | - | 36,039,521 |

| 2022 | Pension Scheme \$'000 | Gold State Super \$'000 | West State Super \$'000 | GESB Super \$'000 | Retirement | | Term Allocated Pension \$'000 | Reserves \$'000 | Scheme Elimination \$'000 | Total \$'000 |
|-----------------------------------------------------------------------|-----------------------|-------------------------|-------------------------|-------------------|-----------------------|--|-------------------------------|-----------------|---------------------------|--------------|
| | | | | | Income Pension \$'000 | | | | | |
| Net assets available for member benefits at the beginning of the year | 107,448 | 3,037,928 | 18,885,878 | 6,212,432 | 6,016,053 | | 16,784 | 250,576 | - | 34,527,099 |
| Investment income | | | | | | | | | | |
| Investment (losses) (net of investment expenses) | (4,200) | (118,741) | (909,607) | (431,617) | (274,125) | | (593) | (24,200) | - | (1,763,083) |
| Superannuation income | | | | | | | | | | |
| Employer contributions | 151,100 | 299,189 | 956,033 | 660,265 | - | | - | - | - | 2,066,587 |
| Member contributions | (80) | 6,542 | 209,923 | 83,387 | - | | - | - | - | 299,772 |
| Government co-contributions | - | - | 526 | 206 | - | | - | - | - | 732 |
| Transfers from other superannuation plans | - | - | 342,446 | 307,290 | 1,020,351 | | - | - | (1,266,674) | 403,413 |
| Income tax on contributions | - | - | - | (105,768) | (101,378) | | - | - | - | (207,146) |
| Lag gain/(loss) | - | - | 301 | 87 | (400) | | (1) | 13 | - | - |
| Other income | | | | | | | | | | |
| Death and disability insurance received | - | - | 33,390 | 19,120 | - | | - | - | - | 52,510 |
| Other income | 1 | 185 | (156) | 48 | 41 | | - | 6,521 | - | 6,640 |
| Total income | 146,821 | 187,175 | 632,856 | 533,018 | 644,489 | | (594) | (17,666) | (1,266,674) | 859,425 |
| Expenses | | | | | | | | | | |
| Benefits to members/beneficiaries | (158,965) | (461,709) | (1,576,041) | (446,581) | (770,799) | | (1,671) | (690) | 1,266,674 | (2,149,782) |
| Insurance premiums charged | - | - | (67,366) | (49,377) | - | | - | - | - | (116,743) |
| Administration expenses | - | - | (13,595) | (17,325) | (7,375) | | (45) | (1,618) | - | (39,958) |
| Changes in fair value of loan | - | - | - | - | - | | - | - | - | - |
| Loan interest expenses | - | - | - | - | - | | - | - | - | - |
| Total expenses | (158,965) | (461,709) | (1,657,002) | (513,283) | (778,174) | | (1,716) | (2,308) | 1,266,674 | (2,306,483) |
| Change in net assets before income tax | (12,144) | (274,534) | (1,024,146) | 19,735 | (133,685) | | (2,310) | (19,974) | - | (1,447,058) |
| Income tax benefit | - | - | - | 55,774 | 25,770 | | 76 | - | - | 81,620 |
| Change in net assets after income tax | (12,144) | (274,534) | (1,024,146) | 75,509 | (107,915) | | (2,234) | (19,974) | - | (1,365,438) |
| Reclassification of defined benefit assets | (3,638) | 3,638 | - | - | - | | - | - | - | - |
| Net assets available for member benefits at the end of the year | 91,666 | 2,767,032 | 17,861,732 | 6,287,941 | 5,908,138 | | 14,550 | 230,602 | - | 33,161,661 |

Apportionment of net assets

Section 16 of the *State Superannuation Act 2000* requires Government Employees Superannuation Board (‘GESB’) to maintain such accounts within the Fund that are considered necessary for the management of the Fund and its separate elements and provides guidelines for the apportionment of investment income and expenses between those elements of the Fund.

Contribution receipts and benefit payments have been directly allocated to the relevant Scheme.

Apportionment of investment income

Section 22 of the *State Superannuation Act 2000* provides that GESB is to allocate earnings derived from the investment of the Fund between the schemes in accordance with the Treasurer’s Guidelines and otherwise as it considers appropriate.

Commencing 1 July 2001, as a result of the introduction of Member Investment Choice, the income attributable to the accumulation schemes has been allocated in accordance with income credited to the members’ account. Income is allocated based on actual investment income received in accordance with the Treasurer’s Guidelines for Reserves.

Reconciliation between scheme financial reporting and Statement of Financial Position

The table set out below is a reconciliation of net assets available for member benefits between scheme financial reporting and Statement of Financial Position:

| | 2023 \$'000 | 2022 \$'000 |
|----------------------------------------------------------------------------------|----------------|----------------|
| Defined benefit schemes | | |
| Pension Scheme | 90,362 | 91,666 |
| Gold State Super | 2,995,292 | 2,767,032 |
| Total defined benefit schemes | 3,085,654 | 2,858,698 |
| | | |
| Defined contribution schemes | | |
| West State Super | 19,046,748 | 17,861,732 |
| GESB Super | 7,411,111 | 6,287,941 |
| Retirement Income - Allocated Pension and Transition to Retirement | 6,243,682 | 5,908,138 |
| Retirement Income - Term Allocated Pension | 13,995 | 14,550 |
| Total defined contribution schemes | 32,715,536 | 30,072,361 |
| Reserves | 238,331 | 230,602 |
| Total net assets available for member benefits as per Scheme Financial Reporting | 36,039,521 | 33,161,661 |
| | | |
| Adjustments | | |
| Employer-sponsor receivables: | | |
| Pension Scheme | 1,270,814 | 1,354,870 |
| Gold State Super | 1,945,204 | 2,192,250 |
| Net assets available for member benefits as per Statement of Financial Position | 39,255,539 | 36,708,781 |

