

Annual Report

2019/20

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.

Artwork story as told by the artist

This artwork is a follow on from the 'Reflect' artwork which is visible in the background and was displayed on the cover of GESB's 2018/19 Annual Report. It takes on a layered look, as we delve a bit deeper into actions of the 'Reflect' Reconciliation Action Plan. Developing and strengthening relationships by understanding the journey of how we got to the now and getting a deeper sense of the future.

Once again, I have used GESB's values as inspiration. The theme of water is continued through the use of waterways found in the design. The importance of water is pivotal in survival and brings connections, it brings lifestyle and it brings education.

The artwork to me is like zooming into the "Reflect" design and representing how water is so important. There are many meeting places along the water and the abundance of colour and life is obvious. There are many journeys and stories to tell. The design is heading in an upwards and continuous direction which captures the importance of moving into the 'Innovate' stage in GESB's Reconciliation journey.

Statement of compliance

In accordance with Section 61 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 2020.

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*

Responsible Minister

The Hon. Ben Wyatt LLB MSc MLA, Treasurer; Minister for Finance; Aboriginal Affairs; Lands was GESB's responsible Minister for the period 1 July 2019 to 30 June 2020.

Ministerial directives

No ministerial directives were received during 2019/20.

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GESB profile

Purpose

GESB's purpose is to look after members' superannuation with excellence.

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's corporate goal is improved long term superannuation benefits of our members.

GESB achieves its purpose by focusing on four objectives:

1. Financial outcomes for members
 - net benefit to members through low fees and delivery of returns that meet or exceed investment objectives.
2. Member experience
 - a positive experience for members when they engage with GESB. Give primacy to our members' perspective and be their advocate for appropriate outcomes.
3. Efficient and effective operations
 - value for money products and services, that meet members' needs. Insurance members can rely on. Sufficient scale to support continued achievement of member outcomes. Supporting employers in meeting their superannuation obligations efficiently and effectively.

4. Positive culture and stakeholders
 - a positive and supportive organisational culture underpinned by strong values. Highly regarded by stakeholders.

These objectives reflect GESB's focus on providing net benefits to members through sound investment returns, low fees and through increased member engagement with their superannuation.

GESB values

Members first

We are committed to providing excellent super and retirement products and services that meet members' needs. This includes meeting the needs of members who might need help with accessing information about their super, and the unique needs of our Aboriginal and Torres Strait islander members and employees

Sustainable performance

We are committed to consistently delivering well-regarded, value for money products and services with performance that meets or exceeds objectives.

Achieve together

We partner with our members, the WA Government, employers and other stakeholders to successfully deliver on our purpose.

Act with integrity

We approach every aspect of our work ethically, and operate transparently with full accountability. We demonstrate our sense of responsibility by taking ownership of issues to ensure a satisfactory outcome.

Report from the Chair

On behalf of our GESB Board, Executive Management Team and Employees, I'm pleased to present to you our 2019/20 Annual Report.

The investment environment

Investment markets experienced significant volatility over 2019/20 with a positive start to the year being offset by the economic fallout from COVID-19. The Australian share market declined by -7.6% over the year to 30 June, whilst overseas shares achieved a positive return of +0.8% in local currency terms. The weaker Australian dollar against the US dollar assisted Australian investors in offshore markets.

Over the year, bond yields continued to fall and remain close to historical lows. The Reserve Bank of Australia reduced the official interest rate four times over the year, which at year's end stood at 0.25%. While markets are no longer expecting further meaningful falls in interest rates going forward, they are anticipating that rates will stay low for an extended period of time.

Against this backdrop, GESB's Conservative, Cash and Fixed Interest investment options achieved positive returns, while returns from other plans were modestly negative.

For the 12 months to June 2020, the My GESB Super option delivered an after fees and taxes return of -1.47%^ and the My West State Super* option delivered an after fees return of -1.01%^.

This was the first time in more than ten years that the My GESB Super and My West State Super options achieved negative annual returns.

On a ten year basis, the My GESB Super option has delivered an after fees and taxes return of 7.25%^ p.a. and the My West State Super* option has delivered an after fees return of 7.72%^ p.a.

GESB's total funds under management, including member net inflows and investment performance, reduced slightly over the year to \$29.3 billion, from around \$29.5 billion at the start of the financial year.

With the full economic impact of COVID-19 being unknown, there remains significant uncertainty around

investment returns going forward. As economies gradually open up and the potential for a vaccine or treatment improve, there is the potential for investment markets to improve. Conversely, the possibility of future lockdowns and further COVID-19 outbreaks could see investment markets weaken.

In addition, a low interest rate environment means forward-looking returns on cash investments are likely to be lower than the past.

The year has reinforced that share markets can experience negative returns from time to time and these negative returns can be severe. On a long-term basis, however, returns remain strong and well-diversified investment portfolios have generally achieved returns in line with expectations. Whilst periods of instability and uncertainty can challenge investment returns in the short to medium term, GESB's investment strategies remain suitably diversified and appropriate for their longer term objectives.

Managing the impact of the coronavirus pandemic

The impacts of COVID-19 created a number of challenges for GESB and our service providers. The decision in 2017 to provide all staff with laptop computers assisted the smooth transition of all staff to work from home during April and May 2020. Using the Department of Finance's Virtual Private Network (VPN) ensured the safety and security of our systems was maintained at the highest standard during this period. Our leadership team and staff demonstrated outstanding flexibility and professionalism with productivity continuing at very high levels while working from home.



John Langoulant
Chair

^Returns are based on transactional unit prices.

*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.

Link Group, our provider of administration services, implemented a program of work to safeguard the servicing of all GESB accounts. Apart from the Member Services Centre, which was impacted by exceptionally high numbers of member calls, Link maintained normal service level standards for all core services during the pandemic.

Our global custodian, Northern Trust, continued to meet service standards and transactional deadlines during the pandemic. They operated with the majority of employees working from home, with only a small number of processing activities performed from office locations.

Northern Trust continuously monitored their operating model to ensure maximum resilience as market conditions and local regulations evolved. This included the redistribution of work to other global locations, additional training, and scaling of their employees ability to effectively work from home through investment in technology. Northern Trust was able to support all activities despite significantly increased transactional volumes, market volatility and associated fund activity.

Highly rated products and services

Our GESB Super, West State Super and Retirement Income Pension schemes were rated as 'top value for money' products and awarded the highest rating of platinum for the 13th consecutive year by SuperRatings in 2019.

We continue to strive to provide well-regarded, cost-effective services for our members. In October 2019, we successfully introduced interactive statement summaries, to give members a quick and easy way to keep track of their account.

During the year we also made improvements to our online tools and calculators, and implemented some significant enhancements to the insurance we provide to members within their superannuation.

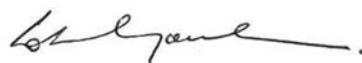
Thank you to our stakeholders

I would like to take this opportunity to thank all members of the Board, Audit and Risk Committee and Investment Committee for their dedicated work during the year.

In particular, I would like to thank Scott Ellis for his considered contribution to the Board. Scott stepped down from the Board after nine years of service, when his term expired in October 2019. Virginia Christie replaced Scott on the Board in November 2019.

I also recognise the commitment of all staff to meeting our members' needs and continuing to work collaboratively with outsourced providers, to ensure service standards have been maintained in what has been a challenging year.

In closing, I wish to affirm the Board's commitment to strong governance and robust stewardship of our members' funds, and to our purpose of looking after our members' super with excellence.



John Langoulant
Chair

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 Government reforms. We also introduced several initiatives to help ensure members have a positive experience when they engage with us.

State reform

Opting out of insurance made easy

The *State Superannuation Regulations* were amended during the year to enable members of GESB Super and West State Super to opt out of insurance over the phone by calling our Member Services Centre. This easy process complements our existing online opt-out process and paper-based form, providing members with a choice of channels to use.

Commonwealth reform

Business performance and member outcomes

Following amendments to the *Superannuation Industry (Supervision) Act*, and new prudential requirements which focus on improving member outcomes, we have finalised and implemented our Business Performance and Member Outcomes Framework. This describes how we manage our business operations in order to achieve the outcomes we seek for members, including rigorously assessing our performance and taking corrective action where necessary. Ultimately, the member outcomes process asks each fund to think critically about what outcomes the fund is aiming to achieve for its members and how the fund's business plan supports this.

ATO justified trust taxation review

In 2019 the ATO conducted a Justified Tax Review on GESB products. Justified Trust is a concept from the Organisation for Economic Cooperation and Development (OECD). The ATO Justified Trust program is aimed at building and maintaining community confidence that taxpayers are paying the right amount of tax.

Following several months of analysis and discussion, the ATO issued its final Streamlined Tax Assurance Reports (STAR) for GESB Super and RI. The ATO's report provided assurance that the right amount of Australian income tax has been paid for both schemes, and GESB has an appropriate tax risk management framework in place.

COVID-19 early release of super

In March 2020, Commonwealth legislation passed allowing members who were financially affected by COVID-19 to access up to \$10,000 of their super tax free in each of the 2019/20 and 2020/21 financial years. As GESB is an Exempt Public Sector Superannuation Scheme (EPSSS), our members need to apply to us directly, (rather than through the ATO), to access their super on compassionate grounds. Members who applied through the ATO were sent an SMS, email and/or letter, asking them to contact our Member Services Centre to complete their application.

Since 20 April 2020, we have processed 8,911* payments from West State Super and GESB Super accounts, paying a total of \$77.6m* to members. 94%* of eligible early release applications were paid within five business days.

SuperStream initiatives

During the 12 months to 30 June, 2020, we continued to implement initiatives related to SuperStream, which incorporates new standards for reporting to the ATO and Services Australia.

Our member initiatives

Online member statement summaries

During the year, we introduced online statement summaries to give members a quick and easy way to keep track of their account. We're pleased to report that statement summaries were well-received, with 73% of members we surveyed rating their statement summary between 8 and 10 out of 10. Some of the comments we received included:

- 'Easy to view and read'
- 'Clear, concise and easy to understand'
- 'Really helpful to compare fees, costs and investment returns'

Based on our members' feedback, we are introducing new features in our June 2020 statement summaries, including profiles of our investment plans and the option for members to print their summary. To find out more, visit gesb.wa.gov.au/statementsummary.

Protecting members' accounts

In May 2020, we successfully implemented an automated SMS and email service to notify members when we receive an electronic request to roll their super benefit out of GESB. This was designed to help mitigate against fraudulent withdrawals, by asking members to contact us immediately if they did not initiate a request. After receiving calls from members in response to these communications, a number of unauthorised payments were prevented from being made.

*As at 28 June 2020

Retirement Options Service improvements

We enhanced our Retirement Options Service (ROS) during the year, increasing the appointment time from 45 to 60 minutes at no additional cost to members. This allows time to document a summary of the discussion and provide specific handouts to support the topics covered in the appointment.

Activities of daily living definition removed

We have negotiated with AIA Australia, our insurance provider, to remove the Activities of Daily Living definition of Total and Permanent Disability (TPD) from our GESB Super and West State Super insurance policies. From 1 October 2019 onwards, all members who claim for TPD will have their claim assessed against their ability to work in a suitable occupation again.

Reconciliation Action Plan (RAP)

We recognise that building strong, respectful partnerships with Aboriginal and Torres Strait Islander peoples and communities is a vital step towards achieving reconciliation.

Last year, we launched our first Reconciliation Action Plan (RAP) in the 'Reflect' phase. Reconciliation Australia has recognised four phases for reconciliation: Reflect, Innovate, Stretch and Elevate.

Our 'Reflect' plan represented our formal commitment to the actions needed to begin our reconciliation journey towards improved outcomes for Aboriginal and Torres Strait Islander peoples.

During our 'Reflect' plan, we were involved in a number of initiatives including:

Big Super Day Out – an event arranged by the First Nations Foundation to help Indigenous Western Australians in Broome and Kununurra with their super

Aboriginal school-based traineeship – a paid traineeship for Year 11 and 12 students to get work experience in the public sector

NAIDOC morning tea – an internal event to celebrate the histories, cultures and achievements of Aboriginal and Torres Strait Islander peoples, catered by local Indigenous company Kuditi

Partnership with the Financial Counsellors of WA – which is aimed at helping particularly our Aboriginal and Torres Strait Islander members who live outside Perth

Working towards reconciliation is an ongoing and collaborative process. We'd like to thank everyone involved in our journey so far, including the Australian Institute of Superannuation Trustees Indigenous Superannuation Working Group, AUSTRAC, Indigenous Managed Services, Kuditi, Kulbardi and the WA Public Sector Commission for their ongoing input and support.

Our first RAP helped us to clarify our vision for reconciliation, and to scope and develop initiatives for improved outcomes and more engagement with Aboriginal and Torres Strait Islander peoples.

In September 2020 we will move into the next phase of reconciliation, and launch our 'Innovate' plan.

Member complaints

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.

In most cases, we're able to resolve member concerns over the phone, or promptly if it's a written complaint. If that's not possible, then we will follow our internal complaints process.

We will call the member or send them a letter or email to acknowledge their complaint within two working days. We will provide 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.

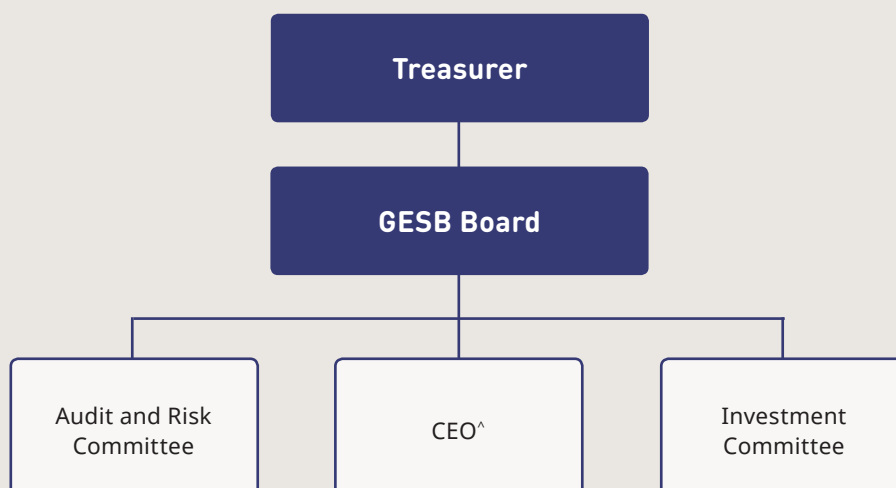
It does not cost members anything to access our complaints process.

During 2019/20 we received a total of 368 complaints. All complaints were acknowledged within two working days and a full response to the complaint provided within agreed timeframes. Fourteen members were dissatisfied with the response to their complaint and requested an independent review.

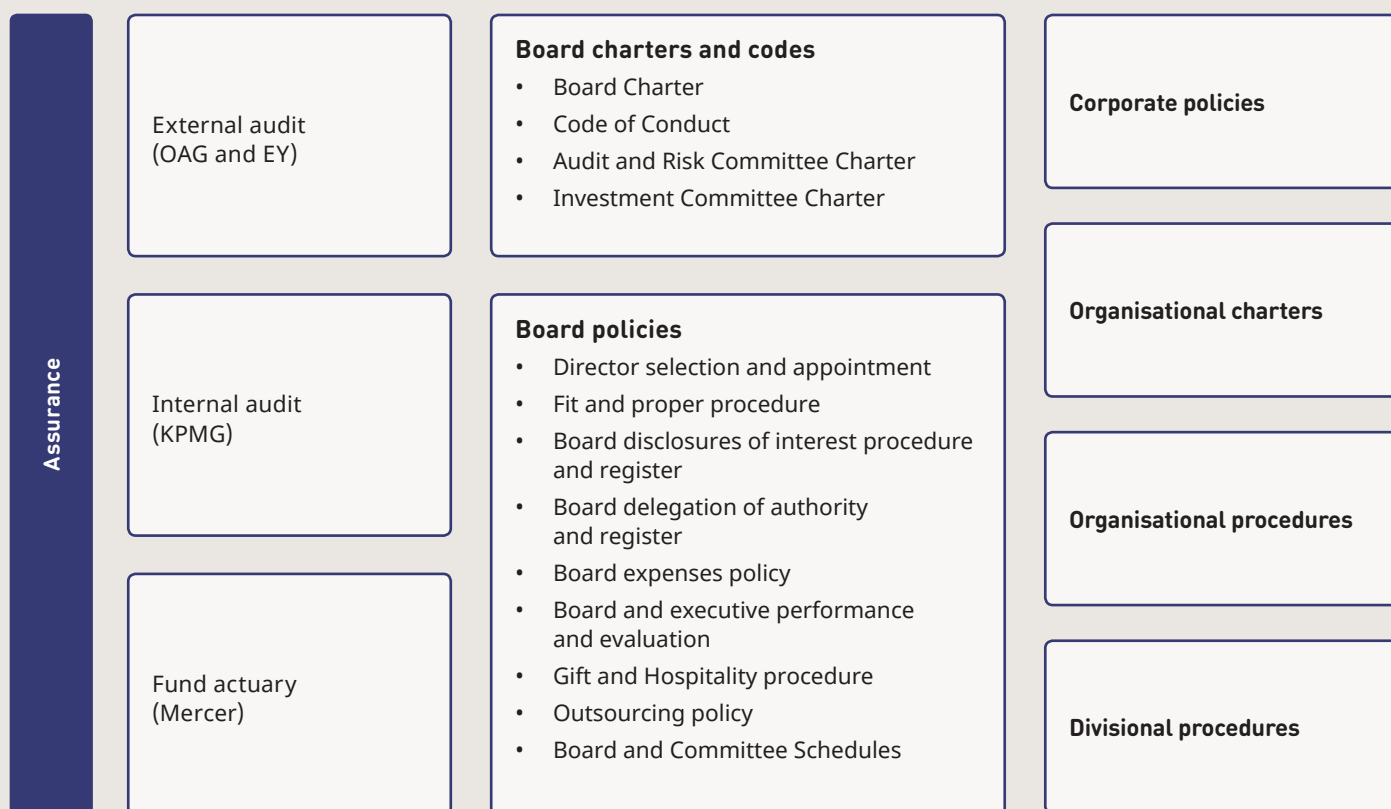
Fifty members escalated their complaint to an external complaints body.

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 and managing the fund and 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 19).

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 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 under any GESB administered scheme
- 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 Section 8 of the SSA as follows:

- the Chair is appointed by the Governor of the State of Western Australia on the nomination of the Minister 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 Minister 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



John Langoulant
Chair

Mr Langoulant was appointed to the GESB Board on 2 November 2010 and appointed as Chair of the Board in March 2011 for a term of five years. Mr Langoulant's appointment has been renewed for a second five-year term, effective 7 March 2016.

Mr Langoulant has extensive experience in government and the private sector, including as Under Treasurer of Western Australia.

Mr Langoulant's previous Chief Executive positions were at Oakajee Port & Rail Pty Ltd, Australian Capital Equity and the Chamber of Commerce and Industry of Western Australia.

Mr Langoulant holds several other Board Chair positions, including at Amana Living Incorporated, the Northern Territory's Power and Water Corporation, the Rottnest Island Authority, the Pawsey Supercomputing Centre, Infrastructure WA, The Lester Inc (formerly Artrinsic Inc) and the Dampier to Bunbury Gas Pipeline.

