

Annual Report

2018/19

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

I have used GESB's values as the inspiration behind this design. The artwork heavily revolves around waterways – water being the giver of life and the most important means of survival. With water brings connection, it brings lifestyle and it brings education.

You will see groups where people are sitting and sharing their knowledge. You will see footprints walking into the space, but none walking away – putting members first so they don't want to leave.

Everything in this design is connected, and together things can be achieved with sustainability and integrity.

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 2019.

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 MLA, Treasurer; Minister for Finance; Aboriginal Affairs; Lands was GESB's responsible Minister for the period 1 July 2018 to 30 June 2019.

Ministerial directives

No ministerial directives were received during 2018/19.

Contents

Statement of compliance	3	Certification of the financial statements	26
GESB profile	4	Financial statements	27
Report from the Chair	5	Independent audit opinion	102
Superannuation update	7	Certification of key performance indicators	106
Corporate overview	9	Key performance indicators	107
The Board	10	Appendix 1	117
Members of the Board	12	Appendix 2	118
Corporate governance	16	Appendix 3	119
Organisational structure	21		
Other compliance requirements	22		

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.

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. Service and engagement – a positive experience for members when they engage with GESB and their superannuation. Assisting employers in meeting their superannuation obligations efficiently and effectively.
3. Efficient and effective operations – value for money products and services.
4. Engaged people – supporting and enabling staff to deliver agreed outcomes and meet member and employer needs.

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 superannuation and retirement products and related services that meet members' needs.

Sustainable performance

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

Achieve together

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

Act with integrity

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

Report from the Chair

The investment environment

Over 2018/19, investment market returns were generally positive but experienced some significant volatility during the period. Share markets performed well and were up almost 9% in Australia and around 10% (on average) overseas. Returns were supported by a continued low interest rate environment, while ongoing trade tensions between the United States and China fuelled volatility. Bond yields fell over the year and Australian interest rates across the yield curve continued to reach new historic lows. The Reserve Bank of Australia cut interest rates late in the financial year – its first rate move in three years – and markets expect interest rates to fall or remain low for the foreseeable future. Against this backdrop, GESB's schemes have delivered solid returns.

For the 12 months to June 2019, the My GESB Super plan delivered an after fees and taxes return of 7.26%^ and the My West State Super* plan delivered an after fees return of 7.85%^.

GESB's total funds under management, including member net inflows and investment performance, increased over the year to \$29.5 billion, from around \$27 billion at the start of the financial year.

Despite the solid returns achieved over the past year, there remain a number of challenges for investment markets in coming years. A lower interest rate environment means forward-looking returns on cash investments are lower than the past. Conversely, almost all other asset classes have benefited from falling interest rates and continued (albeit modest) economic growth. However, there remains a backdrop of meaningful economic and geopolitical uncertainty that has the potential to negatively impact both Australian and overseas share markets in the short to medium term.

While a low inflation, low interest rate environment has supported returns and valuations for most non-cash assets, it is not easy to identify obvious sources of growth in private sector consumption or investment in the near term, particularly given low wages growth, material declines in house prices and the maturity of this expansionary phase of the business cycle.

The past few years have demonstrated the potential for markets to continue to deliver strong returns despite perceived risks in the macroeconomic and geopolitical environments. 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.

Financial services industry inquiries

The Commonwealth government released Commissioner Kenneth Hayne's Final Report of the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* in February 2019. Although GESB was outside the scope of the Commission, we have reviewed the recommendations made in the Report with particular focus on how we can continue to meet our members' expectations.

The Productivity Commission released its Inquiry Report *Superannuation: Assessing Efficiency and Competitiveness* in December 2018 and some of the report's recommendations have been reflected in recent Commonwealth legislation. We will continue to monitor further developments.



John Langoulant
Chair

^Returns are based on transactional 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.

Our outsourced service providers have continued to deliver high quality services.

We've continued to benefit from the professionalism and expertise of our global custodian, Northern Trust. Link, our administration services provider, achieved or exceeded service level standards in most of our core administration areas. Most pleasingly, Link reduced the time taken to make payment of GESB Super, West State Super and Retirement Income benefits from 20 days to 10 days – and more commonly less – during this financial year. We continue to strive for further service standard improvements while ensuring the fund's administration remains cost-effective.

Highly rated products and services

Our GESB Super, and Retirement Income Allocated Pension schemes were rated as 'best value for money' products by SuperRatings in 2018 and awarded the highest rating of Platinum for the 12th consecutive year.

We continue to aspire to provide well-regarded, cost-effective services and efficient means of communicating with our members. In December 2018 we removed all transaction fees, including exit fees, from our schemes. More recently, our 'click to chat' online service portal has been received well by members choosing to contact us via this channel.

Acknowledgments

I would like to take this opportunity to welcome Ms Naomi McCrae to the Board and Mr John Stroud to the Investment Committee, both of whom joined GESB this year. I would also like to thank all members of the GESB Board, Audit and Risk Committee and Investment Committee for their dedicated work during the year.