Reconciliation between scheme financial reporting and Income Statement

The following table shows a reconciliation of change in net assets after income tax and net result after income tax between scheme financial reporting and Income Statement:

| | 2023 \$'000 | 2022 \$'000 |
|-------------------------------------------------------------------------|----------------|----------------|
| Change in net assets after income tax as per Scheme Financial Reporting | 2,877,860 | (1,365,438) |
| | | |
| Adjustments | | |
| Superannuation contributions income | (2,627,047) | (2,770,504) |
| Income tax on contributions | 201,308 | 207,146 |
| Death and disability insurance received | (71,650) | (52,510) |
| Benefits to members/beneficiaries | 2,271,190 | 2,149,782 |
| Insurance premiums charged | 113,145 | 116,743 |
| Allocation to members’ accounts | (2,223,456) | 1,202,218 |
| Net result after income tax as per Income Statement | 541,350 | (512,563) |

Note 27: Insurance

GESB Super and West State Super (From 1 July 2008)

Both GESB Super and West State Super (‘WSS’) provide death and disability benefits to eligible members. These benefits are greater than the members’ vested benefit and as such both schemes have a group policy in place with a third party to insure death and disability benefits in excess of vested benefits. Both schemes act as an agent for these arrangements.

West State Super (Prior to 1 July 2008)

The third party insurance policy for WSS does not cover Partial and Permanent Disability (‘PPD’) claims on an ongoing basis and the run-off in respect of pre-existing conditions prior to 1 July 2008. Consequently, eligible members of WSS (to 30 June 2008) have the right to make their claims with WSS. The PPD claims are currently funded by an insurance reserve and the funding was provided by the State.

In the event that the insurance reserve is exhausted, Sections 31 and 32 of the *State Superannuation Act 2000* provide a statutory guarantee of all benefits payable under WSS, which includes PPD claims on an ongoing basis and the run-off in respect of pre-existing conditions. As such, WSS is not liable for any PPD claims. WSS only acts as an agent for these arrangements.

Gold State Super

Gold State Super (‘GSS’) provides its members with lump sum defined benefits on retirement, death or disablement with automatic death and disability insurance cover at no additional cost, in which Section 31 and 32 of the *State Superannuation Act 2000* provide a statutory guarantee of all benefits payable under GSS.

Pension Scheme

Members do not pay a separate insurance fee and there is no reference to separate ‘insured’ benefits under the *Superannuation and Family Benefits Act 1939*.

Retirement Income Pension (Allocated Pension and Transition to Retirement Pension)

Retirement Income Pension can be taken as either Allocated Pension or Transition to Retirement Pension. Both pensions do not provide insurance cover to members.

Retirement Income Term Allocated Pension

Retirement Income Term Allocation Pension does not provide insurance cover to members.

Note 28: Commitments and contingent liabilities

Lease commitments

The Fund is committed to leases on six motor vehicles. These leases are non-cancellable and have a term ranging between 14 and 72 months, with no renewable options included in the contract. There are no restrictions imposed by these leasing arrangements on other financing transactions. The Premises total in 2023 includes six car bays payable to a different lessor than the accommodation provider, at \$65,369 'Within 1 year' and \$0 'Later than 1 year and not later than 5 years'.

The Fund is committed to a memorandum of understanding ('MoU') on its premises for a period of 10 years with the Department of Finance, ending June 2026.

Following consultation with Treasury, it was decided the accommodation MoU does not fit the definition of a lease per AASB16, therefore these costs are still expensed. The vehicles are not considered material for Government Employees Superannuation Board ('GESB') and as such are also not treated as prescribed by AASB16.

| | 2023 \$'000 | | 2022 \$'000 | |
|----------------------------------------------|----------------|-----------|----------------|-----------|
| Commitments payable | Premises | Vehicles | Premises | Vehicles |
| Within 1 year | 566 | 17 | 526 | 22 |
| Later than 1 year and not later than 5 years | 586 | 50 | 1,567 | 66 |
| Later than 5 years | - | - | - | 3 |
| Total | 1,152 | 67 | 2,093 | 91 |

Other expenditure commitments

Other expenditure commitments relate to contracted expenditure for outsourced superannuation administration services.

| | 2023 \$'000 | 2022 \$'000 |
|----------------------------------------------|----------------|----------------|
| Administration services | | |
| Within 1 year | 670 | 618 |
| Later than 1 year and not later than 5 years | 695 | 641 |
| Total | 1,365 | 1,259 |

The Fund exercised a five year extension for the Outsourced Administration arrangement with the Link Group in 2019, ending in financial year 2024. The amount included above under 'Administration Services' is the minimum amount payable under the outsourcing contract. The amount payable in respect of the outsourced services as outlined in the Fund's 2023/24 Statement of Corporate Intent is projected to be \$28.4m annually, increasing each year in line with CPI / WPI and volume projections.

Contingent liabilities

There are no contingent liabilities that have been incurred by the Fund in relation to 2023 and 2022.