In addition Mr Langoulant is Chair WA for the Westpac Group, a Director of the National Disability Insurance Agency (NDIA) and Multinet Gas Limited. He is the Chair of Finance and Investment Committee for the Department of Communities, Chair of the Audit and Risk Committee for the Department of Education and Chair of the Fundraising Committee for WA Parks Foundation.



Virginia Christie
Employer Director

Ms Christie was appointed to the Board as Employer Director on 12 November 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 Officers Superannuation Fund Board of Trustees and was head of the RBA's WA office.

She is currently a non-executive Director of Keystart Loans Ltd, the Chamber of Commerce and Industry WA and a member of the Foundation Board of Management at St Mary's Anglican Girls' School. She is also on the State Advisory Council of the Committee for Economic Development of Australia (CEDA) WA.



Anne Gisborne
Member Director

Ms Gisborne was appointed to the Board as a Member Director on 8 February 2017, for a period of three years and has been re-appointed on 8 February 2020 for her second three-year term.

For more than 15 years, Ms Gisborne was an executive member of the State School Teachers' Union (SSTUWA), which looks after the interests of 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. During this time, she was also an executive member of the Australian Education Union. Between 2005 and 2013, Ms Gisborne completed two one-year terms as President of UnionsWA.

Ms Gisborne is currently employed as a teacher at the Education Department of Western Australia, and holds a Bachelor of Arts and Diploma of Education from the University of Western Australia.



Bruce Hawkins
Member Director

Mr Hawkins was appointed to the Board on 4 July 2018, as Member Director for period of three years. This is his first term serving on the Board.

Mr Hawkins graduated from TAFE with a Diploma of Management (Business).

His professional experience includes working in the public sector in a number of different roles. Mr Hawkins is currently the Treasurer for Community and Public Sector Union – Civil Service Association (CPSU/CSA), the CSA Representative on the Public Service Appeal Board and is an Executive Committee member of UnionsWA.

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.



Naomi McCrae
Member Director

Ms McCrae was appointed to the Board as a Member Director on 31 August 2018, for a period of three years. This is her first term serving the Board.

Ms McCrae is Secretary of the Health Services Union of Western Australia.

Previously she has been the Director of Legal and Industrial at the WA Branch of United Voice – a large, active Australian union with members from a wide range of occupations.

Prior to United Voice, Ms McCrae worked at the law firm Squire Patton Boggs, where she provided legal advice and representation on employment matters for a number of corporate and government clients. She also performed a range of advisory and management roles at the Media, Entertainment and Arts Alliance.

Her qualifications include a Bachelor of Laws and Bachelor of Arts from Murdoch University, and a Master of Art Administration from the University of New South Wales.



Catherine Nance
Employer Director

Ms Nance was appointed to the Board on 7 March 2011 for a period of five years, and has been re-appointed on 7 March 2016 for her second five-year term as Employer Director.

Ms Nance is a Partner and Actuary at PricewaterhouseCoopers (PWC), where she heads the national Retirement Incomes and Asset Actuarial Consulting Group.

Ms Nance has more than 20 years' professional experience advising governments, companies and superannuation funds in superannuation, employee benefits, investment consulting, aged care, finance and investment-related work.

Ms Nance has a BSc in Pure and Applied Mathematics and Physics and a BA in Statistics from the University of Queensland. She is an Affiliate of the Institute of Actuaries (London), a Member of the Chartered Financial Analysts Institute, a Fellow of the Financial Services Institute of Australasia and a Fellow of the Actuaries Institute of Australia.



Frank Sciarone
Employer Director

Mr Sciarone was appointed to the Board on 21 February 2016 as Employer Director for a term of five years.

Mr Sciarone holds a Bachelor of Business Degree (Economics and Finance) from Curtin University.

He holds a number of memberships including the Australian Institute of Company Directors, the Financial Planning Association, and the Association of Superannuation Funds of Australia (ASFA).

Mr Sciarone has extensive experience in the investment and wealth management industries, and as a trustee director of private and public sector superannuation funds.

Mr Sciarone is currently the Executive Chair of Vantage Wealth Management, the Chair of the Fire and Emergency Services Superannuation Fund and 12 Buckets Inc. (a charitable organisation) as well as a Director of several other private companies.

Thank you

The GESB Board would like to thank Mr Scott Ellis, former Employer Director, and recognise his valuable contribution during his time as a Board member.



Scott Ellis
Employer Director

Elected	2 November 2010
Re-elected	1 November 2013
Re-elected	1 November 2016
Concluded	31 October 2019

Meetings

The Board meets monthly other than in October, January and April. The number of meetings attended by each Director during 2019/20 is indicated below.

Director	Meetings held whilst a Director	Meetings attended
John Langoulant, Chair	9	8
Virginia Christie, Employer Director	5	5
Scott Ellis, Employer Director	3	2
Anne Gisborne, Member Director	9	9
Bruce Hawkins, Member Director	9	9
Naomi McCrae, Member Director	9	9
Catherine Nance, Employer Director	9	9
Frank Sciarrone, Employer Director	9	8

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.

The number of meetings attended by each committee member during the 12-month reporting period is indicated in the table below.

Member	Meetings held whilst a committee member	Meetings attended
Frank Sciarrone (Chair)	5	5
Virginia Christie	2	2
Scott Ellis	2	2
Anne Gisborne	5	5
Bruce Hawkins	5	5

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 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 committee member during the 12-month reporting period is indicated in the table below.

Member	Meetings held whilst a committee member	Meetings attended
John Langoulant (<i>Chair</i>)	4	4
Warren Bird	4	4
Anne Gisborne	4	4
Naomi McCrae	4	4
Catherine Nance	4	4
Frank Sciarrone	4	3
John Stroud	4	4

Corporate Governance and External Relations Committee

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

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 and the Australian Securities Exchange governance principles. 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 order to be sustainable in this environment, high standards of corporate governance are essential to ensure GESB fulfills State, Commonwealth, industry and regulatory compliance obligations, whilst acting in the best interests of members.

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 CEO and relevant business units to enable the day-to-day operation of the organisation, and
- 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 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* 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*.

Other duties under the *Statutory Corporations (Liability of Directors) Act 1996* include their duty to:

- act honestly in the performance of the functions of their office,
- exercise reasonable care and diligence in the performance of their functions,
- not make improper use of information acquired by virtue of their position, to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to GESB, and
- not make improper use of their position to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to GESB.

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 GESB would operate under a similar fit and proper standard for its Board Directors. This policy 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 Board's Fit and Proper Policy. The program is agreed annually with each Director and is tailored to meet their individual needs.

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.

GESB conducts staff surveys on a six-monthly basis to understand to what extent staff perceive that these values are upheld in GESB's operations.

Material interests

The Board has 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.

The Board manages and monitors any conflicts or potential conflicts. It relies on the honesty and integrity of each of the Directors to ensure individual Directors discharged their duties to the Board.

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 is 9.50%.

Name of board/committee – GESB Board

Position	Name	Type of remuneration	Period of membership	Gross / actual remuneration including Superannuation
Chair	John Langoulant	Annual	12 months	\$118,256
Employer Director	Virginia Christie	Annual	8 months	\$38,660
Employer Director	Scott Ellis	Annual	4 months	\$20,468
Employer Director	Catherine Nance	Annual	12 months	\$59,128
Employer Director	Frank Sciarrone	Annual	12 months	\$59,128
Member Director	Anne Gisborne	Annual	12 months	No Payment
Member Director	Bruce Hawkins	Annual	12 months	\$58,938^
Member Director	Naomi McCrae	Annual	12 months	\$59,128*
Total				\$413,705

Name of board/committee – Audit and Risk Committee

Position	Name	Type of remuneration	Period of membership	Gross / actual remuneration including Superannuation
Chair	Frank Sciarrone	Annual	12 months	\$5,557
Member	Virginia Christie	Annual	8 months	No Payment
Member	Scott Ellis	Annual	4 months	No Payment
Member	Anne Gisborne	Annual	12 months	No Payment
Member	Bruce Hawkins	Annual	12 months	No Payment
Total				\$5,557

Name of board/committee – Investment Committee

Position	Name	Type of remuneration	Period of membership	Gross / actual remuneration including Superannuation
Chair	John Langoulant	Annual	12 months	\$8,891
Member	Warren Bird	Annual	12 months	\$13,337
Member	Catherine Nance	Annual	12 months	\$8,891
Member	Frank Sciarrone	Annual	12 months	\$8,891
Member	Naomi McCrae	Annual	12 months	*\$8,891
Member	John Stroud	Annual	12 months	\$13,337
Member	Anne Gisborne	Annual	12 months	No Payment
Total				\$62,240

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.

*Paid to Board member's employer.

^System calculation lead to underpayment of \$190 in FY20. Arrears to be paid in 2021 FY.

Risk management

GESB has a considered approach to risk management and its risk management framework sets out GESB's approach to the identification and management of material risks.

Material operational and strategic risks are managed in accordance with GESB's risk environment which reflects its internal environment and developments in the wider superannuation industry.

GESB's risk environment is influenced by State Government policy, the Heads of Government Agreement (HoGA) between the Commonwealth and the State and the requirements of both State and Commonwealth legislation and Regulators.

GESB continues with a program of operational risk reviews focussed on the areas within the organisation with the greatest exposure to risk. This schedule of work assists with the identification of improved controls and assurance activities. This exercise also further embeds GESB's risk-aware culture throughout all areas of the business.

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 control environment. This ensures that GESB remains vigilant to the threat of fraudulent access to members' benefits and/or identity theft.

GESB also continues to refine and update its Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) program to comply with the requirements for Reporting Entities.

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 meets 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 Act*, 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 Australian Standard on Compliance Program AS 3806-2006 and is consistent with Commonwealth regulatory standards and industry good practice.

The compliance framework 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 with both taxed and untaxed schemes operating within the Government Employees Superannuation Fund.

The framework provides mechanisms to ensure that incidents are detected and managed appropriately. Ongoing monitoring and reporting in accordance with the compliance program provides assurance to the Board, executives and other stakeholders that adequate systems and processes are in place and working effectively to ensure GESB and its employees are meeting their legislative obligations and operating in accordance with corporate policies and procedures.

The Compliance Program assists in informing GESB's risk profile to ensure it adequately reflects the operational environment. GESB monitors its risk and compliance performance against established key performance indicators.

GESB continues to work with 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.

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

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, and
- a rigorous Investment Manager review process encompassing due diligence, selection and ongoing review.

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 7).

Employers

GESB's Key Account Management (KAM) team meet regularly with senior executives in the public sector to:

- discuss legislative or industry changes that may impact superannuation,
- explain the superannuation obligations of employers under the *State Superannuation Regulations 2001*,
- provide support for ad hoc operational issues arising,
- encourage employers to partner with GESB as part of their wellness or employee benefit program to deliver superannuation education services, and
- ensure there is a regular exchange of information between employers and GESB on all superannuation related matters.

GESB also provides assistance to employers' payroll staff, to ensure timely and efficient contribution data transmission and payment.

A key focus of the KAM team is to engage with regional members through:

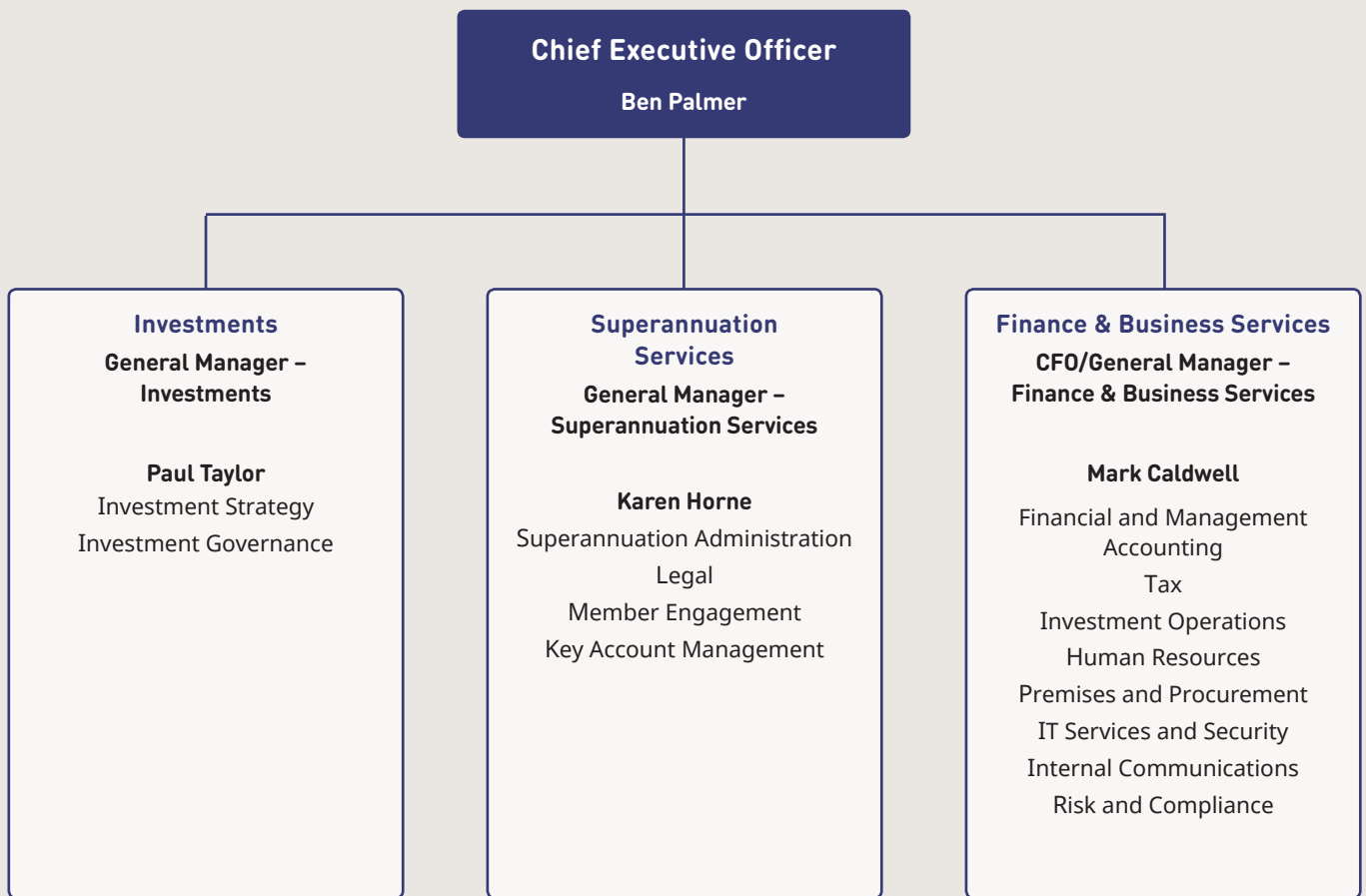
- development and implementation of a webinar program providing regional and remote members access to GESB's information and education seminars,
- member seminars held in various regional centres.

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, Health Services Union of WA and the State School Teachers' Union of WA.

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

Organisational structure



Other 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 were 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.

Disability Services Act 1993

GESB's Disability Access and Inclusion Plan 2016-21 (DAIP) meets the requirements of the *Disability Services Act 1993, and Regulations 2004*, and outlines our disability access and inclusion priorities and plans and builds upon achievements. Progress on our outcomes is reported annually to the Department of Communities, Disability Services. GESB is committed to providing its members with access to information about superannuation options and entitlements, regardless of impairment. GESB continues to improve our information and communication area of its DAIP both for members and staff. Our communications and digital teams have participated in accessibility training and have developed comprehensive guidelines for our website's content management system.

GESB is now fully compliant with the *Web Content Accessibility Guidelines (WCAG 2.0)*. Our comprehensive Member online website includes a Retirement Planning calculator, accessible fact sheets, forms and brochures, and feedback forms in alternate formats such as audio and large text. GESB offers webinars and member education seminars to members, the latter held in venues suitable for those with disability to attend. Throughout the COVID-19 which began in March 2020, use of webinars and other online services increased with member demand for a safe option to access information. GESB also introduced a 'Click to chat' option for members this year.

GESB provides staff experiencing accessibility issues with extra support through its evacuation planning and processes to ensure their safety should an emergency occur.

GESB continues its collaboration with Good Samaritan Industries (GSI) providing work experience to young people with disability.

Public interest disclosure

GESB's Public Interest Disclosure Policy and Procedures continued to be maintained in compliance with the *Public Interest Disclosure Act 2003*. This facility provided GESB Directors and staff with a confidential means of disclosing public interest information. No public interest disclosures were made in 2019/20.

Compliance with public sector standards

GESB's Code of Conduct and related policies are compliant with the Public Sector Standards in Human Resource Management and WA Public Sector Code of Ethics. All policies and procedures are available to staff online through the intranet and form part of our induction program for new employees.

GESB continued to monitor and ensure compliance with standards of ethical conduct by:

- Conducting compulsory online staff compliance training (SAFETRAC) within a rolling 12-month cycle, which encompasses all applicable items specified in the Public Sector Commission's Accountability and Ethical Decision Making Framework. The courses are reviewed and updated regularly.
- Having a Code of Conduct in place, to incorporate the official conduct requirements specified under the Public Sector Commissioner's Instruction No.8.
- During 2019/20, GESB received no breach claims in relation to the Public Sector Standards of Human Resource Management. Human Resources officers provide advice, support and guidance to managers and employees in relation to the Standards.

Number of full time equivalent employees (FTE) as at	30 June 2019	30 June 2020
Permanent public service officers	40.9	42.83
Fixed term public service officers	3.5	6.80
State Superannuation Act (SSA) employees	1.0	1.0
Total	45.4	50.63

Occupational health and safety management governance

The Occupational Health and Safety (OHS) Management Framework comprises of the Health, Safety and Well-being Policy approved by the Board. This was reviewed and updated this year. GESB demonstrates its commitment to OHS at all levels of the business. GESB assesses its performance in accordance with the Public Sector Commissioner's Circular 2018-03.

Occupational health, safety and injury management

GESB is committed to continuous review and improvement of workplace safety and health, and actively promotes a safe and healthy working environment with a focus on prevention consistent with the principal objective of the Occupational Safety and Health Act 1984.

Occupational health and safety committee

The committee actively works in conjunction and consultation with executive, staff and management to provide a range of initiatives and safety features. Its role is to provide safety and health leadership and to review policies and procedures related to health and safety. Members of the committee also investigate all incidents, hazards and near misses and organises hazard inspections. This year it also assisted with COVID-19 preparations and related ongoing staff and visitor safety needs. The committee consists of employee and employer representatives, First Aid officers, Fire Wardens, and union representation. The Manager People and Business services attends committee meetings to ensure any issues of concern get a direct and immediate response. Minutes are placed on GESB's Intranet and a monthly report is provided to the CEO. Items related to Occupational Health and Safety (OHS) are included as part of the minutes for the Joint Consultative Committee (JCC).

The JCC, which meets monthly, is made up of GESB's elected union delegates, the Manager People and Business services and other senior representatives from the business. All safety matters related to the premises and residents are included in the agenda for David Malcolm Justice Centre fortnightly tenant meetings which are attended by a GESB representative.

GESB's business continuity procedures specifically provide for employee safety and well-being through an Emergency Response Plan, along with supporting procedures.