Note 29: Related party transactions

The Fund had no significant related party transactions other than those disclosed in the table below, which mainly relates to recoupments made to the Fund by the State Government, and leases and shared services payments made by the Fund to Department of Finance:

| | Pension Scheme \$'000 | Gold State Super \$'000 | West State Super \$'000 | Parliamentary and Judges Pension \$'000 | Corporate \$'000 | Total \$'000 |
|-------------------------------------|-----------------------------|-------------------------------|-------------------------------|--------------------------------------------------|---------------------|-----------------|
| 30 June 2023 | | | | | | |
| Employer contributions recoup | 150,890 | 113,037 | - | - | - | 263,927 |
| Administration expense recoup | 1,349 | 4,713 | - | 396 | 189 | 6,647 |
| Leases and shared services expenses | - | - | - | - | (1,078) | (1,078) |
| Total | 152,239 | 117,750 | - | 396 | (889) | 269,496 |

| | Pension Scheme \$'000 | Gold State Super \$'000 | West State Super \$'000 | Parliamentary and Judges Pension \$'000 | Corporate \$'000 | Total \$'000 |
|-------------------------------------|-----------------------------|-------------------------------|-------------------------------|--------------------------------------------------|---------------------|-----------------|
| 30 June 2022 | | | | | | |
| Employer contributions recoup | 151,100 | 257,722 | - | - | - | 408,822 |
| Administration expense recoup | 1,340 | 4,413 | - | 385 | 374 | 6,512 |
| Leases and shared services expenses | - | - | - | - | (920) | (920) |
| Total | 152,440 | 262,135 | - | 385 | (546) | 414,414 |

Certain directors and key management personnel are members of the Fund. Their membership terms and conditions are the same as those available to other members of the Fund.

Information for employer-sponsor receivables from the State Government in relation to unfunded member benefits is set out in Note 10.

The Fund also receives superannuation contributions and related payments from employers in the WA Public Sector.

Note 30: Explanatory statement

In accordance with *Treasurer's Instruction 945P*, significant variances between budget and actual for 2023 and between the actual results for 2023 and 2022 are shown below. Significant variances are considered to be those greater than 10% and/or deemed significant in the context of the operations of the Fund.

| Note | 2023 | | 2023 | | Variance actual to budget | | 2022 | | Variance actual prior to actual | |
|-----------------------------------------------|--------|------------------|------------------|------------------|---------------------------|--------------------|------------------|--------------|---------------------------------|---|
| | \$'000 | Actual | Budget | \$'000 | \$'000 | % | Actual | \$'000 | \$'000 | % |
| INCOME | | | | | | | | | | |
| Investment income | | | | | | | | | | |
| Investment income/(losses) | (i) | 2,911,147 | 639,334 | 2,271,813 | 355 | (1,683,388) | 4,594,535 | (273) | | |
| Less: Investment expenses | | (77,983) | (84,090) | 6,107 | (7) | (79,695) | 1,712 | (2) | | |
| Net investment income/(losses) | | 2,833,164 | 555,244 | 2,277,920 | 410 | (1,763,083) | 4,596,247 | (261) | | |
| Superannuation income | | | | | | | | | | |
| Contribution income: | | | | | | | | | | |
| Member (includes government co-contributions) | (ii) | 271,810 | 214,948 | 56,862 | 26 | 300,504 | (28,694) | (10) | | |
| Employer | | 1,995,921 | 1,882,800 | 113,121 | 6 | 2,066,587 | (70,666) | (3) | | |
| Rollover into retirement products | (iii) | 654,183 | 917,599 | (263,416) | (29) | 792,695 | (138,512) | (17) | | |
| Inward transfer from other funds | (iv) | 677,553 | 915,890 | (238,337) | (26) | 877,392 | (199,839) | (23) | | |
| Group life insurance proceeds | (v) | 71,650 | 51,442 | 20,208 | 39 | 52,510 | 19,140 | 36 | | |
| Other income | | 6,862 | 7,358 | (496) | (7) | 6,640 | 222 | 3 | | |
| Total superannuation income | | 3,677,979 | 3,990,037 | (312,058) | (8) | 4,096,328 | (418,349) | (10) | | |
| Total Income | | 6,511,143 | 4,545,281 | 1,965,862 | 43 | 2,333,245 | 4,177,898 | 179 | | |
| EXPENSES | | | | | | | | | | |
| Benefits to members/beneficiaries | (vi) | 3,243,608 | 3,245,206 | 1,598 | 0 | 3,416,456 | 172,848 | 5 | | |
| Administration expenses | (vii) | 45,544 | 47,523 | 1,979 | 4 | 39,893 | (5,651) | (14) | | |
| Insurance premiums charged to member accounts | | 113,145 | 110,865 | (2,280) | (2) | 116,743 | 3,598 | 3 | | |
| Depreciation and amortisation | (viii) | 322 | 288 | (34) | (12) | 65 | (257) | (395) | | |
| Total Expenses | | 3,402,619 | 3,403,882 | 1,263 | 0 | 3,573,157 | 170,538 | 5 | | |
| NET RESULT BEFORE TAX FOR THE YEAR | | 3,108,524 | 1,141,399 | 1,967,125 | 172 | (1,239,912) | 4,348,436 | (351) | | |

Notes to the Explanatory Statement

(i) Investment income/(losses)

2022/23 Actual to Budget (\$780 million higher). Actual to Prior Year's Actual (\$4.6 billion higher).

The full year investment performance of the Fund for 2022/23 was 8.75% compared to a budget of 5.5% (2022: -4.8%). The higher than expected investment performance in the 2022/23 financial year was largely due to strong share market returns for the year.

Details of investment income are included in Note 16.

(ii) Member contributions

2022/23 Actual to Budget (\$57 million higher). Actual to Prior Year's Actual (\$29 million lower).

The increase to budget is due to higher than anticipated member contributions into West State Super ('WSS') and GESB Super in the 2022/23 financial year. The decrease to prior year reflects the decline in additional contributions from WSS members.

(iii) Rollover into retirement products

2022/23 Actual to Budget (\$246 million lower). Actual to Prior Year's Actual (\$138 million lower).

The decrease to budget and prior year is due to a lower than anticipated number of members rolling into retirement products in this financial year.

(iv) Inward transfer from other funds

2022/23 Actual to Budget (\$238 million lower). Actual to Prior Year's Actual (\$200 million lower).

The decrease to prior years actual is driven by previous campaigns for members to combine their superannuation accounts which resulted in the bulk of consolidations taking place in previous years.

The expected campaigns to encourage rollins in 2022/23 did not go ahead as expected resulting in a lower actual to budget.

(v) Group life insurance proceeds

2022/23 Actual to Budget (\$20 million higher). Actual to Prior Year's Actual (\$19 million higher).

This is due to higher than anticipated claims for GESB Super members in the 2022/23 financial year.

(vi) Benefits to members/beneficiaries

2022/23 Actual to Budget (\$1.5m million lower).

This is a result of less members drawing down on their superannuation accounts.

(vii) Administration expenses

Refer to Note 18.

(viii) Depreciation and amortisation

Refer to Note 19.

Note 31: Summary of actuarial report

The following information is provided in the Actuarial Report on the latest investigation of defined benefit schemes as to the state and sufficiency of the Fund.

The valuation was undertaken in accordance with Section 17 of the *State Superannuation Act 2000*.

Effective date of the latest actuarial investigation

The effective date of the latest valuation was 30 June 2023.

Name and qualification of actuary

The valuation was undertaken by the Fund's actuary, Mercer (Australia) Pty Ltd.

Fund Summary

The overall financial position of the Fund as at 30 June 2023 was as stated in the table below:

| | 2023 \$'000 |
|------------------------------------------------------------------------|----------------|
| Total net assets | 36,039,521 |
| Less: Net assets for defined contribution schemes | |
| West State Super | 19,046,748 |
| GESB Super | 7,411,111 |
| Retirement Income | 6,243,682 |
| Term Allocated Pension | 13,995 |
| Less: Reserves | 238,331 |
| Net assets for defined benefit schemes | 3,085,654 |
| Less: Accrued actuarial funded liabilities for defined benefit schemes | |
| Pension Scheme | 64,308 |
| Gold State Super | 2,131,657 |
| Net position | 889,689 |

Financial condition of each scheme as at reporting date

The Fund’s actuary reported that in respect of funded liabilities for the defined benefit schemes:

(i) Pension Scheme

The Actuary reported that the financial position of the Pension Scheme has improved over the year since the last actuarial investigation primarily due to the higher than assumed investment return for the year.

(ii) Gold State Super

The Actuary reported that the financial position of Gold State Super has improved over the year since the last actuarial investigation due primarily to a higher than assumed investment return of 10.2% during the reporting period, and increase in the assumed rate of future investment return, and remains in a strong position.


Note 32: Supplementary financial information

The write-offs approved by the Board during the current financial year were \$15,793 (2022: \$90,460). There have been no losses through theft, default and other causes, and no forgiveness of debts or gifts of public property during the financial year.

Note 33: Significant events after balance date

Subsequent to the balance date, there have been no matters or circumstances which have arisen that have significantly affected or may significantly affect the financial position or operating results of the Fund.

Independent audit opinion



Auditor General

INDEPENDENT AUDITOR’S REPORT

2023

Government Employees Superannuation Board (GESB)

To the Parliament of Western Australia

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Government Employees Superannuation Board (GESB) which comprise:

- the Statement of Financial Position at 30 June 2023, and the Income Statement, Statement of Changes in Member Benefits and Statement of Changes in Reserves and Statement of Cash Flows for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are:

- based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Government Employees Superannuation Board for the year ended 30 June 2023 and the financial position at the end of that period
- in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer’s Instructions.

Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of my report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board for the financial statements

The Board is responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer’s Instructions
- such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500

In preparing the financial statements, the Board is responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of GESB.

Auditor's responsibilities for the audit of the financial statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

Report on the audit of controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Government Employees Superannuation Board (GESB). The controls exercised by the Board are those policies and procedures established to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with the State's financial reporting framework (the overall control objectives).

In my opinion, in all material respects, the controls exercised by the Government Employees Superannuation Board are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with the State's financial reporting framework during the year ended 30 June 2023.

The Board's responsibilities

The Board is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagement ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and were implemented as designed.

An assurance engagement involves performing procedures to obtain evidence about the suitability of the controls design to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including an assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Limitations of controls

Because of the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed and implemented as designed, once in operation, the overall control objectives may not be achieved so that fraud, error or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the audit of the key performance indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Government Employees Superannuation Board (GESB) for the year ended 30 June 2023. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Government Employees Superannuation Board are relevant and appropriate to assist users to assess GESB's performance and fairly represent indicated performance for the year ended 30 June 2023.

The Board's responsibilities for the key performance indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal controls as the Board determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Board is responsible for identifying key performance indicators that are relevant and appropriate, having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the entity's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments, I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

My independence and quality management relating to the report on financial statements, controls and key performance indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other information

The Board is responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2023, but not the financial statements, key performance indicators and my auditor's report.

My opinions on the financial statements, controls and key performance indicators do not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, controls and key performance indicators my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and key performance indicators or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Matters relating to the electronic publication of the audited financial statements and key performance indicators

The auditor's report relates to the financial statements and key performance indicators of the Government Employees Superannuation Board (GESB) for the year ended 30 June 2023 included in the annual report on GESB's website. GESB's management is responsible for the integrity of GESB's website. This audit does not provide assurance on the integrity of GESB's website. The auditor's report refers only to the financial statements, controls and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version.



Caroline Spencer
Auditor General for Western Australia
Perth, Western Australia
7 September 2023

Certification of key performance indicators

In the opinion of the Board, the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of the Government Employees Superannuation Board (GESB), and fairly represent the performance of GESB for the financial year ended 30 June 2023.



J Gaines
Chair

6 September 2023



A Gisborne
Director

6 September 2023

Key performance indicators

The key performance indicators in this report are produced in order to evaluate GESB’s performance in achieving its outcome and delivering its services. Included are key effectiveness and efficiency performance indicators required by the *Financial Management Act 2006 and Treasurer’s Instruction 904*. The key effectiveness indicators provide information on the extent to which the agency level government desired outcome has been achieved through the production of the agreed service. The key efficiency indicators link the service GESB provides to the level of resource inputs required to produce them.