Well-being

Staff have access to a range of initiatives including free flu vaccinations, healthy heart checks and skin checks and paid time off to donate blood. Other benefits include fruit in the workplace, subsidised eye testing and eyewear and the opportunity to participate in community events such as the City to Surf fun run. Staff are encouraged to use public transport, walk, or bike to work, and enjoy end of trip facilities. This advice was put on hold during March and April because of COVID-19 restrictions. All staff have sit/stand workstations and access to regular workstation assessments. Staff working from home have their work areas assessed for suitability and functionality and have access to flexible working arrangements. A Lunch and Learn session on flexibility at work was held to communicate the available options for staff.

Staff are actively encouraged to take regular breaks to prevent stress and to avoid manual handling issues. They are also encouraged to use leave entitlements and not attend work when showing signs of flu. Lunch and Learn sessions on a range of topics are provided to staff on a regular basis. Staff are kept informed of GESB OHS matters at monthly all of staff briefings. On line information sessions are regularly provided to staff; these included working from home safety and workstation set up, returning to the workplace during COVID-19, and an updated session on racial harassment which includes unconscious bias.

Workers compensation and injury management

GESB provides support for staff affected by illness or injury in the workplace. The aim is for early return to meaningful work for its employees. There are documented procedures for looking after staff involved in workplace accidents and incidents involving lost time injuries and Worker Compensation claims. GESB has trained First Aid Officers available as a first line of assistance and provides return to work programs for staff injured within the workplace. RiskCover, a division of the Insurance Commission of WA, manages GESB's insurance obligations for OHS risk events.

GESB's performance against targets set in Public Sector Commissioner's Circular 2018-03 is shown in the table below.

Occupational Safety, Health and Injury Management indicators

Indicator	2017/18	2018/19	2019/20	Targets
Number of fatalities	0	0	0	Achieved
Lost Time injury/disease incident rate	2.38%	0	0	0 or 10% reduction achieved
Lost Time injury severity rate	0	0	0	Achieved
Percentage of injured workers returned to work within (i) 13 weeks	100%	N/A	N/A	N/A
Percentage of injured workers returned to work within (ii) 26 weeks	N/A	N/A	N/A	N/A
Percentage of Managers trained in OHS responsibilities including refresher training	100%	100%	100%	Achieved

Education and training

Induction

All new staff and contractors received a comprehensive induction that includes coverage of GESB's Code of Conduct, OSH policies, grievance resolution processes, DAIP, RAP, SAFETRAC and the Employee Assistance programme. This year in line with our diversity strategies some of the modules are now available on line as a video presentation which can be viewed by new and current employees at any time including from home.

SAFETRAC

All staff are required to complete 13 online annual refresher training modules as part of GESB's compliance framework. The modules cover a range of topics, including Workplace Ethics, IT Security Awareness, Occupational Health and Safety and Resilience and Mental Health. New modules are introduced as required.

Safe spaces initiative

GESB continues to support staff and their families by providing positive action through formal arrangements for staff subjected to domestic violence. In line with the Premier's Circular 2017/07 (Family and Domestic Violence) and 'Safe Spaces Guide for public sector agencies and employees', GESB introduced a Family and Domestic Violence – Paid Leave and Workplace Support Policy for staff. This was reviewed and updated this year and a range of resources for employees were created. This demonstrates how GESB provides a supportive environment for employees if they experience domestic or family violence.

Employee diversity profile

GESB strives to be an employer of choice and supports equal employment opportunities and workplace diversity. Our employment practices align with the Public Sector Commission's Employment Standards and are designed to be transparent and based on the principals of merit and equity. GESB continues to support, promote and encourage diversity within our workforce through its recruitment, development and retention of staff. Our workforce plan target areas include increased employment for youth via a partnerships with Good Samaritan Industries, where GESB provides opportunities for young people to gain valuable work experience; and traineeships for young Aboriginal and Torres Strait Islander people through participation in the The Public Sector Commission Aboriginal School Based Traineeship Programme. This initiative also forms part of our Reconciliation Action Plan.

Substantive Equality and Diversity

GESB recognises the diversity of our employees and our stakeholders and continues to offer a range of support, to its employees to balance work and family responsibilities. These include flexible working hours, availability of purchase leave, working from home, part-time work opportunities and paid Parental leave. A lunch and learn session on 'Benefits of flexibility in the workplace' was provided to staff and the video placed on our Intranet for reference.

Diversity group	2018/19 %	2019/20 %
Women	49.1	51.7
Employees from culturally diverse backgrounds	13.2	15.5
Indigenous Australians	1.9	1.7
Employees with Disability	3.8	3.4
Youth (under 25 years)	1.9	5.2
Mature workers	41.5	48.3
Women in Tier 2 roles	33.3	25.0
Women in Tier 3 roles	33.3	30.0

Figures derived from the 2019/20 Equity Index figures gathered from the Public Sector Commission Diversity Questionnaire completed by all GESB employees.

Electoral Act 1907

GESB incurred \$82,175 total expenditure for 2019/20 to undertake member and employer satisfaction surveys and research into members' investment behaviour.

	2018/19	2019/20
Advertising agencies	Nil	Nil
Market research organisations Research Solutions	\$92,798	\$82,175

Record keeping plan

Section 19 of the *State Records Act 2000* requires all state government agencies to have an approved Recordkeeping Plan (RKP). GESB's current RKP was approved by the State Records Commission and is valid until 2020. Agencies must also review their plan every five years or when there is significant change to the organisation's functions. Our current RKP (2015) is currently under review and will be completed in December 2020.

The plan acknowledges our responsibility to ensure all employees are aware of their compliance responsibilities and provided with training in these areas.

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

Staff training and awareness

- GESB staff receive induction and refresher training in relation to the agency's record-keeping policies, practices and procedures through an online self-paced course.
- Focused training sessions are scheduled with every team every six months. In addition to this training, experienced Information Management staff are available to provide recordkeeping advice and Electronic Document Records Management System training on a one-on-one, ad hoc or project basis.
- Information management staff receive regular specialist external training such as the Freedom of Information Coordinator workshops.
- Fact sheets have been created for staff training purposes and are available on the corporate intranet 'The Hive' and within our Records System.
- Staff communications on records management or the records system are provided regularly.

Performance indicators

- Performance indicators on the efficiency and effectiveness of recordkeeping programs and systems are submitted to GESB's People and Business Services Division on a monthly basis.
- Reported statistics include Record creation by business area; Year comparisons; user activity; System maintenance tasks; and archive management.

Evaluation of recordkeeping systems

A compliance audit program is in place to audit GESB against the record-keeping plan every three years.

The system infrastructure is maintained to at latest release levels to ensure equivalence with required standards.

The use of the recordkeeping system is regularly audited to ensure its effectiveness and efficiency in meeting compliance and operational requirements as well as the use of new functionality.

A review of our Retention and Disposal procedure was undertaken recently. As a result, the disposal process was updated taking advantage of the workflow functionality within HPCM.

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 2019/20 no GESB card holders inadvertently utilised corporate credit cards for personal purchases.

	2019/20
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

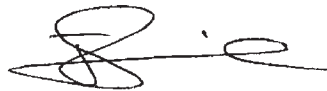
Certification of the financial statements

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 2020, and the financial position as at 30 June 2020.

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 Caldwell
Chief Financial Officer
2 September 2020



F Sciarrone
Director
2 September 2020



JL Langoulant
Chair
2 September 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	NOTE	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	27	100,273	115,692
Receivables	9	268,534	622,800
Employer-sponsor receivables	10	3,833,092	3,478,379
Investments			
Cash and term deposits	8	3,643,895	4,073,381
Australian equities	8	4,845,357	5,374,363
International equities	8	8,889,838	8,914,041
Units in unit trusts	8	3,868,680	3,733,411
Other interest-bearing securities	8	7,770,982	7,365,975
Derivative assets	8	487,567	231,546
Plant and equipment	11	75	72
Intangible assets	12	29	174
Deferred tax assets	18	8,085	–
Total assets		33,716,407	33,909,834
Liabilities			
Derivative liabilities	8	(136,466)	(255,443)
Payables	13	(284,294)	(463,973)
Provision for employee benefits	14	(1,800)	(1,537)
Provision for post-employment benefits	15	(1,173)	(1,141)
Interest-bearing loans	16	(58,107)	(114,870)
Income tax payable	18	(11,915)	(35,134)
Deferred tax liabilities	18	(49,532)	(55,317)
Total liabilities excluding member benefits		(543,287)	(927,415)
Net assets available for member benefits		33,173,120	32,982,419
Member benefits			
Defined contribution member liabilities	3	(26,380,622)	(26,343,992)
Defined benefit member liabilities	4	(6,086,024)	(5,678,867)
Total member benefits		(32,466,646)	(32,022,859)
Net assets		706,474	959,560
Reserves			
Other reserves	17	(167,813)	(103,000)
Operational risk reserve	17	(76,187)	(133,731)
Defined benefits that are over funded	5	(462,474)	(722,829)
Total reserves		(706,474)	(959,560)

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

Income Statement for the year ended 30 June 2020

	NOTE	2020 \$'000	2019 \$'000
Income			
Interest	19	265,762	313,008
Dividends	19	400,464	444,580
Distributions	19	92,880	289,224
Changes in assets measured at fair value	19	(1,178,524)	1,033,839
Other investment income	19	416	2,617
Changes in loans measured at fair value	16	3,778	4,093
Other income	20	7,321	7,446
Total income		(407,903)	2,094,807
Expenses			
Administration expenses	21	(37,834)	(37,964)
Investment expenses	19	(66,584)	(63,266)
Depreciation and amortisation	22	(176)	(173)
Loan interest expenses	16	(5,651)	(9,342)
Total expenses		(110,245)	(110,745)
Net result from operating activities			
		(518,148)	1,984,062
Net benefits allocated to defined contribution member accounts		175,175	(2,124,822)
Net change in defined benefit member liabilities		(247,927)	764,831
Net result before income tax		(590,900)	624,071
Income tax benefit/(expense)	18	35,584	8,694
Net result after income tax		(555,316)	615,377

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

Statement of changes in member benefits for the year ended 30 June 2020

	DC Members \$'000	DB Members \$'000	Total \$'000
Opening balance as at 1 July 2019	26,343,992	5,678,867	32,022,859
Contributions:			
Employer	1,477,140	467,322	1,944,462
Member	191,014	8,107	199,121
Transfers from other superannuation plans	445,786	–	445,786
Government co-contributions	722	–	722
Income tax on contributions	(164,234)	–	(164,234)
Net after tax contributions	1,950,428	475,429	2,425,857
Benefits to members/beneficiaries	(1,681,710)	(317,192)	(1,998,902)
Insurance premiums charged to member accounts	(103,370)	–	(103,370)
Death and disability insurance benefits credited to member accounts	51,730	–	51,730
Reserves allocated to/(from) members:			
General reserve	(5,273)	–	(5,273)
WSS government guaranteed payment reserve	–	993	993
Net benefits allocated to/(from) defined contribution member accounts, comprising:			
Net investment losses	(139,891)	–	(139,891)
Administration fees	(35,284)	–	(35,284)
Net change in defined benefit member accrued benefits	–	247,927	247,927
Closing balance as at 30 June 2020	26,380,622	6,086,024	32,466,646
	DC Members \$'000	DB Members \$'000	Total \$'000
Opening balance as at 1 July 2018	24,110,146	6,227,683	30,337,829
Contributions:			
Employer	1,450,946	567,715	2,018,661
Member	196,316	8,938	205,254
Transfers from other superannuation plans	367,141	–	367,141
Government co-contributions	746	–	746
Income tax on contributions	(177,878)	–	(177,878)
Net after tax contributions	1,837,271	576,653	2,413,924
Benefits to members/beneficiaries	(1,668,116)	(361,913)	(2,030,029)
Insurance premiums charged to member accounts	(101,976)	–	(101,976)
Death and disability insurance benefits credited to member accounts	51,840	–	51,840
Reserves allocated to/(from) members:			
General reserve	(9,995)	–	(9,995)
WSS government guaranteed payment reserve	–	1,275	1,275
Net benefits allocated to/(from) defined contribution member accounts, comprising:			
Net investment income	2,162,601	–	2,162,601
Administration fees	(37,779)	–	(37,779)
Net change in defined benefit member accrued benefits	–	(764,831)	(764,831)
Closing balance as at 30 June 2019	26,343,992	5,678,867	32,022,859

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

Statement of changes in reserves for the year ended 30 June 2020

	Defined benefits that are over funded \$'000	Other reserves \$'000	Operational risk reserve \$'000	Total reserves \$'000
Opening balance as at 1 July 2019	722,829	103,000	133,731	959,560
Transfers from defined contribution member accounts	-	4,280	-	4,280
Transfers between reserves	-	59,125	(59,125)	-
Movement in WATC loan recoverable from State	(56,763)	-	-	(56,763)
Movement in employer-sponsor receivables	354,713	-	-	354,713
Net result	(558,305)	1,408	1,581	(555,316)
Closing balance as at 30 June 2020	462,474	167,813	76,187	706,474

	Defined benefits that are over funded \$'000	Other reserves \$'000	Operational risk reserve \$'000	Total reserves \$'000
Opening balance as at 1 July 2018	593,248	126,875	92,979	813,102
Transfers from defined contribution member accounts	-	8,720	-	8,720
Transfers between reserves	-	(35,207)	35,207	-
Movement in WATC loan recoverable from State	(53,634)	-	-	(53,634)
Movement in employer-sponsor receivables	(424,005)	-	-	(424,005)
Net result	607,220	2,612	5,545	615,377
Closing balance as at 30 June 2019	722,829	103,000	133,731	959,560

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

Statement of cash flows for the year ended 30 June 2020

	NOTE	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Interest received		283,088	308,326
Dividends received		414,142	445,238
Distributions received		89,606	307,943
Insurance recoveries		51,808	51,874
Administration expenses paid		(36,276)	(40,000)
Investment expenses paid		(72,362)	(83,887)
Insurance premiums paid		(103,367)	(102,048)
Other investment income received		416	2,617
Other income received		7,414	7,336
Income tax refund		6,541	14,062
Net cash inflows from operating activities	27	641,010	911,461
Cash flows from investing activities			
Purchase of investments		(41,070,159)	(24,052,945)
Proceeds from sale of investments		40,058,747	22,815,962
Purchase of plant and equipment		(35)	(62)
Net cash outflows from investing activities		(1,011,447)	(1,237,045)
Cash flows from financing activities			
Employer contributions received		1,942,189	2,025,916
Member contributions received		199,627	205,599
Transfers from other superannuation plans received		445,786	367,141
Government co-contributions received		722	746
Benefits paid to members/beneficiaries		(2,002,503)	(2,028,390)
Income tax paid on contributions received		(172,167)	(197,215)
Repayment of loans and borrowings		(58,636)	(58,883)
Net cash inflows from financing activities		355,018	314,914
Net decrease in cash and cash equivalents		(15,419)	(10,670)
Cash and cash equivalents at beginning of financial year		115,692	126,362
Cash and cash equivalents at the end of financial year	27	100,273	115,692

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

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Notes to the financial statements for the year ended 30 June 2020

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. As a result of treating TBA mortgage-backed investments as forward derivatives in the current year, their associated assets and liabilities are now presented on a net basis, instead of gross. The 2019 information was re-classified as a result, which reduced investment – other interest-bearing securities, investment receivable and investment payable at 30 June 2019 by \$456.3 million, \$409.8 million and \$863.6 million respectively and increased derivative assets by \$2.5 million from the information previously presented.

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 the Government Employees Superannuation Board on 2 September 2020.

b) New Accounting Standards and Interpretations

The Fund applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 July 2019.

The new and revised standards and amendments thereof and interpretations effective for the current financial year that are relevant to the Fund included:

AASB 15 Revenue from Contracts with Customers ('AASB 15')

The Fund adopted *AASB 15 Revenue from Contracts with Customers* on 1 July 2019.

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards, unless another standard is applied. The Standard replaces *AASB 118 Revenue* and *AASB 111 Construction Contracts* and establishes a five-step model to account for revenue

arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from AASB 118 to AASB 9 without significant changes to the requirements. Management has assessed the impact of AASB 15 adoption on the Fund's financial statements on the transition date. Given all of the Fund's material income streams are investment related and had been assessed under the transition from AASB 139 to AASB 9 in 2019, there was no material impact of adopting AASB 15 for the Fund.

AASB 1058 Income of Not-for-Profit Entities ('AASB 1058')

The Fund adopted *AASB 1058 Income of Not-for-Profit Entities* on 1 July 2019.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit ('NFP') entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

There was no material impact of adopting AASB 1058 as the Fund's income is primarily derived from investment income.

AASB 16 Leases ('AASB 16')

AASB 16 Leases supersedes *AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives* and *Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single balance sheet model in a similar way to finance leases under AASB 117.

AASB 16 provides two recognition exemptions for leases, namely, short-term (i.e. leases with a lease term of 12 months or less) and low-value. The Standard does not define 'low-value' assets in monetary terms. However, for clarity, the Fund considered assets as 'low-value' where the underlying assets are valued less than \$5,000.

The Fund adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. As permitted under the specific transition provisions in the Standard, comparatives have not been restated. The cumulative effect of initially applying this Standard is to be recognised as an adjustment to the opening balance of retained earnings. The Fund elected to use the transition practical expedient method. This enabled the Fund to not have to reassess whether a contract is a lease, or contains a lease at 1 July 2019. Instead, the Fund applied the Standard only to contracts that were previously identified as leases applying AASB 117 at the date of initial application.

Based on the assessment undertaken by the Fund there was no material impact of adopting AASB 16 on the Fund.

There were no other new or amended standards and interpretations that became effective for the first time for the reporting period that were relevant 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 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
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material This Standard amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	1 January 2020	1 July 2020

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 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 fair value through profit or loss 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 fair value through profit or loss. Subsequent changes in the fair value of those instruments are recorded as 'changes in assets 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 - valuation techniques for which lowest level input that is significant to the fair value measurement of the asset or liability is directly (i.e. as prices) or indirectly (i.e. derived from prices); 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, 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 \$1m are normally settled within 14 days (as per a recent State Government initiative) and payables over \$1m are normally settled within 30 days.

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

g) Plant and equipment

Plant and equipment are initially recognised at cost. Subsequent to initial recognition, they are carried at historical cost less accumulated depreciation and any accumulated impairment losses, which is considered a reasonable approximation of fair value.

Plant and equipment is depreciated using the straight-line method over their expected useful life ranging from 4 to 5 years, depending on the nature and use of the asset. The useful life is reviewed periodically, and adjusted where necessary to ensure the remaining useful life continues to be appropriate.

Items costing less than \$5,000 are expensed in the year of acquisition.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

h) Intangible assets

All acquired and internally developed intangible assets are initially measured at cost.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and any accumulated impairment losses, which is considered a reasonable approximation of fair value.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on a straight-line basis using rates which are reviewed annually. All intangible assets controlled by the Fund have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Computer software costs	3-5 years
Computer software development projects	3-5 years

The useful lives are reviewed periodically, and adjusted where necessary to ensure the remaining useful life continues to be appropriate.

Items costing less than \$5,000 are expensed in the year of acquisition.

Computer software costs

Where the computer software is an integral part of the related hardware, it is treated as plant and equipment. Where the computer software is not an integral part of the related hardware, it is treated as an intangible asset.

Computer software development projects

The costs for computer software development projects are expensed when they are incurred, unless they relate to acquisition and/or development of an asset when they may be capitalised and amortised over their estimated useful life. Costs in relation to feasibility studies during the planning phase of a project and training costs after implementation of the software system are expensed. Costs incurred in developing the system specifications and implementation, to the extent that they represent future economic benefits that can be reliably measured, are accumulated as 'Works in Progress' until the asset is finalised and in production, at which time costs are capitalised and amortised over their estimated useful life.

i) 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.

j) 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, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme ('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 Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme ('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 the 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 the Pension Scheme or GSS.

The Pension Scheme 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.

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.

k) 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.

l) Revenue 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 fair value through profit or loss (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.

m) 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 Allocated Pension, 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.

n) 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.

o) 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.

p) Leases

Policy effective from 1 July 2019 (AASB 16)

At the inception of a contract, the Fund assesses whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Fund applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Fund recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets are initially measured at cost, which includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use assets are subsequently depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. The right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liabilities.

Lease Liabilities

The lease liabilities are initially measured at the present value of lease payments to be made over the lease term at the commencement date of the lease. The lease payments include:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be paid under residual value guarantees;
- The exercise price of a purchase option reasonably certain to be exercised by the Fund; and
- Payments of penalties for terminating the lease, if the lease term reflects the Fund exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Fund uses either the interest rate implicit in the lease or the Fund's incremental borrowing rate (if interest rate implicit in the lease is not readily determinable) at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if:

- There is a modification, a change in the lease term;
- A change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments); or
- A change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Fund applies recognition exemption to its short-term leases and the lease of low-value assets. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets that are individually valued less than \$5,000 at cost. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Policy effective before 1 July 2019 (AASB 117)

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Fund is classified as a finance lease. An operating lease is a lease other than a finance lease.

Finance leases are capitalised at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Income Statement. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Fund will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the Income Statement on a straight-line basis over the lease term.

q) 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 (for GPEF) 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 (2019: Nil). The Fund has no contractual commitments or current intentions to provide any financial or other support to its unconsolidated subsidiary (2019: Nil).

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

r) 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.

s) 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.

t) 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 (Allocated Pension and Transition to Retirement Pension), Retirement Income Term Allocated Pension and GESB Super** – full vesting from inception.

u) 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 17.

v) 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.

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.

Assessment as investment entity

Entities that meet the definition of an investment entity within AASB 10 are required to measure their subsidiaries at fair value through profit and loss 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 changes.

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.

w) Coronavirus ('COVID-19') impact

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on the domestic and global economies and equity, debt and commodity markets.

GESB has considered the impact of COVID-19 and other market volatility in preparing its financial statements as follows:

Financial instruments at fair value through profit and loss

The Fund's financial investments are measured as FVTPL in accordance with the Fund's accounting policies. The determination of the fair value of the Fund's financial investments included a consideration of the impact of COVID-19. The Fund has been working closely with its fund managers to ensure the impact of COVID-19 has been appropriately reflected in the fund managers' valuation, especially those managing its unlisted asset portfolio (unlisted property, infrastructure trusts and private equity).

Defined benefit member liabilities

GESB has reviewed the financial position of the Fund in light of the significant market falls in the lead up to 30 June 2020, refer to changes in the key assumptions in Note 4 and Note 5, which have been adjusted to reflect the changes in market conditions due to COVID-19. An assessment of the assets compared to the vested benefits confirms the Fund continues to be in a satisfactory financial position.

Recoverability of deferred tax balances

Given the impact of COVID-19 and based on reasonable assumptions, GESB has assessed that the Fund's future investment performance and taxable contributions levels will be available to offset against the unused tax losses.

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 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 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 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 is open to new employees of the State Government.

Retirement Income Pension 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 2020, all net assets attributable to defined contribution members have been allocated to those members (2019: nil unallocated).

Refer to Note 28 for the Fund's management of the investment market risks.

Defined contribution member liabilities are fully vested as at 30 June 2020 and 30 June 2019.

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:

	2020 \$'000	2019 \$'000
West State Super	16,190,465	16,392,851
GESB Super	4,878,946	4,605,829
Retirement Income	5,295,196	5,327,055
Term Allocated Pension	16,015	18,257
Total	26,380,622	26,343,992

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:

	2020 \$'000	2019 \$'000
West State Super	16,190,465	16,392,851
GESB Super	4,878,946	4,605,829
Retirement Income	5,295,196	5,327,055
Term Allocated Pension	16,015	18,257
Total	26,380,622	26,343,992

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:

	2020	2019
Future investment return (net of investment fees and taxes)	5.0%	6.25%
Future salary increase*	2.0% for the first 3 years, 3.0% thereafter	2.0% for the first 3 years, 3.75% thereafter
Future Perth CPI increase	1.75% for the first 3 years, 2.0% thereafter	2.25%

* The salary increase assumption is based on the actuary's long-term economic forecasts for future increases in salaries as well as taking into account the experience of Gold State Super members. In view of the most recent experience and the current short-term outlook, the actuary has extended the 'short-term' assumption of 2% for another year. The long-term salary increase assumption for Gold State Super members has been reduced to 3.0% per annum.

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:

- (i) 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;
- (ii) 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
- (iii) 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 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	2020: 2019:	5.0% 6.25%	+1.0% / -1.0% +1.0% / -1.0%	(368,882) / 416,134 (349,931) / 393,154
Salary increase	2020: 2019:	2.0% for the first 3 years, 3.0% thereafter 2.0% for the first 3 years, 3.75% thereafter	+1.0% / -1.0% +1.0% / -1.0%	155,859 / (143,189) 158,533 / (145,528)
Perth CPI increase	2020: 2019:	1.75% for the first 3 years, 2.0% thereafter 2.25%	+1.0% / -1.0% +1.0% / -1.0%	243,273 / (216,797) 220,031 / (197,242)

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Pension Scheme	1,532,774	1,448,034	80,475	73,547	1,452,299	1,374,487
Gold State Super	4,553,250	4,230,833	2,172,457	2,126,941	2,380,793	2,103,892
Total	6,086,024	5,678,867	2,252,932	2,200,488	3,833,092	3,478,379

The unfunded liability in respect of West State Super stands at \$58 million as at 30 June 2020 (2019: \$115 million). An agreement was reached with the State Government that this unfunded amount would be discharged over a 20 year period commencing 15 July 2001.

The unfunded liabilities relating to West State Super for the current and previous years have been adjusted to reflect the market value of the Western Australian Treasury Corporation ('WATC') loan. Refer to Note 16 for details of the loan.

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Pension Scheme	1,549,293	1,472,193	80,475	73,547	1,468,818	1,398,646
Gold State Super	5,573,026	5,783,380	2,425,436	2,500,903	3,147,590	3,282,477
Total	7,122,319	7,255,573	2,505,911	2,574,450	4,616,408	4,681,123

Note 5: Defined benefit schemes that are over funded

	NOTE	2020 \$'000	2019 \$'000
Pension Scheme	A		
Accrued benefits related to funded liabilities		80,475	73,547
Net assets available for member benefits		(96,994)	(97,706)
Over funded amount for Pension Scheme		(16,519)	(24,159)
Gold State Super	B		
Accrued benefits related to funded liabilities		2,172,457	2,126,941
Net assets available for member benefits		(2,618,412)	(2,825,611)
Over funded amount for Gold State Super		(445,955)	(698,670)
Total over funded amount		(462,474)	(722,829)

In the opinion of the Fund's actuary, the overall financial position of the Fund has deteriorated since the previous actuarial investigation as at 30 June 2019 primarily due to investment returns for the defined benefit schemes of minus 2.1% for the year being lower than the previously assumed returns of 6.25% per annum. The change in economic assumptions have also contributed to the decrease in surplus.

The combined funding percentage in respect of the funded liabilities for Gold State Super and the Pension Scheme has decreased from 132.9% at 30 June 2019 to 120.5% of funded liabilities at 30 June 2020. However, the net position for Gold State Super may also be expressed as 108.4% 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 Scheme must be made available to help meet pension indexation costs.

No specific action is recommended by the Fund's actuary due to the fact that the Scheme 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 Scheme 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 the Scheme.

In the Fund's actuary's opinion, the Scheme remains in a strong financial position and it would therefore be feasible to consider reducing the employer contribution rate and the recoupment percentage.

Given the current uncertain economic outlook and the distinct possibility of lower investment returns in the short-term, as well as the desire to have stable long-term costs for employers, the Fund's actuary believes a cautious approach is prudent. Therefore, the Fund's actuary recommended that:

- The employer contribution rate and recoupment percentage for the Scheme be maintained at the current levels of 15% of salaries and 73.6% of unfunded benefits respectively; and
- The Board, in conjunction with the Treasurer, to continue its regular review of the current prudential guidelines for investments over the medium term as the term of the liabilities will continue to shorten.

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

The Scheme is contributing at the rate recommended by the Fund's actuary.

Note 6: Guaranteed benefits

The payment of benefits to members or their beneficiaries of the Pension Scheme, Gold State Super, West State Super, GESB Super, Retirement Income 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 Pension Scheme 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, West State Super and GESB Super) and the *Superannuation and Family Benefits Act 1938* (Pension Scheme) 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 Gold State Super contribution to 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% (2019: 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% (2019: 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 Pension Scheme, 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 9.5% (2019: 9.5%). The rate will remain at 9.5% in 2021.

(d) GESB Super

The employer contribution rate payable is determined under State legislation and is currently 9.5% (2019: 9.5%). The rate will remain at 9.5% in 2021.

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 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment assets				
Cash and term deposits	3,643,895	-	-	3,643,895
Australian equities:				
Listed equity securities	4,843,756	-	1,601	4,845,357
International equities:				
Listed international equity securities	8,832,340	687	239	8,833,266
Listed international preferred securities	56,572	-	-	56,572
Units in unit trusts:				
Listed unit trusts	544,996	-	-	544,996
Unlisted unit trusts	-	2,909,992	389,350	3,299,342
Limited partnerships	-	24,342	-	24,342
Other interest-bearing securities:				
Asset-backed securities	-	222,326	-	222,326
Bank loans	-	183,763	-	183,763
Commercial paper	-	120,711	-	120,711
Fixed interest bonds	-	6,379,864	-	6,379,864
Indexed bonds	-	74,823	-	74,823
Mortgage-backed securities	-	789,495	-	789,495
Derivative assets				
Futures	-	8,901	-	8,901
Options	109	1,365	-	1,474
Swaps	-	34,222	-	34,222
Forwards	-	442,590	-	442,590
Warrants	380	-	-	380
Derivative liabilities				
Futures	-	(4,489)	-	(4,489)
Options	(70)	(2,189)	-	(2,259)
Swaps	-	(46,818)	-	(46,818)
Forwards	-	(82,900)	-	(82,900)
Total investments and derivatives	17,921,978	11,056,685	391,190	29,369,853

30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment assets				
Cash and term deposits	4,073,381	-	-	4,073,381
Australian equities:				
Listed equity securities	5,356,369	-	17,994	5,374,363
International equities:				
Listed international equity securities	8,820,195	-	210	8,820,405
Listed international preferred securities	93,636	-	-	93,636
Units in unit trusts:				
Listed unit trusts	524,045	-	-	524,045
Unlisted unit trusts	-	2,709,844	469,166	3,179,010
Limited partnerships	-	30,356	-	30,356
Other interest-bearing securities:				
Asset-backed securities	-	198,523	-	198,523
Bank loans	-	280,786	-	280,786
Commercial paper	-	35,424	-	35,424
Fixed interest bonds	-	6,111,669	-	6,111,669
Indexed bonds	-	127,900	-	127,900
Mortgage-backed securities	-	611,673	-	611,673
Derivative assets:				
Futures	-	14,143	-	14,143
Options	414	17,937	-	18,351
Swaps	-	119,021	-	119,021
Forwards	-	79,794	-	79,794
Warrants	237	-	-	237
Derivative liabilities				
Futures	-	(9,538)	-	(9,538)
Options	(106)	(17,656)	-	(17,762)
Swaps	-	(147,214)	-	(147,214)
Forwards	-	(80,929)	-	(80,929)
Total investments and derivatives	18,868,171	10,081,733	487,370	29,437,274

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**	2020:	1,601	Adjusted last traded price	Listed price	2020 : 0% - 100% (50%)
	2019:	17,994			2019 : 0% - 100% (50%)
International equities**	2020:	239	Adjusted last traded price	Listed price	2020 : 0% - 100% (50%)
	2019:	210			2019 : 0% - 100% (50%)
Units in unit trusts	2020:	389,350	Net asset value	Net asset value	2020 : 0% - 10% (5%)
	2019:	469,166			2019 : 0% - 10% (5%)

* 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% 100%	2020 : 1,601 / (1,601) 2019 : 17,994 / (17,994)	
International equities	Last traded price and the adjustment	100% 100%	2020 : 239 / (239) 2019 : 210 / (210)	
Units in unit trusts	Net asset value	5% 5%	2020 : 19,468 / (19,468) 2019 : 23,458 / (23,458)	

* 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.

	Australian equities \$'000	International equities \$'000	Units in unit trusts \$'000	Total \$'000
30 June 2020				
Opening balance	17,994	210	469,166	487,370
Total realised/unrealised gains and losses	(4,029)	(31)	377	(3,683)
Purchases	-	182	-	182
Sales	(12,467)	(206)	(80,193)	(92,866)
Transfers into Level 3	103	84	-	187
Transfers out of Level 3	-	-	-	-
Closing balance	1,601	239	389,350	391,190

	Australian equities \$'000	International equities \$'000	Units in unit trusts \$'000	Total \$'000
30 June 2019				
Opening balance	4,042	1,213	534,926	540,181
Total realised/unrealised gains and losses	2,296	-	79,825	82,121
Purchases	7,752	63	-	7,815
Sales	(3,963)	(448)	(145,585)	(149,996)
Transfers into Level 3	7,867	-	-	7,867
Transfers out of Level 3	-	(618)	-	(618)
Closing balance	17,994	210	469,166	487,370

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

30 June 2020	Australian equities \$'000	International equities \$'000	Units in unit trusts \$'000	Total \$'000
Total gains/(losses) recognised in the Income Statement for the period	(4,029)	(31)	377	(3,683)
Total gains/(losses) recognised in the Income Statement for the period for assets held at the end of the reporting period.	-	(17)	377	360

30 June 2019	Australian equities \$'000	International equities \$'000	Units in unit trusts \$'000	Total \$'000
Total gains/(losses) recognised in the Income Statement for the period	2,296	-	79,825	82,121
Total gains/(losses) recognised in the Income Statement for the period for assets held at the end of the reporting period.	2,296	31	79,825	82,152

(c) Transfer between hierarchy levels

There were no significant transfers between Level 1, Level 2 and Level 3 during the financial year.

Note 9: Receivables

	2020 \$'000	2019 \$'000
Investment		
Interest receivable	47,891	65,217
Investment income receivable	37,109	47,514
Other investment receivable	116,118	385,930
Pension Scheme		
Recoup State's share of pensions	1,629	1,279
Gold State Super		
Employer contributions receivable	4,011	2,087
Contributions in arrears	2,826	3,363
West State Super		
Insurance benefits recoverable	-	20
WATC loan recoverable from State	58,107	114,870
Others		
Administration fees recoverable from Treasury	265	284
GST receivable	232	1,762
Prepayments	296	351
Other debtors	50	123
Total	268,534	622,800
	2020 \$'000	2019 \$'000
Current	268,534	565,695
Non-current	-	57,105
Total	268,534	622,800

Except for the WATC loan recoverable from State, due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The amount of the WATC loan recoverable from State is the amount of the loan from Western Australian Treasury Corporation ('WATC'). Refer to Note 16 for further details of the WATC loan.

The maximum exposure to credit risk is the fair value of receivables. Information regarding credit risk exposure is set out in Note 28.

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:

	2020 \$'000	2019 \$'000
Current		
Pension Scheme	159,918	166,578
Gold State Super	371,994	364,609
	531,912	531,187
Non-Current		
Pension Scheme	1,292,381	1,207,909
Gold State Super	2,008,799	1,739,283
	3,301,180	2,947,192
Total	3,833,092	3,478,379

Note 11: Plant and equipment

Plant and equipment comprises of computer hardware and office furniture and equipment. These assets are recorded at written down value which is considered a reasonable approximation of fair value. Details are listed in the table below:

	2020 \$'000	2019 \$'000
Computer hardware		
At cost	262	236
Accumulated depreciation	(204)	(187)
Net carrying amount	58	49
Office furniture and equipment		
At cost	33	40
Accumulated depreciation	(16)	(17)
Net carrying amount	17	23
Total plant and equipment	75	72

A reconciliation of the net carrying amounts of each asset class at the beginning and end of the current and previous financial year is set out in the table below:

	2020 \$'000	2019 \$'000
Computer hardware		
Net carrying amount at start of year	49	39
Additions	26	37
Disposals	-	-
Depreciation expense	(17)	(27)
Net carrying amount at end of year	58	49
Office furniture and equipment		
Net carrying amount at start of year	23	-
Additions	8	25
Disposals	-	-
Depreciation expense	(14)	(2)
Net carrying amount at end of year	17	23
Total plant and equipment	75	72

Note 12: Intangible assets

Intangible assets comprise computer software costs. These assets are recorded at amortised values which is a reasonable approximation of fair value. Details provided below:

	2020 \$'000	2019 \$'000
Computer software		
At cost	1,118	1,118
Accumulated amortisation	(1,089)	(944)
Total intangible assets	29	174

A reconciliation of the net carrying amounts of intangible assets at the beginning and end of the current and previous financial year is set out in the table below:

	2020 \$'000	2019 \$'000
Computer software		
Net carrying amount at start of year	174	318
Additions	-	-
Disposals	-	-
Amortisation expense	(145)	(144)
Net carrying amount at end of year	29	174

Note 13: Payables

	2020 \$'000	2019 \$'000
Due within 12 months		
Investment		
Investments payable	236,605	406,726
Management fees payable	19,435	25,213
GESB Super		
Benefits due and payable	1,062	1,520
Insurance premiums payable	4,800	4,552
Gold State Super		
Contributions in advance	1,403	1,434
West State Super		
Benefits due and payable	2,534	6,210
Insurance benefits payable	58	-
Insurance premiums payable	9,040	9,285
Pension and Retirement Scheme		
Pension benefits due and payable	1,696	1,332
Retirement income benefits due and payable	769	808
Others		
PAYG withholding tax	671	463
Superannuation surcharge liability	890	777
Other payables and accruals	5,331	5,653
Total	284,294	463,973

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 28.

Note 14: 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.

	2020 \$'000	2019 \$'000
Current		
Long-service leave	716	583
Annual leave	514	403
	1,230	986
Non-Current		
Long-service leave	570	551
	570	551
Total employee benefits	1,800	1,537
Number of employees (head count)	56	51

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 15: Provision for post-employment benefits

The present value of defined benefit obligations at the end of the year is shown below.

	2020 \$'000	2019 \$'000
Pension Scheme	1,104	1,073
Gold State Super	69	68
Total	1,173	1,141

Pension Scheme

Nature of the benefits provided by the Scheme

The employer-financed benefit is a pension benefit payable on retirement, death or invalidity, or a lump sum benefit on resignation.