The performance highlights section of the Annual Report includes other relevant measures that provide an overview of performance during 2022/2023.

GESB’s outcome

GESB has statutory obligations under its enabling legislation to administer superannuation schemes and provide products and services to our members. In doing this, we are obligated to act in the best interests of our members. GESB’s outcome, ‘improved long term superannuation benefits of our members’, contributes to the State Government goal of strong and sustainable finances.

Key effectiveness indicators

1. Members’ satisfaction with GESB’s services

Member satisfaction with services is an important measure for evaluating GESB’s performance in achieving its purpose, which is to ‘help members achieve quality retirement’. The provision of quality member services enhances member engagement in their superannuation which, along with the provision of value for money products and services, supports the achievement of a quality retirement.

Members’ satisfaction with the services provided by GESB was 90% (6-10 out of 10 ratings) for the 2022/2023 financial year, against a target of 80%, with 82% of members rating the service as 8-10 out of 10. The main contributor to exceeding target was having service representatives who demonstrated trustworthiness, expertise and knowledge and were able to satisfy member queries at the first point of contact.

GESB uses an external market research company to conduct its member surveys.

A quarterly sample of at least 3,000 members, who have contacted GESB, ensures a minimum sample of n=300 respondents is achieved per quarter, assuming a response rate of 10%. In order to improve the accuracy of the results, they are weighted by scheme, age and gender against members who have contacted the Member Services Centre during the 2022/23 financial year to ensure they are representative. After weighting, the effective sample size for the year is 2,492. This generates a margin of error of ±1.93% on an annual sample of n=3,324 at the 95% confidence level.

| | Actual 20/21 | Actual 21/22 | Target 22/23 | Actual 22/23 |
|-----------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Percentage who are fairly satisfied, satisfied or extremely satisfied | 90% | 91% | 80% | 90% |

2. Investment performance against objectives

Changes to objectives since last year

There were no changes to investment return objectives in 2022/23.

Summary of performance against objectives

Primary objectives

For Cash plans, the primary objective is to achieve a return of at least the Bloomberg AusBond Bank Bill Index over rolling 12-month periods. Returns are measured after investment fees and before tax.

For defined benefit schemes (Gold State Super, Pension and Provident Account Schemes) the primary objective is to achieve a return of at least the Average Weekly Earnings (AWE) + 2.5% p.a. over rolling five-year periods.

For all other plans, the primary objective is to achieve a return of at least Consumer Price Index (CPI) targets over a specified rolling multi-year period. Returns are measured after investment fees and tax.

Over their respective time periods to 30 June 2023, most Readymade plans and defined benefit schemes delivered performance broadly in-line with primary objectives. Growth plans performed particularly well due to their higher Australian and international shares allocations. Only Conservative plans were meaningfully behind their primary objective due to a sharp rise in bond yields, especially in 2022, driven by an increase in inflation.

Secondary objectives

The secondary objective of each plan (except Cash plans which do not have a secondary objective) is to achieve an after fees return of at least the benchmark return over a rolling three-year period. The benchmark return is the weighted average of a plan's Strategic Asset Allocation (SAA) and the benchmark return for each asset class. The SAA is approved by the Treasurer and asset class benchmarks are determined by the Board.

The underlying asset classes of each plan are invested in the same manner across plans. Similarly, any asset allocation deviations from SAA are implemented in a consistent manner across plans. Therefore, reasons for out-performance or under-performance of secondary objectives are expected to be consistent across plans.

All plans met or exceeded their secondary objectives for the three-year period to June 2023. Plans benefited from above-benchmark returns in international shares, Australian shares and infrastructure.

The tables below show actual investment performance compared to performance targets for each plan.

Performance of West State Super plans

| Investment plan | Objective | Net plan return % p.a. ¹ | Target % p.a. ¹ | Relative performance % p.a. |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------|-----------------------------------|
| Cash plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods | 3.18 | 2.89 | 0.29 |
| Conservative plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees of at least CPI +2.0% p.a. over rolling five-year periods | 2.87 | 5.42 | (2.55) |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods | 2.59 | 2.54 | 0.05 |
| My West State Super plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees of at least CPI +3.0% p.a. over rolling seven-year periods | 6.07 | 6.01 | 0.06 |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods | 6.34 | 5.96 | 0.38 |
| Growth plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees of at least CPI +4.0% p.a. over rolling ten-year periods | 7.76 | 6.66 | 1.10 |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods | 8.51 | 7.77 | 0.74 |

¹ All plan returns are reported net of investment fees and costs. This includes all of the investment costs and any additional underlying costs relating to the investment. Net returns are the returns that members receive and are based on final audited numbers.

Performance of GESB Super plans

| Investment plan | Objective | Net plan return % p.a. ² | Target % p.a. ² | Relative performance % p.a. |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------|-----------------------------------|
| Cash plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods | 3.18 | 2.89 | 0.29 |
| Conservative plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +2.0% p.a. over rolling five-year periods | 3.09 | 5.42 | (2.33) |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 3.29 | 3.20 | 0.09 |
| Balanced plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +2.5% p.a. over rolling six-year periods | 4.76 | 5.70 | (0.94) |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 5.47 | 5.12 | 0.35 |
| My GESB Super plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +3.0% p.a. over rolling seven-year periods | 6.23 | 6.01 | 0.22 |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 7.84 | 7.34 | 0.50 |
| Growth plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +4.0% p.a. over rolling ten-year periods | 7.63 | 6.66 | 0.97 |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 9.77 | 9.06 | 0.71 |

² All plan returns are reported net of investment fees and costs and applicable taxes when compared against CPI plus objectives and net of investment fees and costs only when compared against secondary objectives and the Cash plan primary objective. This includes all of the investment costs and any additional underlying costs relating to the investment. Net returns are the returns that members receive and are based on final audited numbers.

Performance of Retirement Products

Allocated Pension

| Investment plan | Objective | Net plan return % p.a. ³ | Target % p.a. ³ | Relative performance % p.a. |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------|-----------------------------------|
| Cash plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods | 3.18 | 2.89 | 0.29 |
| Conservative plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +2.0% p.a. over rolling five-year periods | 2.94 | 5.42 | (2.48) |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 2.58 | 2.60 | (0.02) |
| Balanced plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +3.0% p.a. over rolling seven-year periods | 6.19 | 6.01 | 0.18 |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 6.27 | 5.94 | 0.33 |
| Growth plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +4.0% p.a. over rolling ten-year periods | 7.99 | 6.66 | 1.33 |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 8.47 | 7.77 | 0.70 |

³ All plan returns are reported net of investment fees and costs and inclusive of franking credits when compared against CPI plus objectives and net of investment fees and costs and excluding franking credits when compared against secondary objectives and the Cash plan primary objective. This includes all of the investment costs and any additional underlying costs relating to the investment. Where applicable, net plan returns will include administration fees prior to May 2015. Retirement products do not pay tax on investment earnings and are eligible for the benefit of franking credits. Net returns are the returns that members receive and are based on final audited numbers.

Transition to Retirement Pension

| Investment plan | Objective | Net plan return % p.a. ⁴ | Target % p.a. ⁴ | Relative performance % p.a. |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------|-----------------------------------|
| Cash plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods | 3.18 | 2.89 | 0.29 |
| Conservative plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +2.0% p.a. over rolling five-year periods | 2.75 | 5.42 | (2.67) |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 2.57 | 2.54 | 0.03 |
| Balanced plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +3.0% p.a. over rolling seven-year periods | N/A | 6.01 | N/A |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 6.28 | 5.94 | 0.34 |
| Growth plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +4.0% p.a. over rolling ten-year periods | N/A | 6.66 | N/A |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 8.46 | 7.77 | 0.69 |

⁴ All plan returns are reported net of investment fees and costs and applicable taxes when compared against CPI plus objectives and net of investment fees and costs only when compared to secondary objectives and the Cash plan primary objective. This includes all of the investment costs and any additional underlying costs relating to the investment. Net returns are the returns that members receive and are based on final audited numbers. Transition to Retirement commenced on 15 June 2017 therefore some multi-year returns are not available and reported as N/A.

Retirement Income – Term Allocated Pension

| Investment plan | Objective | Net plan return % p.a. ⁵ | Target % p.a. ⁵ | Relative performance % p.a. |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------|-----------------------------------|
| Cash plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods | 3.18 | 2.89 | 0.29 |
| Conservative plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +2.0% p.a. over rolling five-year periods | 2.94 | 5.42 | (2.48) |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 2.57 | 2.54 | 0.03 |
| Balanced plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +3.0% p.a. over rolling seven-year periods | 6.21 | 6.01 | 0.20 |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 6.29 | 5.94 | 0.35 |
| Growth plan | <ul style="list-style-type: none"> The primary objective is to achieve a return after investment fees and tax of at least CPI +4.0% p.a. over rolling ten-year periods | 7.92 | 6.66 | 1.26 |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after investment fees and before tax of at least the asset weighted benchmark return over rolling three-year periods | 8.48 | 7.77 | 0.71 |

⁵ All plan returns are reported net of investment fees and costs and inclusive of franking credits when compared against CPI plus objectives and net of investment fees and costs and excluding franking credits when compared against secondary objectives and the Cash plan primary objective. This includes all of the investment costs and any additional underlying costs relating to the investment. Where applicable, net plan returns will include administration fees prior to May 2015. Retirement products do not pay tax on investment earnings and are eligible for the benefit of franking credits. Net returns are the returns that members receive and are based on final audited numbers.

Gold State Super, Pension and Provident Account Schemes

| Investment plan | Objective | Net plan return % p.a. ⁶ | Target % p.a. ⁶ | Relative performance % p.a. |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------|-----------------------------------|
| Gold State, Pension and Provident Account | <ul style="list-style-type: none"> The primary objective is to achieve a return after fees of at least AWE +2.5% p.a. over rolling five-year periods | 5.79 | 5.46 | 0.33 |
| | <ul style="list-style-type: none"> The secondary objective is to achieve a return after fees of at least the asset weighted benchmark return over rolling three-year periods | 8.02 | 7.61 | 0.41 |

⁶ All scheme returns are reported net of investment fees and costs. This includes all of the investment costs and any additional underlying costs relating to the investment. Net returns are the returns received by the schemes and are based on final audited numbers.

Key efficiency indicators

GESB provides access to superannuation and retirement products, insurance cover through superannuation and a wide range of information, education services and resources for members. Value is delivered to members by providing efficient and cost effective superannuation and retirement products and services with above market-average, risk controlled net returns and highly rated member services including member education and information services.