Description of the regulatory framework

The Scheme operates under the *State Superannuation Act 2000* (Western Australia) and the *State Superannuation Regulations 2001* (Western Australia).

Although the Scheme is not formally subject to the *Superannuation Industry (Supervision)* ('SIS') legislation, the Western Australian government has undertaken (in a Heads of Government Agreement) to operate the Scheme in accordance with the spirit of the SIS legislation.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), the Scheme is not subject to any minimum funding requirements.

As a constitutionally protected superannuation fund (as defined in the Income Tax Assessment legislation), the Scheme is not required to pay tax.

Description of other entities' responsibilities for the governance of the Scheme

The Government Employees Superannuation Board ('GESB') is responsible for the governance of the Scheme. GESB has a legal obligation to act solely in the best interests of Scheme beneficiaries. GESB has the following roles:

- Administration of the Scheme and payment to the beneficiaries when required in accordance with the Scheme rules;
- Management and investment of the Scheme assets (although the liabilities in this note are not supported by assets); and
- Compliance with the Heads of Government Agreement referred to above.

Description of risks

There are a number of risks to which the Scheme exposes GESB. The more significant risks relating to the defined benefits are:

- **Legislative risk** – The risk is that legislative changes could be made which increase the cost of providing the defined benefits;
- **Pensioner mortality risk** – The risk is that pensioner mortality will be lower than expected, resulting in pensions being paid for a longer period; and
- **Inflation risk** – The risk that inflation is higher than anticipated thereby increasing pension payments, and the associated employer contributions.

Description of significant events

There were no Scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.

Reconciliation of the net defined benefit liability

Pension Scheme	2020 \$'000	2019 \$'000
Defined Benefit Obligation	1,104	1,073
(-) Fair value of Scheme assets	-	-
Deficit	1,104	1,073
(+) Adjustment for effect of asset ceiling	-	-
Net defined benefit liability	1,104	1,073

Reconciliation of the fair value of Scheme assets

Pension Scheme	2020 \$'000	2019 \$'000
Fair value of Scheme assets at beginning of the year	-	-
(+) Employer contributions	93	94
(-) Benefits paid	(93)	(94)
Fair value of Scheme assets at end of the year	-	-

Reconciliation of the defined benefit obligation

Pension Scheme	2020 \$'000	2019 \$'000
Present value of defined benefit obligations at beginning of the year	1,073	1,519
(+) Interest cost	14	38
(+) Actuarial losses / (gains) arising from changes in demographic assumptions	77	(29)
(+) Actuarial losses arising from changes in financial assumptions	8	96
(+) Actuarial losses / (gains) arising from liability experience	25	(457)
(-) Benefits paid	(93)	(94)
Present value of defined benefit obligations at end of the year	1,104	1,073

Reconciliation of the effect of the asset ceiling

The asset ceiling has no impact on the net defined benefit liability.

Fair value of Scheme assets

There are no assets in the Pension Scheme to support the State Share of the benefit. Hence, there are:

- No fair value of Scheme assets;
- No asset allocation of Scheme assets;
- No financial instruments issued by the employer;
- No assets used by the employer; and
- No asset-liability matching strategies.

Significant actuarial assumptions at the reporting date

Assumptions to determine start of year defined benefit obligations and defined benefit cost for the current year.

Pension Scheme	2020	2019
Discount rate	1.40%pa	2.60%pa
Salary increase rate*	1.5% pa for 2019/20 1.5% pa for 2020/21 and then 4.2% pa	1.5% pa for 2018/19 1.5% pa for 2019/20 1.5% pa for 2020/21 and then 4.2% pa
Pension increase rate	2.5% pa	2.5% pa

* The salary increase assumptions are consistent with those adopted by the Western Australian government for the preparation of AASB119 reporting, and also various assumptions based on historical data.

Assumptions to determine defined benefit obligations at the valuation date.

Pension Scheme	2020	2019
Discount rate	0.85%pa	1.40%pa
Salary increase rate	2.0% pa for 2020/21 2.0% pa for 2021/22 and then 3.5% pa	1.5% pa for 2019/20 1.5% pa for 2020/21 and then 4.2% pa
Pension increase rate	2.0% pa	2.5% pa

The discount rate is based on the Commonwealth Government bond maturing in November 2029 which has a similar duration to that of the Scheme's liabilities. The mortality rates are based on updated Australian Life Tables published by the Australian Government Actuary, reflecting population mortality experience over the period of 2015 to 2017 (ALT 2015-17). Other assumptions (i.e. retirement, death, disablement and resignation rates) are based on those used for the actuarial review of the Scheme as at 30 June 2019.

Sensitivity analysis

The defined benefit obligation as at 30 June 2020 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to pension increase rate sensitivity.

Pension Scheme	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-0.5% pa discount rate	+0.5% pa discount rate	-0.5% pa pension increase rate	+0.5% pa pension increase rate
Discount rate	0.85% pa	0.35% pa	1.35% pa	0.85% pa	0.85% pa
Pension increase rate	2.00% pa	2.00% pa	2.00% pa	1.50% pa	2.50% pa
Defined benefit obligation (A\$'000s)	1,104	1,150	1,060	1,063	1,147

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Funding arrangements

The employer contributes, as required, to meet the benefits paid.

Expected contributions

	2021 \$'000
Pension Scheme	
Expected annual employer contributions	95

Maturity profile of defined benefit obligation

The weighted average duration of GESB's defined benefit obligation is 8.2 years.

Gold State Super (Transferred Benefits)

Nature of the benefits provided by the Scheme

Some former Pension Scheme members have transferred to Gold State Super ('GSS'). 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.

Description of the regulatory framework

The Scheme operates under the *State Superannuation Act 2000* (Western Australia) and the *State Superannuation Regulations 2001* (Western Australia).

Although the Scheme is not formally subject to the *Superannuation Industry (Supervision)* ('SIS') legislation, the Western Australian government has undertaken (in a Heads of Government Agreement) to operate the Scheme in accordance with the spirit of the SIS legislation.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), the Scheme is not subject to any minimum funding requirements.

As a constitutionally protected superannuation fund (as defined in the Income Tax Assessment legislation), the Scheme is not required to pay tax.

Description of other entities' responsibilities for the governance of the Scheme

The Government Employees Superannuation Board ('GESB') is responsible for the governance of the Scheme. GESB has a legal obligation to act solely in the best interests of Scheme beneficiaries. GESB has the following roles:

- Administration of the Scheme and payment to the beneficiaries when required in accordance with the Scheme rules;
- Management and investment of the Scheme assets (although the liabilities in this note are not supported by assets); and
- Compliance with the Heads of Government Agreement referred to above.

Description of risks

There are a number of risks to which the Scheme exposes GESB. The more significant risks relating to the defined benefits are:

- **Salary risk** – The risk that wages or salaries (on which future benefits amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions;
- **Inflation risk** – The risk that inflation (which affects the indexation of deferred benefits) will be higher than assumed, increasing defined benefit amounts and the associated employer contributions; and
- **Legislative risk** – The risk is that legislative changes could be made which thereby increase the cost of providing the defined benefits.

Description of significant events

There were no Scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.

Reconciliation of the net defined benefit liability

	2020 \$'000	2019 \$'000
Gold State Super		
Defined Benefit Obligation	69	68
(-) Fair value of Scheme assets	-	-
Deficit	69	68
(+) Adjustment for effect of asset ceiling	-	-
Net defined benefit liability	69	68

Reconciliation of the fair value of Scheme assets

	2020 \$'000	2019 \$'000
Gold State Super		
Fair value of Scheme assets at beginning of the year	-	-
(+) Employer contributions	-	-
(-) Benefits paid	-	-
Fair value of Scheme assets at end of the year	-	-

Reconciliation of the defined benefit obligation

	2020 \$'000	2019 \$'000
Gold State Super		
Present value of defined benefit obligations at beginning of the year	68	64
(+) Interest cost	1	2
(+) Actuarial losses arising from changes in financial assumptions	-	3
(-) Actuarial gains arising from liability experience	-	(1)
(-) Benefits paid	-	-
Present value of defined benefit obligations at end of the year	69	68

Reconciliation of the effect of the asset ceiling

The asset ceiling has no impact on the net defined benefit liability.

Fair value of Scheme assets

There are no assets in the GSS for current employees to support the transferred benefits. Hence, there are:

- No fair value of Scheme assets;
- No asset allocation of Scheme assets;
- No financial instruments issued by the employer;
- No assets used by the employer; and
- No asset-liability matching strategies.

Significant actuarial assumptions at the reporting date

Assumptions to determine start of year defined benefit obligations and defined benefit cost for the current year.

Gold State Super	2020	2019
Discount rate	1.40%pa	2.60%pa
Salary increase rate*	1.5% pa for 2019/20 1.5% pa for 2020/21 and then 4.2% pa	1.5% pa for 2018/19 1.5% pa for 2019/20 1.5% pa for 2020/21 and then 4.2% pa
CPI	2.5% pa	2.5% pa

* The salary increase assumptions are consistent with those adopted by the Western Australia government for the preparation of AASB119 reporting, and also various assumptions based on historical data.

Assumptions to determine defined benefit obligations at the valuation date.

Gold State Super	2020	2019
Discount rate	0.85%pa	1.40%pa
Salary increase rate	2.0% pa for 2020/21 2.0% pa for 2021/22 and then 3.5% pa	1.5% pa for 2019/20 1.5% pa for 2020/21 and then 4.2% pa
CPI	2.0% pa	2.5% pa

The discount rate is based on the Commonwealth Government bond maturing in November 2029 which has a similar duration to that of the Scheme's liabilities. The mortality rates are based on updated Australian Life Tables published by the Australian Government Actuary, reflecting population mortality experience over the period of 2015 to 2017 (ALT 2015-17). Other assumptions (i.e. retirement, death, disablement and resignation rates) are based on those used for the actuarial review of the Scheme as at 30 June 2019.

Sensitivity analysis

The defined benefit obligation as at 30 June 2020 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to salary increase rate and indexation sensitivity.

Gold State Super	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-0.5% pa discount rate	+0.5% pa discount rate	-0.5% pa salary increase and indexation rate	+0.5% pa salary increase and indexation rate
Discount rate	0.85% pa	0.35% pa	1.35% pa	0.85% pa	0.85% pa
Salary increase rate	3.50% pa	3.50% pa	3.50% pa	3.00% pa	4.00% pa
Defined benefit obligation (A\$'000s)	69	71	68	68	71

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

The salary assumptions in the above table are long term salary assumptions. The short term assumptions have also been adjusted as described in Scenario C and D.

Funding arrangements

The employer contributes, as required, to meet the benefits paid.

Expected contributions

Gold State Super	2021 \$'000
Expected annual employer contributions	12

Maturity profile of Defined Benefit Obligation

The weighted average duration of GESB's defined benefit obligation is 3.5 years.

Note 16: Interest-bearing loans

The term loan from the Western Australian Treasury Corporation ('WATC') commenced on 30 May 2001 and was entered into following successful negotiations with the State Government in regard to an agreed payment schedule to discharge the unfunded West State Super liability. The loan is unsecured and is repayable in quarterly instalments over 20 years.

The loan enabled the balances on West State Super members' accounts at 1 July 2001 to be fully funded from an investment perspective. This funding was a prerequisite for Member Investment Choice, as all monies had to be available to be invested in accordance with the plans chosen by members of West State Super.

Fair value

The carrying amount of the Fund's interest-bearing loans approximates its fair value (Level 2 in the fair value hierarchy as outlined in Note 1(d)). The change in fair value is attributable to changes in the discount rate resulting from market-related movements in interest rates together with principal and interest repayments.

The fair value of the WATC loan and premium included in the fair value is stipulated in the table below.

	2020 \$'000	2019 \$'000
Within one year	58,107	57,765
After one year but not more than five years	-	57,105
Total fair value	58,107	114,870

Premium included in fair value	1,437	5,215
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The premium included in the fair value of WATC loan represents the difference in present value between the interest rate the loan was fixed at (6.5699% per annum quarterly compounding) and the interest rates applicable at 30 June 2020.

Loan interest expenses

The WATC loan bears interest at a fixed rate of 6.5699% per annum, plus a government guarantee fee of 0.7% per annum. The interest and government guarantee fee are recognised in the Income Statement in the period in which they are incurred.

The table below is the loan interest expenses recognised for the current and prior reporting period:

	2020 \$'000	2019 \$'000
Interest and government guarantee fee	5,651	9,342

Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in Note 28. The change to the fair value of \$3.8 million (2019: \$4.1 million) is a reflection of the change to the interest rate outlook from 30 June 2019 to 30 June 2020.

Defaults and breaches

During the current and prior years, there were no defaults or breaches on the interest-bearing loans.

Reconciliation of liabilities arising from financing activities

	2020 \$'000	2019 \$'000
Opening balance at start of year	114,870	168,504
Cash flows	(58,636)	(58,883)
Changes in fair value	(3,778)	(4,093)
Loan interest charges	5,651	9,342
Closing balance at end of year	58,107	114,870

Note 17: Reserves

	2020 \$'000	2019 \$'000
Accumulation General Reserve		
Opening balance	58,381	82,519
Utilisation of reserve ²	(4,019)	(3,431)
Contribution to reserve	9,292	13,426
Transfer between reserve ³	59,125	(35,749)
Investment performance	851	1,616
Closing balance	123,630	58,381
WSS¹ Government Guaranteed Payment Reserve		
Opening balance	44,619	44,356
Utilisation of reserve	(993)	(1,275)
Transfer between reserve	-	542
Investment performance	557	996
Closing balance	44,183	44,619
Total Other Reserves	167,813	103,000
Operational Risk Reserve		
Opening balance	133,731	92,979
Contribution to reserve	-	3,000
Transfer between reserve ³	(59,125)	35,207
Investment performance	1,581	2,545
Closing balance	76,187	133,731

¹ West State Superannuation scheme ('WSS').

² Utilisation of reserve relates to spend on specific strategic initiatives and operational directives.

³ During the 2019/20 financial year, the GESB Board approved an updated Reserving Strategy for the Fund, the updated strategy includes an Operational Risk Reserve ('ORR') of 26bps (the strategy includes a +/- tolerance of 5bps for the target ORR) of accumulation schemes funds under management. To facilitate this update, a transfer of \$59.125m from the ORR to the Accumulation General Reserve was approved by the GESB Board and actioned within the financial year.

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 0.47% (2019: 0.22%) of the net assets available for the accumulation schemes' member benefits (West State Super, GESB Super and Retirement products).

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 0.29% (2019: 0.51%) of the net assets available for the accumulation schemes' member benefits (West State Super, GESB Super and Retirement products).

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 West State Super ('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 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.

Note 18: Income tax

(a) Major components of income tax expenses

	2020 \$'000	2019 \$'000
Income statement		
Current tax expense	(22,812)	(17,056)
Adjustment to the current tax for prior periods	1,098	5,647
Deferred tax		
Deferred tax expense relating to the origination and reversal of temporary differences	(13,870)	20,103
Total income tax (benefit)/expense as reported in the Income Statement	(35,584)	8,694

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

	2020 \$'000	2019 \$'000
Net result before income tax	(590,900)	624,071
Adjustments:		
Related to constitutionally protected schemes	460,880	(743,796)
Related to WATC Loan	1,873	5,249
Related to Reserves	(8,262)	(18,152)
Total net result related to GESB Super and Retirement schemes	(136,409)	(132,628)
Income tax calculated at 15%	(20,461)	(19,894)
Tax effect of expenses that are not deductible in determining taxable income:		
Non-deductible expenses	1,008	878
Tax effect of income that is not assessable in determining taxable income:		
Income from managed portfolio	41,934	(37,673)
Tax credit and offsets	(25,988)	(30,454)
Exempt current pension income	(14,189)	(19,397)
Other items	(13)	(57)
Tax effect of other adjustments:		
Net benefit allocated to defined contribution member accounts	(13,787)	114,742
Other deductions	(5,186)	(5,098)
Current tax for prior year	1,098	5,647
Income tax (benefit) / expense	(35,584)	8,694

(c) Recognised tax assets and liabilities

	2020 \$'000		2019 \$'000	
	Current Tax	Deferred Tax	Current Tax	Deferred Tax
Opening balance	(35,134)	(55,317)	(52,102)	(35,214)
Charged to income	21,714	13,870	11,409	(20,103)
Charged to changes in member benefits	(164,234)	-	(177,878)	-
Other payments	(6,542)	-	10,639	-
Income tax paid on contributions received	172,281	-	172,798	-
Closing balance	(11,915)	(41,447)	(35,134)	(55,317)

Deferred tax asset at 30 June related to the following:

Realised capital losses	8,085	-
Closing balance	8,085	-

Deferred tax liability at 30 June related to the following:

Unreleased capital gain	(37,845)	(47,853)
Accrued income	(11,687)	(7,464)
Closing balance	(49,532)	(55,317)

Net deferred tax liability at 30 June	(41,447)	(55,317)
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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 19: Investment income and expenses

30 June 2020	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	32,240	-	-	416	(49,910)	(17,254)
Australian equities	-	181,676	-	-	(612,646)	(430,970)
International equities	-	218,948	-	-	(199,827)	19,121
Units in unit trusts:						
Listed unit trusts	-	(112)	18,509	-	(79,564)	(61,167)
Unlisted unit trusts	-	1	73,471	-	(34,568)	38,904
Limited partnerships	-	-	900	-	(4,653)	(3,753)
Other interest-bearing securities:						
Asset-backed securities	16,645	-	-	-	(23,925)	(7,280)
Bank loans	15,828	-	-	-	(19,232)	(3,404)
Commercial paper	470	-	-	-	(5,170)	(4,700)
Fixed interest bonds	179,193	(5)	-	-	161,839	341,027
Indexed bonds	1,460	-	-	-	6,585	8,045
Mortgage-backed securities	19,926	-	-	-	67,916	87,842
Derivatives	-	(44)	-	-	(385,369)	(385,413)
Total investment income / (losses)*	265,762	400,464	92,880	416	(1,178,524)	(419,002)
Investment expenses						
External fund management base fees						56,336
Reversal of external fund management performance fees						(977)
Custodial fees						6,404
Investment administration costs						4,821
Total investment expenses						66,584
Net investment losses						(485,586)

30 June 2019	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	74,147	-	-	2,617	26,383	103,147
Australian equities	-	208,611	-	-	215,411	424,022
International equities	-	236,235	-	-	784,487	1,020,722
Units in unit trusts:						
Listed unit trusts	-	[113]	19,583	-	61,540	81,010
Unlisted unit trusts	-	-	267,844	-	(76,735)	191,109
Limited partnerships	-	-	1,797	-	(1,033)	764
Other interest-bearing securities:						
Asset-backed securities	15,839	-	-	-	1,701	17,540
Bank loans	23,028	-	-	-	18,804	41,832
Commercial paper	1,199	-	-	-	5,527	6,726
Fixed interest bonds	178,984	[153]	-	-	335,022	513,853
Indexed bonds	2,558	-	-	-	5,723	8,281
Mortgage-backed securities	17,253	-	-	-	22,891	40,144
Derivatives	-	-	-	-	(365,882)	(365,882)
Total investment income*	313,008	444,580	289,224	2,617	1,033,839	2,083,268
Investment expenses						
External fund management base fees						59,206
Reversal of external fund management performance fees						(4,637)
Custodial fees						4,598
Investment administration costs						4,099
Total investment expenses						63,266
Net investment income						2,020,002

*Refer to note 33(i) for explanation of variance between 2020 and 2019.