1. Average administration cost per member account

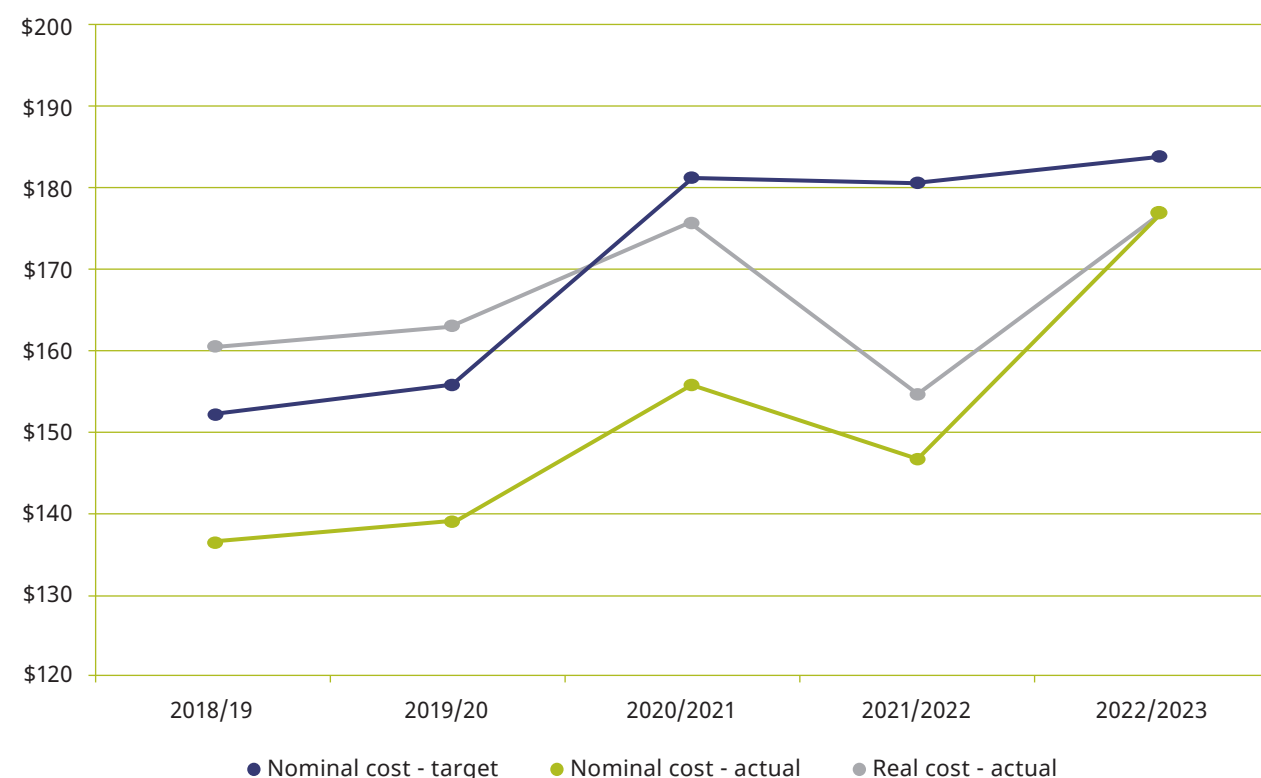
The average cost per member of administering the schemes has increased by 14.6% in real terms and 20.2% in nominal terms compared to the previous year and was 4.1% below target. Cost per member has increased slightly in 2022/23 due to increased costs across the organisation. In particular, GESB took on more projects in 2022/23 compared to 2021/22. Also attributable was a \$2.1m premium paid to AIA to cover claims resulting from Total and Permanent Disability (TPD) definition changes. Refer to Note 18 within the Financial Statements for more details on Administration Expenses.

Cost per member account is lower than budgeted for both Accumulation and Defined Benefit Schemes predominantly due to lower than budget administration expenses and higher than budget member numbers in the year. This was primarily driven by lower than planned spend on outsourced administration and information technology in 2022/23. Again, please refer to Note 18 of the Financial Statements for more detail.

| | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------|
| Nominal cost – target | \$151.87 | \$155.24 | \$180.96 | \$180.65 | \$184.06 |
| Nominal cost – actual | \$136.37 | \$138.84 | \$155.87 | \$146.87 | \$176.53 |
| Real cost – actual | \$160.25 ⁷ | \$162.99 ⁷ | \$175.60 ⁷ | \$154.07 ⁷ | \$176.53 |

⁷ Previous year Real Cost – Actual dollar figures will vary each year due to indexation. Indexation is based on the current June to June CPI.

Average cost per member account



2. Investment management expense ratio (investment management costs as a percentage of portfolio mean value invested)

The cost of managing GESB's investments is monitored closely. In addition to direct investment management costs incurred by GESB, external specialist investment managers are appointed to invest funds in specific asset classes. Both internal and external management costs have been included in determining this indicator to show the full investment management costs incurred by GESB. The indicator reflects investment management costs as a percentage of portfolio mean value invested for the year.

The investment management expense ratio (IMER) for 2022/2023 was 0.32%, compared to the budget IMER of 0.30%. The main contributor to the difference was higher than budgeted management fees and underlying unit trust costs plus performance fees paid to investment managers. This was driven by lower than budgeted total funds under management and equated to 0.275% against a budget of 0.26% for manager costs and 0.045% against a budget of 0.04% for performance fees.

Although the IMER was calculated using information received from investment managers in line with Regulatory Guide (RG97), transaction costs have been excluded. The IMER reflects the costs of managing the investments but excludes the costs of transacting on those investments. This approach allows GESB to report the costs of managing the Fund's investments more clearly. In member communications, such as member statements and Product Information Booklets, transaction costs and investment costs are included in the fees and costs for managing the investment for all investment plans, in line with RG97 requirements.

| Investment management expense ratio | Actual 2018/19 | Actual 2019/20 | Actual 2020/21 | Actual 2021/22 | Budget 2022/23 | Actual 2022/23 |
|--------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Investment management expense ratio – investment management costs as a percentage of portfolio mean value invested | 0.32 | 0.33 | 0.34 | 0.29 | 0.30 | 0.32 |

Appendix 1

Government goals

GESB’s contribution to the achievement of government goals is indirect as its priority is to act in the best interest of members, as far as practicable. GESB provides superannuation services to current and former public sector employees and their partners, while other government agencies provide services to all Western Australians.

Sustainable finances

GESB manages finances responsibly so as to support the efficient and effective delivery of services to members.

Appendix 2

Governing Legislation

During 2022/23, GESB operated under the following State governing legislation:

- *State Superannuation Act 2000*;
- *State Superannuation Regulations 2001*; and
- *Superannuation and Family Benefits Act 1938*¹.

State legislation impacting on activities

As a State public sector entity and employer, GESB was responsible for complying with a wide range of State legislation. This included:

- | | | |
|---------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------|
| • <i>Corruption and Crime Commission Act 2003</i> | • <i>Industrial Relations Act 1979</i> | • <i>Public Sector Management Act 1994</i> |
| • <i>Disability Services Act 1993</i> | • <i>Judges’ Salaries and Pensions Act 1950</i> | • <i>Salaries and Allowances Act 1975</i> |
| • <i>Electoral Act 1907</i> | • <i>Minimum Conditions of Employment Act 1993</i> | • <i>Stamp Act 1921</i> |
| • <i>Equal Opportunity Act 1984</i> | • <i>Occupational Safety and Health Act 1984</i> | • <i>State Records Act 2000</i> |
| • <i>Fair Trading Act 2010</i> | • <i>Parliamentary Commissioner Act 1971</i> | • <i>State Supply Commission Act 1991</i> |
| • <i>Family Court Act 1997</i> | • <i>Parliamentary Superannuation Act 1970</i> | • <i>Statutory Corporations (Liability of Directors) Act 1996</i> |
| • <i>Financial Management Act 2006</i> | • <i>Pay-roll Tax Assessment Act 2002</i> | • <i>Government Employees Superannuation Board (Policy Instruments) Regulations 2009</i> |
| • <i>Freedom of Information Act 1992</i> | • <i>Public Interest Disclosure Act 2003</i> | |

Significant Commonwealth legislation that directly or indirectly impact GESB

- | | | |
|-------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------------------|
| • <i>Age Discrimination Act 2004</i> | • <i>Financial Sector (Collection of Data) Act 2001</i> | • <i>Superannuation Guarantee (Administration) Act 1992</i> |
| • <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> | • <i>Financial Transaction Reports Act 1988</i> | • <i>Superannuation Industry (Supervision) Act 1993</i> |
| • <i>Competition and Consumer Act 2010</i> | • <i>Income Tax Assessment Act 1936 and 1997</i> | • <i>Superannuation (Unclaimed Money and Lost Members) Act 1988</i> |
| • <i>Corporations Act 2001</i> | • <i>Privacy Act 1988</i> ² | |
| • <i>Disability Discrimination Act of 1992</i> | • <i>Sex Discrimination Act 1984</i> | |
| • <i>Family Law Act 1975</i> | | |

¹ The provisions of the *Superannuation and Family Benefits Act 1938* are deemed to continue under Section 26 of the *State Superannuation (Transitional and Consequential Provisions) Act 2000*.
² While not required to comply with this legislation, as a matter of best practice GESB has implemented a Privacy Policy and procedures that adopt the guiding principles of the *Privacy Act 1988*.

Appendix 3

The Budget estimate 2023/24 reflects the Statement of changes in net assets and the Statement of net assets set out in GESB’s 2023/24 Statement of Corporate Intent. Budget estimates conform with AASB 1056.

Budget estimate 2023/24

Statement of changes in net assets

| | Budget 2024 |
|-----------------------------------------------------------------------------|-------------|
| For the financial year ending 30th June 2024 | \$'000 |
| Net assets available to pay benefits at the beginning of the financial year | 34,841,919 |
| Revenue | |
| Investment revenue | |
| Realised income | 572,996 |
| Realised changes in net market value of investment assets | 572,996 |
| Unrealised changes in net market value of investment assets | 763,995 |
| Income from investment | 1,909,987 |
| Superannuation revenue | |
| Contributions | |
| Member | 216,293 |
| Employer | 1,945,642 |
| Rollover into retirement products | 787,522 |
| Inward transfers | 888,555 |
| Member insurance benefits received | 52,071 |
| Other income | 7,834 |
| | 3,897,917 |
| Total revenue | 5,807,905 |
| Expenses | |
| Superannuation benefit payments | 3,702,776 |
| Administration expenses | 48,324 |
| Group life insurance premiums | 113,238 |
| Investment expenses | 106,734 |
| Changes in net market value of other assets | 288 |
| Total expenses | 3,971,360 |
| Changes in net assets before income tax | 1,836,544 |
| Income tax expense | 226,314 |
| Changes in net assets after income tax | 1,610,231 |
| Net assets available to pay benefits at the end of the financial year | 36,452,150 |

Statement of net assets

| | Budget 2024 |
|----------------------------------------------|-------------|
| For the financial year ending 30th June 2024 | \$'000 |
| Assets | |
| Cash and cash equivalents | 5,081 |
| Investments | 36,507,635 |
| Plant and equipment | 169 |
| Intangible assets | 560 |
| Receivables | 18,469 |
| Prepayments | 862 |
| Deferred tax assets | 5,877 |
| Total assets | 36,538,653 |
| Liabilities | |
| Contributions paid in advance | 2,045 |
| Unpaid and accrued liabilities | 242 |
| Payables | 28,116 |
| Provision for employee entitlements | 1,290 |
| Provision for post employment liabilities | 574 |
| Interest bearing loans and borrowings | - |
| Current tax liabilities | 54,235 |
| Total liabilities | 86,503 |
| Net assets available to pay benefits | 36,452,150 |

Contact

Member Services Centre 13 43 72
Facsimile 1800 300 067
PO Box J 755, Perth WA 6842

gesb.wa.gov.au

Issued by

Government Employees Superannuation Board
ABN 43 418 292 917