Note 20: Other income

	2020 \$'000	2019 \$'000
Administration expenses recovered	7,173	7,233
Other	148	213
Total other income	7,321	7,446

Note 21: Administration expenses

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

	Note	2020 Actual \$'000	2020 Budget \$'000	Variance Actual to Budget \$'000	%	2019 Actual \$'000	Variance Actual to Prior Year Actual \$'000	%
Outsourced administration costs	(i)	27,187	25,593	(1,594)	(6)	27,486	299	1
Employment expenses	(ii)	7,869	8,016	147	2	6,525	(1,344)	(21)
Information technology costs	(iii)	1,070	1,284	214	17	1,405	335	24
Consultants		97	307	210	68	40	(57)	(143)
Accommodation costs ¹		610	587	(23)	(4)	597	(13)	(2)
Professional fees (actuarial, legal and audit)	(iv)	1,057	1,411	354	25	1,104	47	4
Postage, printing and record management		98	100	2	2	94	(4)	(4)
Product information and engagement		51	91	40	44	76	25	33
Other administration costs	(v)	1,860	7,445	5,585	75	2,481	621	25
		39,899	44,834	4,935	11	39,808	(91)	(0)
Less:								
Investment administration costs	(vi)	2,065	2,518	453	18	1,844	(221)	(12)
Total administration costs excluding depreciation and amortisation		37,834	42,316	4,482	11	37,964	130	0
Add:								
Depreciation and amortisation		176	288	112	39	173	(3)	(2)
Total administration costs		38,010	42,604	4,594	11	38,137	127	0

¹ 2020 actuals include other accommodation costs (parking) of \$66k (2019: \$93k).

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 or \$250,000, whichever is smaller.

(i) Outsourced Administration Costs

2019/20 Actual to Budget (increased expenditure \$1,594k) and Actual to Previous Year's Actual (decreased expenditure \$299k)

The increased expenditure compared to budget in 2019/20 is primarily due to projects relating to legislative changes and additional costs for call centre staffing and member communications as a result of the COVID-19 pandemic. This was partially offset by underspends in the base level contract due to lower than anticipated member numbers.

The decrease in the expenditure for 2019/20 when compared to 2018/19 is due to additional projects completed in the 2018/19 financial year such as SuperStream and other legislative projects. This is offset by pricing increases as set out in the Link contract.

(ii) Employment expenses

Actual to Previous Year's Actual (increased expenditure \$1,344k)

The increase in the expenditure for 2019/20 when compared to 2018/19 is due in part to there being a GM Investments vacancy for the most part of 2018/19 that was filled in the 2019/20 financial year. Also attributable is the cost of additional staff across the business to meet the needs of both business as usual and additional project work.

(iii) Information technology costs

Actual to Previous Year's Actual (decreased expenditure \$335k)

The decrease in the expenditure for 2019/20 when compared to 2018/19 is due to the contract for services provided by Bravura expiring on 30 June 2019 and not being renewed by GESB. Bravura is now contracted by Link for the services.

(iv) Professional fees (actuarial, legal and audit)

2019/20 Actual to Budget (decreased expenditure \$354k)

The decreased expenditure compared to budget in 2019/20 is due to lower than anticipated spend on internal audit and actuarial fees.

(v) Other administration costs

2019/20 Actual to Budget (decreased expenditure \$5,585k) and Actual to Previous Year's Actual (decreased expenditure \$621k)

The decreased expenditure compared to budget is primarily due to less than anticipated spend on contractors in 2019/20. The budget for contractor expenses is driven by anticipated costs for strategic projects, the actual costs for these projects were not as high as had been originally estimated and not all projects were undertaken. Also contributing to the decreased expenditure is an ATO refund for GST recoverable that was received as a result of a Reduced Input Tax Credit ('RITC') review.

2019/20 costs are lower than the previous year. The decrease in expenditure for 2019/20 when compared to 2018/19 is due to lower spend on contractors in the 2019/20 financial year and also a reduction in bank fees due to Bravura Clearing House costs transitioning to Link.

(vi) Investment administration costs

2019/20 Actual to Budget (decreased expenditure \$453k)

Investment administration costs are driven by allocations from the activity-based costing model. These allocated costs are directly related to the administration costs mentioned above and the major variances to budget for the 2019/20 financial year mentioned above.

Note 22: Depreciation and amortisation

	2020 \$'000	2019 \$'000
Depreciation		
Computer hardware	17	27
Office furniture and equipment	14	2
Total depreciation	31	29
Amortisation		
Computer software	145	144
Total amortisation	145	144
Total depreciation and amortisation	176	173

Note 23: Employee benefits expense

	2020 \$'000	2019 \$'000
Salaries	5,624	4,746
Superannuation – defined contribution plans	631	555
Superannuation – defined benefit plans ²	165	(297)
Long service leave ¹	237	311
Annual leave ¹	530	525
Other related expenses	682	685
Total employee benefits expense	7,869	6,525

¹ Includes an accrued payroll tax and superannuation contribution component.

² A negative movement in 2019 provision due to decrease in valuation for Pension Scheme.

Employment on-costs such as workers' compensation insurance and payroll tax are included within 'other administration costs' in Note 21.

Note 24: Auditor's remuneration

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

	2020 \$'000	2019 \$'000
Fees for auditing the financial statements and key performance indicators	268	268

Note 25: Remuneration of senior officers

Position	Name	Period of Employment	Remuneration	
			2020 \$	2019 \$
Chief Executive Officer	Benjamin Palmer ¹	04 Jul 2018 – Current	363,762	366,610
General Manager Investments	Paul Taylor ³	21 Jan 2019 – Current	311,813	138,798
General Manager Superannuation Services	Karen Horne ²	03 Nov 2014 – Current	205,321	190,731
CFO/General Manager Finance & Business Services	Mark Caldwell ²	03 Nov 2014 – Current	203,406	196,143
Total			1,084,302	892,282

Short-term employee benefits	963,551	790,468
Post-employment benefits	87,905	74,142
Other long-term benefits	32,846	27,672
Total Remuneration of senior officers	1,084,302	892,282

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. The remuneration of the Chief Executive Officer of GESB is set by the Salaries and Allowances Tribunal.

² Remuneration of these senior officers adheres to Public Sector Commission executive salary classifications.

³ This officer was appointed under section 11(2) of the *State Superannuation Act (2000)*.

‘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 (\$)	2020	2019
\$130,001 - 140,000	-	1
\$190,001 - 200,000	-	2
\$200,001 - 210,000	2	-
\$310,001 - 320,000	1	-
\$360,001 - 370,000	1	1
Total	4	4

Note 26: Remuneration of members of the board and investment committee

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 2020 \$	2019 \$
Chair	John Langoulant ¹	02 Nov 2010 - Current	127,147	127,147
Employer Director	Scott Ellis ³	02 Nov 2010 - 31 Oct 2019	20,467	59,128
Employer Director	Catherine Nance ¹	07 Mar 2011 - Current	68,019	68,019
Employer Director	Francesco Sciarrone ^{1,2}	21 Feb 2016 - Current	73,576	73,576
Employer Director	Virginia Christie ³	12 Nov 2019 - Current	38,661	-
Member Director	Philippa Clarke ^{1,3,5}	02 Apr 2015 - 04 Jul 2018	-	1,046
Member Director	Anne Gisborne ^{1,3,4}	08 Feb 2017 - Current	-	-
Member Director	Bruce Hawkins ³	04 Jul 2018 - Current	58,939	58,259
Member Director	Naomi McCrae ^{1,5}	31 Aug 2018 - Current	68,019	56,247
Total			454,828	443,422
Short-term employee benefits			415,368	404,951
Post-employment benefits			39,460	38,471
Total Remuneration of members of the board			454,828	443,422

¹ These officers are also members of the Investment Committee and the remuneration included in this table reflects this.

² The remuneration for this officer also incorporates a fee paid as Chair of the Audit and Risk Committee.

³ These officers are also members of the Audit and Risk Committee but do not receive any further remuneration for their role.

⁴ According to public sector guidelines, as a public sector employee this officer receives no remuneration while sitting on a government board.

⁵ The salary portion of the remuneration paid to these officers is paid directly to their employer

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

Remuneration Band (\$)	2020	2019
\$0 - 10,000	1	3
\$20,001 - 30,000	1	-
\$30,001 - 40,000	1	-
\$50,001 - 60,000	1	3
\$60,001 - 70,000	2	1
\$70,001 - 80,000	1	1
\$120,001 - 130,000	1	1
Total	8	9

Remuneration of members of the investment committee

Position	Name	Period of Membership	Remuneration	
			2020 \$	2019 \$
Member	John Stroud	01 Oct 2018 - Current	13,337	9,951
Member	Warren Bird	10 Jun 2013 - Current	13,337	14,055
Total			26,674	24,006
Short-term employee benefits			24,360	21,924
Post-employment benefits			2,314	2,082
Total Remuneration of external members of the investment committee			26,674	24,006

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

Remuneration Band (\$)	2020	2019
\$0 – 10,000	-	1
\$10,001 – 20,000	2	1
Total	2	2

Note 27: 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:

	2020 \$'000	2019 \$'000
Cash and cash equivalents	100,273	115,692

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

	2020 \$'000	2019 \$'000
Net result after income tax	(555,316)	615,377
Adjustments for:		
Decrease/(Increase) in assets measured at fair value	1,178,524	(1,033,839)
Increase in insurance	(51,640)	(50,136)
Decrease in receivables	27,901	14,619
Depreciation and amortisation	176	173
Decrease in payables	(4,217)	(22,729)
(Decrease)/Increase in income tax payable	(29,043)	22,756
Changes in loans measured at fair value and interest expenses	1,873	5,249
Allocation to members' accounts	72,752	1,359,991
Net cash inflows from operating activities	641,010	911,461

Note 28: 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 sundry 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.

A Board 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 term deposit 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 make use of 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:

2020	Gross derivative amounts \$'000	Derivative amounts set off \$'000	Net amounts presented in statement of financial position \$'000
Derivative assets:			
Futures	8,901	-	8,901
Options	1,474	-	1,474
Swaps	102,748	(68,526)	34,222
Forwards	442,590	-	442,590
Warrants	380	-	380
Total derivative assets	556,093	(68,526)	487,567
Derivative liabilities:			
Futures	4,489	-	4,489
Options	2,259	-	2,259
Swaps	115,344	(68,526)	46,818
Forwards*	82,900	-	82,900
Total derivative liabilities	204,992	(68,526)	136,466
Net derivative assets	351,101	-	351,101
2019	Gross derivative amounts \$'000	Derivative amounts set off \$'000	Net amounts presented in statement of financial position \$'000
Derivative assets:			
Futures	14,143	-	14,143
Options	18,351	-	18,351
Swaps	312,689	(193,668)	119,021
Forwards*	79,794	-	79,794
Warrants	237	-	237
Total derivative assets	425,214	(193,668)	231,546
Derivative liabilities:			
Futures	9,538	-	9,538
Options	17,762	-	17,762
Swaps	340,882	(193,668)	147,214
Forwards	80,929	-	80,929
Total derivative liabilities	449,111	(193,668)	255,443
Net derivative liability	(23,897)	-	(23,897)

*Included in the forwards are To-Be-Announced ('TBA') Agency Securities. As at 30 June 2020, 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 2020, the notional value of long and short positions in TBA Agency Investments was \$1,445,270,000 (2019: \$863,583,000) and \$812,660,000 (2019: \$409,784,000).

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. The net derivative asset position at the reporting date is primarily a result of the increase in the value of the Australian dollar against major global currencies from the time the reported positions were initiated. This currency movement will have decreased the Australian dollar value of the corresponding underlying foreign currency denominated assets included in the investments.

(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 monitoring that managers transact predominantly 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:

	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	BB+ to D \$'000	Not Rated ¹ \$'000	Total \$'000
2020						
Cash and term deposits	2,722,565	549,576	80,322	-	291,432	3,643,895
Asset-backed securities	121,104	28,233	22,618	15,711	34,660	222,326
Bank loans	-	-	5,195	116,837	61,731	183,763
Commercial paper	-	8,844	-	-	111,867	120,711
Fixed interest bonds	2,775,137	1,464,300	1,828,290	299,039	13,098	6,379,864
Indexed bonds	66,828	7,995	-	-	-	74,823
Mortgage-backed securities	730,176	9,487	23,671	-	26,161	789,495
WATC loan recoverable from State	58,107	-	-	-	-	58,107
Total	6,473,917	2,068,435	1,960,096	431,587	538,949	11,472,984

	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	BB+ to D \$'000	Not Rated ¹ \$'000	Total \$'000
2019						
Cash and term deposits	3,188,198	682,254	175,143	-	27,786	4,073,381
Asset-backed securities	89,954	11,405	16,829	18,934	61,401	198,523
Bank loans	-	-	18,185	157,047	105,554	280,786
Commercial paper	-	22,680	1,416	-	11,328	35,424
Fixed interest bonds	2,467,320	1,448,595	1,836,683	322,695	36,376	6,111,669
Indexed bonds	119,678	8,222	-	-	-	127,900
Mortgage-backed securities	561,637	8,409	34,769	-	6,858	611,673
WATC loan recoverable from State	114,870	-	-	-	-	114,870
Total	6,541,657	2,181,565	2,083,025	498,676	249,303	11,554,226

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 \$476,812k (2019: \$196,313k).

(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:

	2020 \$'000	2019 \$'000
Financial assets held at fair value		
British Pound	943,813	1,302,410
Canadian Dollar	345,609	468,813
Euro	3,538,406	2,986,565
Hong Kong Dollar	386,238	550,094
Japanese Yen	1,653,473	1,674,295
Swiss Franc	399,439	322,761
US Dollar	17,014,995	16,415,355
Other Currencies	1,303,793	1,479,748
Total financial assets	25,585,766	25,200,041
Financial liabilities held at fair value		
British Pound	745,879	856,353
Canadian Dollar	300,600	423,184
Euro	2,912,789	2,504,828
Hong Kong Dollar	100,270	150,652
Japanese Yen	1,322,978	1,113,218
Swiss Franc	179,261	123,440
US Dollar	14,699,827	13,969,852
Other Currencies	1,047,478	973,078
Total financial liabilities	21,309,082	20,114,605
Net exposure	4,276,684	5,085,436

The following table details the Fund's sensitivity to a 10% (2019: 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	
	2020 %	2019 %	2020 \$'000	2019 \$'000
British Pound/AUD	+/- 10	+/-10	19,299 / (19,299)	43,557 / (43,557)
Canadian Dollar/AUD	+/- 10	+/-10	4,388 / (4,388)	4,456 / (4,456)
EUR/AUD	+/- 10	+/-10	60,998 / (60,998)	47,041 / (47,041)
Hong Kong Dollar/AUD	+/- 10	+/-10	27,882 / (27,882)	39,005 / (39,005)
Japanese Yen/AUD	+/- 10	+/-10	32,223 / (32,223)	54,789 / (54,789)
Swiss Franc/AUD	+/- 10	+/-10	21,468 / (21,468)	19,464 / (19,464)
USD/AUD	+/- 10	+/-10	225,730 / (225,730)	238,801 / (238,801)
Other/AUD	+/- 10	+/-10	24,991 / (24,991)	49,476 / (49,476)

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:

2020	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	837,796	1,113,800	497,000	-	-	1,317,732	3,766,328
Asset-backed securities	174,416	-	-	20,913	26,997	-	222,326
Bank loans	183,763	-	-	-	-	-	183,763
Commercial paper	-	-	-	-	-	120,711	120,711
Fixed interest bonds	928,375	43,696	177,747	1,731,092	2,860,294	638,660	6,379,864
Indexed bonds	-	-	1,348	-	73,475	-	74,823
Mortgage-backed securities	556,954	-	-	-	232,541	-	789,495
Total financial assets	2,681,304	1,157,496	676,095	1,752,005	3,193,307	2,077,103	11,537,310
Financial liabilities							
Interest-bearing loans	-	14,617	43,490	-	-	-	58,107
Cash and term deposits	122,433	-	-	-	-	-	122,433
Total financial liabilities	122,433	14,617	43,490	-	-	-	180,540

2019	Floating interest rate \$'000	Fixed rate 3 months or less 3 months \$'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	1,760,815	773,509	555,000	-	-	1,025,931	4,115,255
Asset-backed securities	155,998	-	-	14,209	28,316	-	198,523
Bank loans	280,786	-	-	-	-	-	280,786
Commercial paper	-	-	-	-	-	35,424	35,424
Fixed interest bonds	878,661	42,595	156,708	2,127,807	2,725,849	180,049	6,111,669
Indexed bonds	-	-	-	-	127,900	-	127,900
Mortgage-backed securities	388,869	-	-	-	222,804	-	611,673
Total financial assets	3,465,129	816,104	711,708	2,142,016	3,104,869	1,241,404	11,481,230
Financial liabilities							
Interest-bearing loans	-	14,682	43,083	57,105	-	-	114,870
Cash and term deposits	41,874	-	-	-	-	-	41,874
Total financial Liabilities	41,874	14,682	43,083	57,105	-	-	156,744

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.

Currency	2020		2019	
	Reasonably possible change in basis points increase/(decrease)	Sensitivity of interest income and changes on net assets \$'000 increase/(decrease)	Reasonably possible change in basis points increase/(decrease)	Sensitivity of interest income and changes on net assets \$'000 increase/(decrease)
AUD	+ 50 / (50)	35,936 / (35,936)	+ 100 / (100)	69,114 / (69,114)
USD	+ 50 / (50)	17,243 / (17,243)	+ 50 / (50)	16,911 / (16,911)
EUR	+ 20 / (20)	1,380 / (1,380)	+ 20 / (20)	1,537 / (1,537)
GBP	+ 50 / (50)	906 / (906)	+ 50 / (50)	780 / (780)
Others	+ 50 / (50)	2,829 / (2,829)	+ 50 / (50)	3,301 / (3,301)

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 was performed on the same basis as prior financial year.

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.

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 results	
	2020 %	2019 %	2020 \$'000	2019 \$'000
Cash and term deposits	+/-0.5	+/-1	18,219 / (18,219)	40,734 / (40,734)
Australian equities	+/-20	+/-20	969,071 / (969,071)	1,074,873 / (1,074,873)
International equities	+/-20	+/-20	1,777,968 / (1,777,968)	1,782,808 / (1,782,808)
Units in unit trusts:				
Listed unit trusts	+/-20	+/-20	108,999 / (108,999)	104,809 / (104,809)
Unlisted unit trusts	+/-15	+/-15	494,901 / (494,901)	476,851 / (476,851)
Limited partnerships	+/-10	+/-10	2,434 / (2,434)	3,036 / (3,036)
Other interest-bearing securities:				
Asset-backed securities	+/-10	+/-10	22,233 / (22,233)	19,852 / (19,852)
Bank loans	+/-10	+/-10	18,376 / (18,376)	28,079 / (28,079)
Commercial paper	+/-10	+/-10	12,071 / (12,071)	3,542 / (3,542)
Fixed interest bonds	+/-10	+/-10	637,986 / (637,986)	611,167 / (611,167)
Indexed bonds	+/-10	+/-10	7,482 / (7,482)	12,790 / (12,790)
Mortgage-backed securities	+/-10	+/-10	78,950 / (78,950)	61,167 / (61,167)
Derivatives	+/-10	+/-10	35,110 / (35,110)	(2,390) / 2,390

(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 defined benefit component, the Fund has adequate resources readily convertible to cash to satisfactorily meet these obligations when called upon under normal conditions. In addition, the Crown guarantees payment of every benefit payable under a GESB scheme.

One other significant financial liability of the Fund is an interest-bearing loan which was entered into with the State Government. Loan repayments are made on an agreed schedule to discharge the unfunded West State Super liability over 20 years and the loan agreement will expire in April 2021. Refer to Note 16 for details of the loan.

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.

30 June 2020	Carrying amount \$'000	Contractual cash flows \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	> 1 year \$'000
Derivative liabilities	136,466	136,466	87,837	2,101	46,528
Payables	284,294	284,294	284,294	-	-
Interest-bearing loans	58,107	58,207	-	58,207	-
Member benefits	32,466,646	32,466,646	32,466,646	-	-
Total	32,945,513	32,945,613	32,838,777	60,308	46,528
30 June 2019	Carrying amount \$'000	Contractual cash flows \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	> 1 year \$'000
Derivative liabilities	255,443	255,443	159,832	20,263	75,348
Payables	463,973	463,973	463,973	-	-
Interest-bearing loans	114,870	116,297	-	58,191	58,106
Member benefits	32,022,859	32,022,859	32,022,859	-	-
Total	32,857,145	32,858,572	32,646,664	78,454	133,454

(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:

	2020		2019	
	\$'000	%	\$'000	%
Consumer discretionary	1,302,668	9.12	1,245,202	8.39
Consumer staples	969,783	6.79	922,826	6.21
Energy	517,404	3.62	1,028,932	6.93
Financials	2,412,133	16.90	3,041,986	20.48
Health care	1,568,139	10.98	1,281,287	8.63
Industrials	1,374,542	9.63	1,432,658	9.65
Information technology	1,962,705	13.75	1,567,853	10.56
Materials	1,550,872	10.86	1,592,791	10.73
Real Estate	1,118,964	7.85	1,361,607	9.17
Communication services	988,243	6.92	986,821	6.65
Utilities	510,665	3.58	386,718	2.60
Total	14,276,118	100.00	14,848,681	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.

	2020		2019	
	\$'000	%	\$'000	%
Australia	14,510,772	49.47	14,659,102	49.64
Canada	364,010	1.24	375,466	1.27
France	418,092	1.43	374,199	1.27
Germany	565,240	1.93	541,662	1.84
Hong Kong	157,827	0.54	281,734	0.96
Japan	1,167,815	3.98	1,183,424	4.01
Netherlands	278,019	0.95	272,745	0.92
Singapore	70,571	0.24	122,170	0.41
Switzerland	378,356	1.29	361,478	1.22
United Kingdom	809,368	2.76	1,092,994	3.70
United States	7,168,299	24.43	6,818,984	23.09
Other	3,445,853	11.74	3,444,592	11.67
Total	29,334,222	100.00	29,528,550	100.00

(g) Environmental, social and governance ('ESG') and climate-related risks

ESG risk is the risk that any environmental, social, governance or other sustainability related factors have a significant impact on the financial performance of an investment. ESG factors may arise in relation to all investments including, but not limited to, listed and unlisted equities, fixed interest and property. Climate-related risks include those from potential acute or chronic natural disasters, change in climate patterns and the related technology, market, legal and changes in government policies risks. The Fund is focused on ensuring material investment risks, including ESG and climate-related risk are taken into account when investing on behalf of members.

The Fund predominately uses external investment managers to implement strategies and select underlying investment within asset classes. The Fund expects its investment managers to identify and understand any material ESG risks when comprehensively assessing the risk of an investment. This assessment helps the Fund's investment managers engage with investee company management to ensure that ESG issues are appropriately managed and good ESG practices are employed. The Fund also expects its Consultant/s to evaluate investment manager's ESG capabilities when researching, monitoring and carrying out investment due diligence of these investment managers.

The Fund undertakes scenario analysis as part of its management of climate-related risks.

(h) Unitised investments

Unitised investment vehicles hold investments in a variety of investment instruments, including derivatives that expose the Fund's investments to a variety of investment risks, including market risk, credit risk, interest risk and currency risk. Refer to Note 28(c) to 28(e) on how the Fund manages these risks.

Note 29: Scheme financial reporting

2020	Pension Scheme \$'000	Gold State Super \$'000	West State Super \$'000	GESB Super \$'000	Retirement Income Pension \$'000	Term Allocated Pension \$'000	WATC Loan \$'000	Reserves \$'000	Scheme Elimination \$'000	Total \$'000
Net assets available for member benefits at the beginning of the year	97,706	2,825,611	16,392,851	4,605,829	5,327,055	18,257	(114,870)	236,731	-	29,389,170
Investment income										
Investment (losses)/income (net of investment expenses)	(2,384)	(68,937)	(212,111)	(131,584)	(73,697)	(247)	-	3,374	-	(485,586)
Superannuation income										
Employer contributions	166,625	300,697	896,760	521,744	-	-	58,636	-	-	1,944,462
Member contributions	233	7,874	148,509	42,505	-	-	-	-	-	199,121
Government co-contributions	-	-	512	210	-	-	-	-	-	722
Transfer from other superannuation plans	-	-	356,393	321,712	855,819	-	-	-	(1,088,138)	445,786
Income tax on contributions	-	-	-	(81,686)	(82,548)	-	-	-	-	(164,234)
Lag gain / (loss)	-	-	435	45	(895)	(2)	-	417	-	-
Other income										
Death and disability insurance received	-	-	33,130	18,600	-	-	-	-	-	51,730
Other income	1	186	(120)	11	46	-	-	7,197	-	7,321
Total income	164,475	239,820	1,223,508	691,557	698,725	(249)	58,636	10,988	(1,088,138)	1,999,322
Expenses										
Benefits to members/beneficiaries	(174,809)	(437,397)	(1,344,306)	(390,338)	(737,201)	(1,996)	-	(993)	1,088,138	(1,998,902)
Insurance premiums charged	-	-	(68,296)	(35,074)	-	-	-	-	-	(103,370)
Administration expenses	-	-	(13,292)	(15,422)	(6,521)	(49)	-	(2,726)	-	(38,010)
Changes in fair value of loan	-	-	-	-	-	-	3,778	-	-	3,778
Loan interest expenses	-	-	-	-	-	-	(5,651)	-	-	(5,651)
Total expenses	(174,809)	(437,397)	(1,425,894)	(440,834)	(743,722)	(2,045)	(1,873)	(3,719)	1,088,138	(2,142,155)
Change in net assets before income tax	(10,334)	(197,577)	(202,386)	250,723	(44,997)	(2,294)	56,763	7,269	-	(142,833)
Income tax benefits	-	-	-	22,394	13,138	52	-	-	-	35,584
Change in net assets after income tax	(10,334)	(197,577)	(202,386)	273,117	(31,859)	(2,242)	56,763	7,269	-	(107,249)
Reclassification of defined benefit assets	9,622	(9,622)	-	-	-	-	-	-	-	-
Net assets available for member benefits at the end of the year	96,994	2,618,412	16,190,465	4,878,946	5,295,196	16,015	(58,107)	244,000	-	29,281,921

2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net assets available for member benefits at the beginning of the year	96,210	2,822,337	15,317,122	3,968,721	4,805,325	18,978	(168,504)	219,854	-	-	-	27,080,043
Investment income												
Investment income (net of investment expenses)	6,628	194,449	1,152,927	326,256	327,419	1,243	-	11,080	-	-	-	2,020,002
Superannuation income												
Employer contributions	174,182	393,533	901,061	491,002	-	-	58,883	-	-	-	-	2,018,661
Member contributions	196	8,742	153,939	42,377	-	-	-	-	-	-	-	205,254
Government co-contributions	-	-	563	183	-	-	-	-	-	-	-	746
Transfer from other superannuation plans	-	-	437,725	255,895	1,035,304	-	-	-	-	(1,361,783)	-	367,141
Income tax on contributions	-	-	-	(78,149)	(99,729)	-	-	-	-	-	-	(177,878)
Lag gain / (loss)	-	-	(363)	(103)	398	1	-	67	-	-	-	-
Other income												
Death and disability insurance received	-	-	36,170	15,670	-	-	-	-	-	-	-	51,840
Other income	1	202	(193)	8	65	-	-	7,363	-	-	-	7,446
Total income	181,007	596,926	2,681,829	1,053,139	1,263,457	1,244	58,883	18,510	(1,361,783)	4,493,212		
Expenses												
Benefits to members/beneficiaries	(182,450)	(590,713)	(1,522,502)	(349,614)	(743,300)	(1,958)	-	(1,275)	1,361,783	(2,030,029)		
Insurance premiums charged	-	-	(68,785)	(33,191)	-	-	-	-	-	(101,976)		
Administration expenses	-	-	(14,813)	(15,937)	(6,958)	(71)	-	(358)	-	(38,137)		
Changes in fair value of loan	-	-	-	-	-	-	4,093	-	-	4,093		
Loan interest expenses	-	-	-	-	-	-	(9,342)	-	-	(9,342)		
Total expenses	(182,450)	(590,713)	(1,606,100)	(398,742)	(750,258)	(2,029)	(5,249)	(1,633)	1,361,783	(2,175,391)		
Change in net assets before income tax	(1,443)	6,213	1,075,729	654,397	513,199	(785)	53,634	16,877	-	2,317,821		
Income tax (expense) /benefit	-	-	-	(17,289)	8,531	64	-	-	-	(8,694)		
Change in net assets after income tax	(1,443)	6,213	1,075,729	637,108	521,730	(721)	53,634	16,877	-	2,309,127		
Reclassification of defined benefit assets	2,939	(2,939)	-	-	-	-	-	-	-	-		
Net assets available for member benefits at the end of the year	97,706	2,825,611	16,392,851	4,605,829	5,327,055	18,257	(114,870)	236,731	-	29,389,170		

Apportionment of net assets

Section 16 of the *State Superannuation Act 2000* requires 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:

	2020 \$'000	2019 \$'000
Defined benefit schemes		
Pension Scheme	96,994	97,706
Gold State Super	2,618,412	2,825,611
Total defined benefit schemes	2,715,406	2,923,317
Defined contribution schemes		
West State Super	16,190,465	16,392,851
GESB Super	4,878,946	4,605,829
Retirement Income - Allocated Pension and Transition to Retirement	5,295,196	5,327,055
Retirement Income - Term Allocated Pension	16,015	18,257
Total defined contribution schemes	26,380,622	26,343,992
Reserves	244,000	236,731
WATC Loan	(58,107)	(114,870)
Total net assets available for member benefits as per Scheme Financial Reporting	29,281,921	29,389,170
Adjustments		
Employer-sponsor receivables:		
Pension Scheme	1,452,299	1,374,487
Gold State Super	2,380,793	2,103,892
WATC Loan recoverable from State	58,107	114,870
Net assets available for member benefits as per Statement of Financial Position	33,173,120	32,982,419

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:

	2020 \$'000	2019 \$'000
Change in net assets after income tax as per Scheme Financial Reporting	(107,249)	2,309,127
Adjustments:		
Superannuation contributions income	(2,590,091)	(2,591,802)
Income tax on contributions	164,234	177,878
Death and disability insurance received	(51,730)	(51,840)
Benefits to members/beneficiaries	1,998,902	2,030,029
Insurance premiums charged	103,370	101,976
Allocation to members' accounts	(72,752)	(1,359,991)
Net result after income tax as per Income Statement	(555,316)	615,377

Note 30: Insurance

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

Both GESB Super and West State Super 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 West State Super ('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 31: Commitments and contingent liabilities

Operating lease commitments

The Fund is committed to operating leases on six motor vehicles. These leases are non-cancellable and have a term of 36, 41, 68 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 2020 includes six car bays payable to a different lessor than the accommodation provider, at \$62,293 'within 1 year'. In 2019 six car bays were included from a separate lessor at \$60,923 'within 1 year' and \$62,293 '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 GESB and as such are also not treated as prescribed by AASB16.

	2020 \$'000		2019 \$'000	
Commitments payable	Premises	Vehicles	Premises	Vehicles
Within 1 Year	490	19	472	21
Later than 1 Year and not later than 5 Years	1,888	29	1,878	42
Later than 5 years	520	-	1,020	3
Total	2,898	48	3,370	66

Other expenditure commitments

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

	2020 \$'000	2019 \$'000
Administration services		
Within 1 Year	593	582
Later than 1 Year and not later than 5 Years	1,882	2,488
Total	2,475	3,070

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 2020/21 Statement of Corporate Intent is projected to be \$25.4m 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 2020 and 2019.

Note 32: 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:

30 June 2020	Pension Scheme \$'000	Gold State Super \$'000	West State Super \$'000	Parliamentary and Judges Pension \$'000	Corporate \$'000	Total \$'000
WATC loan recoup ¹	-	-	58,636	-	-	58,636
Employer contributions recoup	166,625	250,039	-	-	-	416,664
Administration expense recoup	1,506	4,864	-	430	373	7,173
Leases and shared services expenses	-	-	-	-	(832)	(832)
Total	168,131	254,903	58,636	430	(459)	481,641

30 June 2019	Pension Scheme \$'000	Gold State Super \$'000	West State Super \$'000	Parliamentary and Judges Pension \$'000	Corporate \$'000	Total \$'000
WATC loan recoup ¹	-	-	58,883	-	-	58,883
Employer contributions recoup	174,182	339,918	-	-	-	514,100
Administration expense recoup	1,575	4,986	-	414	258	7,233
Leases and shared services expenses	-	-	-	-	(1,078)	(1,078)
Total	175,757	344,904	58,883	414	(820)	579,138

¹ The amount recouped from the State Government is the same amount of loan repaid to WATC during the reporting period. Refer to Note 16 for details of the WATC loan.

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 33: Explanatory statement

In accordance with *Treasurer's Instruction 945P*, significant variances between budget and actual for 2020 and between the actual results for 2020 and 2019 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	2020 Actual \$'000	2020 Budget \$'000	Variance actual to budget \$'000	%	2019 Actual \$'000	Variance actual to prior year actual \$'000	%
INCOME								
Investment income								
Investment (losses)/income	(i)	(419,002)	1,935,619	(2,354,621)	(122)	2,083,268	(2,502,270)	(120)
Less: investment expenses	(ii)	(66,584)	(82,104)	15,520	(19)	(63,266)	(3,318)	5
Net Investment (losses)/income		(485,586)	1,853,515	(2,339,101)	(126)	2,020,002	(2,505,588)	(124)
Superannuation income								
Contribution income:								
Member (includes government co-contributions)	(iii)	199,843	825,535	(625,692)	(76)	206,000	(6,157)	(3)
Employer	(iv)	1,944,462	1,417,021	527,441	37	2,018,661	(74,199)	(4)
Rollover into retirement products	(v)	597,704	1,226,934	(629,230)	(51)	778,707	(181,003)	(23)
Inward transfer from other funds	(vi)	936,220	622,770	313,450	50	950,217	(13,997)	(1)
Group life insurance proceeds		51,730	51,694	36	0	51,840	(110)	(0)
Other income	(vii)	7,321	8,351	(1,030)	(12)	7,446	(125)	(2)
Total superannuation income		3,737,280	4,152,305	(415,025)	(10)	4,012,871	(275,591)	(7)
Total Income		3,251,694	6,005,820	(2,754,126)	(46)	6,032,873	(2,781,179)	(46)
EXPENSES								
Benefits to members/beneficiaries	(viii)	3,087,040	4,330,358	1,243,318	29	3,391,812	304,772	9
Administration expenses	(ix)	37,834	42,316	4,482	11	37,964	130	0
Insurance premiums charged to member accounts		103,370	111,946	8,576	8	101,976	(1,394)	(1)
Depreciation and amortisation	(x)	176	288	112	39	173	(3)	(2)
Changes in loans measured at fair value	(xi)	(3,778)	-	3,778	100	(4,093)	(315)	8
Loan interest expenses	(xii)	5,651	5,699	48	1	9,342	3,691	40
Total Expenses		3,230,293	4,490,607	1,260,314	28	3,537,174	306,881	9
NET RESULT BEFORE TAX FOR THE YEAR		21,401	1,515,213	(1,493,812)	(99)	2,495,699	(2,474,298)	(99)

Notes to the Explanatory Statement

(i) Investment (losses)/income

Investment income is \$2.35bn (122%) lower than budget and \$2.5bn (120%) lower than the prior year.

The full year investment performance of the Fund was -1.48% compared to a budget of 6.5%. The lower than expected investment performance in the 2019/20 financial year and reduction from prior year's performance was largely due to high levels of market volatility as a result of the COVID-19 pandemic.

Details of investment income are included in Note 19.

(ii) Investment expenses

Investment expenses are \$15.5m (19%) lower than budget.

Certain investment managers can earn a performance fee, if they outperform an agreed benchmark. As the difference between the investment manager's performance and the benchmark increases, so does the amount of their performance fee. When undertaking the budget calculation, an investment manager's benchmark and their actual performance for the year are unknown. As such, the performance fee included in the budget is only an estimate.

(iii) Member contributions

Member contributions were \$626m (76%) lower than budget due to lower than anticipated member contributions into West State Super.

(iv) Employer contributions

Employer contributions were \$527m (37%) higher than budget, this was due to greater than expected contributions into West State Super and GESB Super.

(v) Rollover into retirement products

Total rollover into retirement products were \$629m (51%) lower than budget and \$181m (23%) lower than the prior year. The decrease from prior year and decrease to budget is due to the reduced tax benefits of rolling into a retirement product that came into effect in 2018/19 with members continuing to choose other options.

(vi) Inward transfer from other funds

Inward transfers from other funds were \$313m (50%) higher than budget. This is driven by continuing campaigns by the ATO for members to combine their superannuation accounts.

(vii) Other income

Other income is \$1m (12%) lower than budget, predominantly due to the demand for Retirement Options Service ('ROS') appointments being lower than anticipated.

(viii) Benefits to members/beneficiaries

Total superannuation benefits were \$1.2b (29%) lower than budget. This variance is an effect of less than anticipated members rolling into retirements, resulting in lower benefit payments out of retirement products. Also attributable is lower than anticipated benefit payments from West State Super.

(ix) Administration expenses

Refer to Note 21.

(x) Depreciation and amortisation

Refer to Note 22.

(xi) Changes in loans measured at fair value

Refer to Note 16.

(xii) Loan interest expenses

Refer to Note 16.

Note 34: 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 2020.

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 2020 was as stated in the table below:

	2020 \$'000
Total net assets	29,340,028
<i>Less: Net assets for defined contribution schemes</i>	
West State Super	16,190,465
GESB Super	4,878,946
Retirement Income	5,295,196
Term Allocated Pension	16,015
<i>Less: Reserves</i>	244,000
Net assets for defined benefit schemes	2,715,406
<i>Less: Accrued actuarial funded liabilities for defined benefit schemes</i>	
Pension Scheme	80,475
Gold State Super	2,172,457
Net position	462,474

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 Scheme has deteriorated over the year since the last actuarial investigation due to the lower than assumed investment return for the year and change in the economic assumptions.

(ii) Gold State Super

The Actuary reported that the financial position of the Scheme has deteriorated over the year since the last actuarial investigation due to a lower than expected investment return of minus 2.1% during the reporting period and an update to the economic assumptions.

Note 35: Write-offs

The write-offs approved by the Board during the current financial year were \$2,575 (2019: \$63).

Note 36: 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

To the Parliament of Western Australia

GOVERNMENT EMPLOYEES SUPERANNUATION BOARD

Report on the financial statements

Opinion

I have audited the financial statements of the Government Employees Superannuation Board (GESB) which comprise the Statement of Financial Position as at 30 June 2020, the Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves and Statement of Cash Flows for the year then ended, and 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 financial position of the Government Employees Superannuation Board as at 30 June 2020 and the results of its operations, cash flows, changes in reserves and changes in member benefits for the year ended 30 June 2020. They are 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 Responsibility for the Audit of the Financial Statements section of my report. I am independent of GESB in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Board for the financial statements

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

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 and 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 responsibility 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.

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

Report on controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Government Employees Superannuation Board. The controls exercised by GESB are those policies and procedures established by the Board 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 legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

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 legislative provisions during the year ended 30 June 2020.

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 Engagements 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 to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the 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 the controls are 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 key performance indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Government Employees Superannuation Board for the year ended 30 June 2020. 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 the GESB's performance and fairly represent indicated performance for the year ended 30 June 2020.

The Board's responsibility 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 control 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 responsibility

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 control relating to the reports on 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 ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

This auditor's report relates to the financial statements and key performance indicators of the Government Employees Superannuation Board for the year ended 30 June 2020 included 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 and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. 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 of the financial statements and key performance indicators.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
2 September 2020

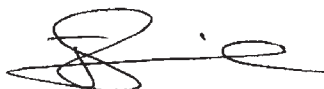
Certification of key performance indicators

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 GESB, and fairly represent the performance of GESB for the financial year ended 30 June 2020.



JL Langoulant
Chair

2 September 2020



F Sciarrone
Director

2 September 2020

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 2019/2020.

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 government goal of 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 outcome, which is the 'improved long term superannuation benefits of our members'. 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 improved superannuation benefits.

Members' satisfaction with the services provided by GESB was 90% (6-10 out of 10 ratings) for the 2019/20 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 helpful and knowledgeable service representatives who 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%. This generates a margin of error of $\pm 2.26\%$ on an annual sample of n=2,598 at the 95% confidence level. In order to improve the accuracy of the results they are post weighted by scheme, age and gender against members who have contacted the Member Services Centre during the 2019/20 financial year to ensure they are representative. After weighting, the effective sample size for the year is 1,837.

	Actual 17/18	Actual 18/19	Target 19/20	Actual 19/20
Percentage who are fairly satisfied, satisfied or extremely satisfied	85%	87%	80%	90%

2. Investment performance against objectives

Changes to objectives since last year

During the period, changes were made to the investment return objectives and asset allocations for a number of GESB's investment options. The changes in 2019/20 to the investment return objectives relate to the measurement of the Cash plan on an after investment fee and before tax basis and aim to provide a better comparison against the objective for these plans. The definition of investment return objectives across all GESB schemes have been further clarified such that after fees means after investment fees to ensure a more appropriate comparison.

The small changes made to asset allocations in 2019/20 aim to improve diversification and consistency across the various GESB schemes.

The changes were approved by the Treasurer of Western Australian in September 2019 and are detailed in the Treasurer's Prudential Guidelines for Investments.

Summary of performance against objectives

Primary objectives

For Cash plans, the primary objective is to meet or exceed the performance of 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 deliver investment performance in excess of the Average Weekly Earnings (AWE) + 2.5% pa over rolling five-year periods.

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

Over periods to 30 June 2020, the performance of all plans exceeded their primary investment objectives reflecting strong returns from growth assets over each time horizon.

Secondary objectives

The secondary objective of each plan (other than Cash plans) is to achieve a return in excess of the asset weighted benchmark return over a rolling three-year period. The asset weighted 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. Cash plans do not have a secondary objective. Returns are measured after investment fees.

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 is expected to be consistent across plans.

Each of the plans lagged their secondary objectives for the three-year period to June 2020, though within tolerance levels expected by the Board. Plan returns were negatively impacted by below benchmark returns from the underlying Defensive Alternatives, Medium Risk Alternatives and International Equities asset classes. On the positive side, plan returns benefitted from above benchmark returns from Investment Grade Bonds asset class.

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 % pa ¹	Target % pa ¹	Relative performance % pa
Cash plan	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods 	1.26	0.85	0.41
Conservative plan	<ul style="list-style-type: none"> Achieve a return after investment fees of CPI +2.0% pa over rolling five year periods 	4.03	3.25	0.78
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	3.83	4.28	(0.45)
My West State Super plan	<ul style="list-style-type: none"> Achieve a return after investment fees of CPI +3.0% pa over rolling seven year periods 	6.90	4.54	2.36
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.87	5.87	(1.00)
Growth plan	<ul style="list-style-type: none"> Achieve a return after investment fees of CPI +4.0% pa over rolling ten year periods 	8.16	5.79	2.37
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.89	6.04	(1.15)

¹ All plan returns are reported net of Indirect Cost Ratio (ICR) when compared against a net investment return target for CPI plus objectives and net of fees when compared against a gross investment return target for secondary objectives and the Cash plan primary objective. The ICR 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 % pa ²	Target % pa ²	Relative performance % pa
Cash plan	<ul style="list-style-type: none"> Achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods 	1.27	0.85	0.42
Conservative plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +2.0% pa over rolling five year periods 	3.89	3.25	0.64
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.03	4.53	(0.50)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +2.5% pa over rolling six year periods 	5.26	3.80	1.46
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.70	5.71	(1.01)
My GESB Super plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +3.0% pa over rolling seven year periods 	6.68	4.54	2.14
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.74	5.83	(1.09)
Growth plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +4.0% pa over rolling ten year periods 	7.80	5.79	2.01
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.94	6.08	(1.14)

² All plan returns are reported net of Indirect Cost Ratio (ICR) and applicable taxes when compared against a net investment return target for CPI plus objectives and net of ICR only when compared against a gross investment return target for secondary objectives and the Cash plan primary objective. The ICR 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

Retirement Income

Investment plan	Objective	Net plan return % pa ³	Target % pa ³	Relative performance % pa
Cash plan	<ul style="list-style-type: none"> Achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods 	1.26	0.85	0.41
Conservative plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +2.0% pa over rolling five year periods. 	4.11	3.25	0.86
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	3.74	4.19	(0.45)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +3.0% pa over rolling seven year periods. 	6.91	4.54	2.37
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.62	5.66	(1.04)
Growth plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +4.0% pa over rolling ten year periods. 	8.29	5.79	2.50
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.66	5.77	(1.11)

³ All plan returns are reported net of Indirect Cost Ratio (ICR) and inclusive of franking credits when compared against a net investment return target for CPI plus objectives and net of ICR and excluding franking credits when compared against a gross investment return target for secondary objectives and the Cash plan primary objective. The ICR 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

Investment plan	Objective	Net plan return % pa ⁴	Target % pa ⁴	Relative performance % pa
Cash plan	<ul style="list-style-type: none"> Achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods 	1.26	0.85	0.41
Conservative plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +2.0% pa over rolling five year periods 	N/A	3.25	N/A
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	3.74	4.19	(0.45)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +3.0% pa over rolling seven year periods 	N/A	4.54	N/A
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.62	5.66	(1.04)
Growth plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +4.0% pa over rolling ten year periods 	N/A	5.79	N/A
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.69	5.77	(1.08)

⁴ All plan returns are reported net of Indirect Cost Ratio (ICR) and applicable taxes when compared against a net investment return target for CPI plus objectives and net of ICR only when compared against a gross investment return target for secondary objectives and the Cash plan primary objective. The ICR 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 % pa ⁵	Target % pa ⁵	Relative performance % pa
Cash plan	<ul style="list-style-type: none"> Achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods 	1.26	0.85	0.41
Conservative plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +2.0% pa over rolling five year periods 	4.13	3.25	0.88
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	3.75	4.19	(0.44)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +3.0% pa over rolling seven year periods 	6.81	4.54	2.27
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.62	5.66	(1.04)
Growth plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of CPI +4.0% pa over rolling ten year periods 	8.08	5.79	2.29
	<ul style="list-style-type: none"> Achieve a return after investment fees in excess of the asset weighted benchmark return over rolling three year periods 	4.63	5.77	(1.14)

⁵ All plan returns are reported net of Indirect Cost Ratio (ICR) and inclusive of franking credits when compared against a net investment return target for CPI plus objectives and net of ICR and excluding franking credits when compared against a gross investment return target for secondary objectives and the Cash plan primary objective. The ICR 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 % pa ⁶	Target % pa ⁶	Relative performance % pa
Gold State Pension and Provident Account	<ul style="list-style-type: none"> Achieve a return after fees of AWE +2.5% pa over rolling five year periods 	5.29	4.68	0.61
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	4.74	5.92	(1.18)

⁶ All scheme returns are reported net of Indirect Cost Ratio (ICR) when compared against a net investment return target for AWE plus objectives and a gross investment return target for secondary objectives. The ICR 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.

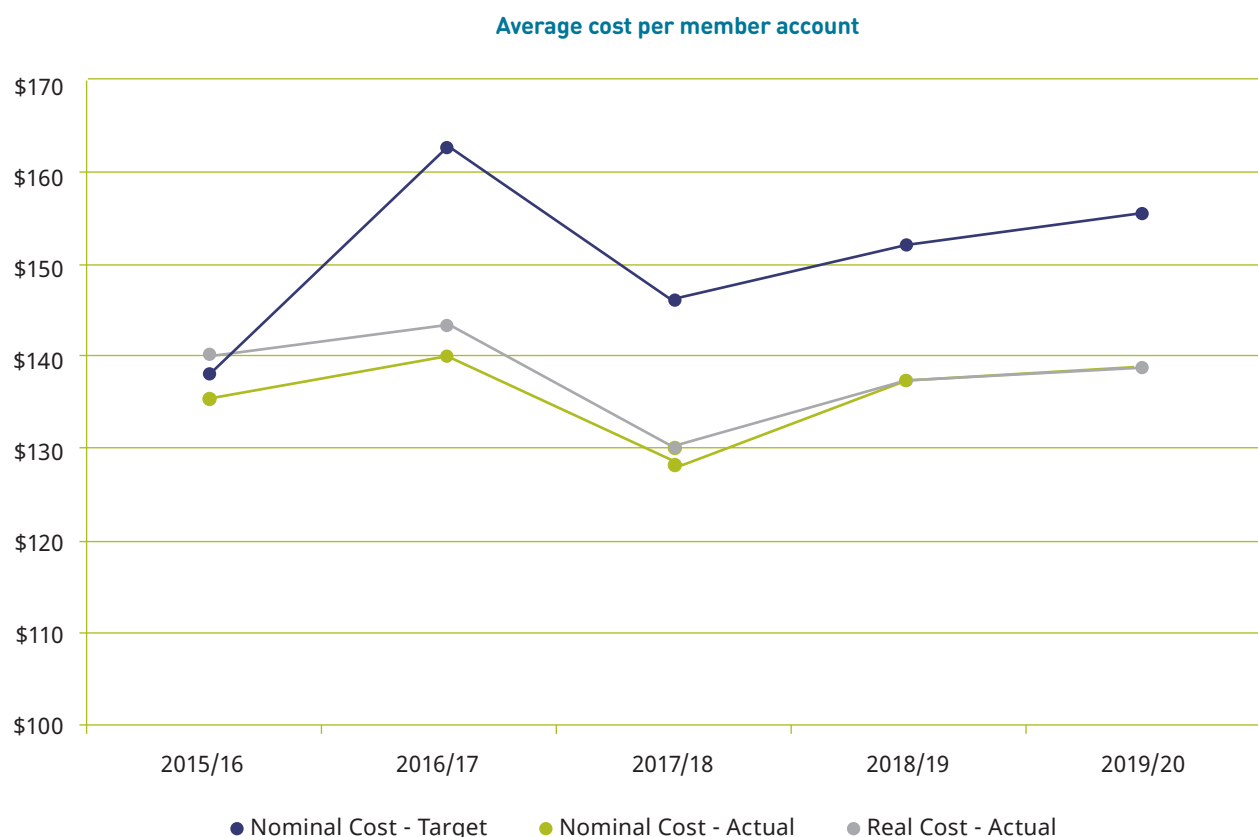
1. Average administration cost per member account

The average cost per member of administering the schemes has increased by 1.7% in real terms and 1.8% in nominal terms compared to the previous year and was 10.6% below target. Cost per member has increased slightly in 2019/20 compared to 2018/19 due in part to an increase in salaries due to additional full-time equivalent (FTE) needed to meet business as usual (BAU) requirements. Another factor was an increase in outsourced administration expenses as extra staff were required in the call centre to deal with the higher call volumes as a result of the COVID-19 pandemic. Refer to Note 21 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 in the year. This was primarily driven by reduced spend on external contractors, bank fees and research services. Also attributable was a reduced input tax credit (RITC) refund received from the ATO in 2019/20. Again, please refer to Note 21 of the Financial Statements for more detail.

	2015/16	2016/17	2017/18	2018/19	2019/20
Nominal Cost – Target	\$137.95	\$163.12	\$145.79	\$151.87	\$155.24
Nominal Cost – Actual	\$135.63	\$140.03	\$127.82	\$136.37	\$138.84
Real Cost – Actual	\$140.29 ⁷	\$143.98 ⁷	\$130.00 ⁷	\$136.51 ⁷	\$138.84

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.



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, in order to illustrate 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 2019/2020 was 0.33%, compared to the target IMER of 0.37%. The main contributor to the difference was lower than budgeted performance fees paid to investment managers. These equated to 0.02% against a budget of 0.043%. In addition, management fees were 0.014% below budget, due to changes in asset allocations, the transition of a number of investment managers and a negotiated reduction in management fees for certain managers.

Although the IMER was calculated using information received from investment managers in line with 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 Indirect Cost Ratio for all investment plans, in line with RG97 requirements.

Investment management expense ratio	Actual 2015/16	Actual 2016/17	Actual 2017/18	Actual 2018/19	Target 2019/20	Actual 2019/20
Investment management expense ratio – investment management costs as a percentage of portfolio mean value invested	0.36 ⁸	0.37 ⁸	0.48	0.32	0.37	0.33

⁸ Previous year ratios do not include the impact of the RG97 disclosure requirements. These cannot be re-stated for comparative purposes, as the historical data is not available

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

Legislation administered

During 2014/15, GESB was directly responsible for administering the following State 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>Judges' Salaries and Pensions Act 1950</i> | • <i>Stamp Act 1921</i> |
| • <i>Disability Services Act 1993</i> | • <i>Minimum Conditions of Employment Act 1993</i> | • <i>State Records Act 2000</i> |
| • <i>Electoral Act 1907</i> | • <i>Occupational Safety and Health Act 1984</i> | • <i>State Supply Commission Act 1991</i> |
| • <i>Equal Opportunity Act 1984</i> | • <i>Parliamentary Commissioner Act 1971</i> | • <i>Statutory Corporations (Liability of Directors) Act 1996</i> |
| • <i>Fair Trading Act 2010</i> | • <i>Parliamentary Superannuation Act 1970</i> | • <i>Unclaimed Money (Superannuation and RSA Providers) Act 2003</i> |
| • <i>Family Court Act 1997</i> | • <i>Pay-roll Tax Assessment Act 2002</i> | • <i>Unclaimed Money Act 1990</i> |
| • <i>Financial Management Act 2006</i> | • <i>Public Interest Disclosure Act 2003</i> | • <i>Government Employees Superannuation Board (Policy Instruments) Regulations 2009</i> |
| • <i>Freedom of Information Act 1992</i> | • <i>Public Sector Management Act 1994</i> | |
| • <i>Industrial Relations Act 1979</i> | • <i>Salaries and Allowances Act 1975</i> | |

Commonwealth legislation impacting on activities

- | | | |
|---|---|--|
| • <i>A New Tax System (Goods and Services Tax) Act 1999</i> | • <i>Family Law Act 1975</i> | • <i>Superannuation Contributions Tax (Members of Constitutionally Protected Superannuation Funds) Imposition Act 1997</i> |
| • <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>Bankruptcy Act 1966</i> | • <i>Income Tax Assessment Act 1936</i> | • <i>Superannuation (Resolution of Complaints) Act 1993</i> |
| • <i>Child Support (Registration and Collection) Act 1988</i> | • <i>Privacy Act 1988</i> ² | • <i>Veterans' Entitlements Act 1986</i> |
| • <i>Competition and Consumer Act 2010</i> | • <i>Retirement Savings Accounts Act 1997</i> | |
| • <i>Corporations Act 2001</i> | • <i>Sex Discrimination Act 1984</i> | |
| • <i>Disability Discrimination Act of 1992</i> | • <i>Superannuation Contributions Tax (Members of Constitutionally Protected Superannuation Funds) Assessment and Collection Act 1997</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*, and reports lost members in accordance with the *Superannuation (Unclaimed Money and Lost members) Act 1999*.

Appendix 3

The Budget estimate 2020/21 reflects the Statement of changes in net assets and the Statement of net assets set out in GESB's 2019/20 Statement of Corporate Intent. Budget estimates conform with AASB 1056.

Budget estimate 2020/21

Statement of changes in net assets

	Budget 2021
For the financial year ending 30th June	\$'000
Net assets available to pay benefits at the beginning of the financial year	31,720,179
REVENUE	
Investment revenue	
Realised income	646,943
Realised changes in net market value of investment assets	646,943
Unrealised changes in net market value of investment assets	862,591
Income from investment	2,156,477
Superannuation revenue	
Contributions	
Member	185,898
Employer	1,943,739
Rollover into retirement products	1,135,472
Inward transfers	876,229
Member insurance benefits received	51,819
Other income	8,514
TOTAL REVENUE	6,358,148
EXPENSES	
Superannuation benefit payments	3,800,058
Administration expenses	47,576
Group life insurance premiums	106,220
Investment expenses	85,041
Changes in nmv of financial liabilities	-
Changes in nmv other assets	288
Loan interest	58,106
TOTAL EXPENSES	4,097,289
Changes in net assets before income tax	2,260,859
Income tax expense	213,985
Changes in net assets after income tax	2,046,875
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR	33,767,054

Statement of net assets

For the financial year ending 30th June	Budget 2021 \$'000
ASSETS	
Cash and cash equivalents	10,724
Investments	33,814,273
Plant and equipment	169
Intangible assets	560
Receivables	17,801
Prepayments	831
Deferred tax assets	5,665
TOTAL ASSETS	33,850,021
LIABILITIES	
Contributions paid in advance	1,962
Unpaid and accrued liabilities	232
Payables	26,968
Provision for employee entitlements	1,237
Provision for post employment liabilities	550
Interest bearing loans and borrowings	-
Current tax liabilities	52,019
TOTAL LIABILITIES	82,968
NET ASSETS AVAILABLE TO PAY BENEFITS	33,767,054

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