I'd also like to recognise the commitment of all staff to meeting our members' needs, and for continuing to work collaboratively with outsourced providers, ensuring service standards have been maintained and in many cases improved.

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



John Langoulant

Chair

Superannuation update

During the year, we continued to work with the Department of Treasury and the State Solicitor's Office to implement both State and Commonwealth government super reforms. We also introduced a number of initiatives to help ensure members have a positive experience when they engage with us.

State reform

Paperless first and annual member statements

In 2017, State regulations were amended to allow us to make changes to the way we communicate with our members. In September 2018, we successfully introduced 'paperless first' when sending members their statement, resulting in the delivery of more than 194,000 electronic statements (eStatements). The quality of our email data meant that only 3.3% of eStatement emails couldn't be delivered. We then sent these members a paper statement, to ensure they received this important information. Only 0.7% of members who received an eStatement have since changed their preference to paper statements for the next statement mailing. We also changed from providing six-monthly statements, to annual statements.

The cost savings from both of these initiatives will be used to further enhance our member services, for example, with the introduction of online statement summaries with June 2019 statements.

Commonwealth reform

Protecting Your Super (PYS) Package

The 2018 Commonwealth budget introduced a number of measures designed to protect members' superannuation savings from being unduly eroded by fees and other charges.

Changes in fees: from 1 July 2019, a cap now applies on administration and investment fees on accounts with balances below \$6,000. Super funds are also no longer allowed to charge exit fees from 1 July 2019. We removed all transaction fees, including exit fees, for GESB Super, West State Super, Transition to Retirement Pension, RI Allocated Pension and Term Allocated Pension accounts effective 15 December 2018.

Inactive members: two of the measures involved removing insurance from inactive super accounts and transferring inactive super accounts with a balance of less than \$6,000 to the Australian Taxation Office (ATO). Changes to our State Superannuation Regulations will need to be made before we can introduce these measures for our members.

SuperStream

Stronger Super is a set of reforms aimed at making the super system more efficient and user-friendly. In the 12 months to 30 June 2019, we continued to implement initiatives related to SuperStream, which introduces new standards for reporting to the ATO.

GESB initiatives

Reduced fees

Following a detailed pricing review, we reduced the administration fee for GESB Super, West State Super, Transition to Retirement Pension, RI Allocated Pension and Term Allocated Pension members, effective 1 October 2018. Lowering fees allowed us to deliver on our strategic objective to provide net benefits to members.

Retirement planning calculator

During the year, we launched a retirement planning calculator to help members estimate how much super they will have by the time they retire, how much their annual income could be and how long their super will last.

The calculator allows members to include their partner's details and Age Pension entitlement. Members can also adjust variables, such as their retirement age, amount of contributions or investment plan, to see the impact on their final super balance and income in retirement.

Live chat

In March 2019, we successfully introduced our live chat service. This allows members to connect with a member services consultant in real time through our website. When members visit our website, they can use our chat tool to start a chat during service hours. Once the chat has ended, a transcript of the conversation is saved to the member's file. Members can request a copy of the transcript to be emailed or mailed to them at any time.

Reconciliation Action Plan (RAP)

In July 2019, we took the first step in our reconciliation journey, with the launch of our Reconciliation Action Plan (RAP).

Our vision for reconciliation is to engage with Aboriginal and Torres Strait Islander peoples in ways that will meet their needs and help to improve superannuation incomes. We recognise that building strong, respectful partnerships with Aboriginal and Torres Strait Islander peoples and communities is essential in achieving reconciliation.

After months of meetings, consultation and drafting, we've put together our RAP as our formal commitment to move towards reconciliation, including the actions we plan to take.

As our Chair, John Langoulant, and CEO, Ben Palmer, stated, 'This plan formalises our commitment to improving outcomes for our Aboriginal and Torres Strait Islander members and employees, and to support them throughout their journey with us so they can rely on their superannuation fund when needed. It's more than just words on a page – it will help guide and shape our operations now and into the future.'

There are four recognised phases for reconciliation: reflect, innovate, stretch and elevate. We've started in the 'reflect' phase. This means we've set our vision for reconciliation and we're now exploring the improvements and initiatives we can work to achieve in our future plans.

Our RAP is designed to promote reconciliation by formalising our efforts to meet the needs of Aboriginal and Torres Strait Islander peoples with financial education programs, offer work experience and employment opportunities through the WA Public Sector Commission's Aboriginal traineeship program, and create awareness of Aboriginal history and culture by recognising important dates throughout the year.

In the process of working on our RAP and related goals, we've built relationships with a number of partners. We'd like to thank the Australian Institute of Superannuation Trustees Indigenous Superannuation Working Group, AUSTRAC, Indigenous Managed Services, Kudj, Kulbardi and the WA Public Sector Commission for their ongoing input and support.

Assisting members with disabilities

We are committed to ensuring our website meets Web Content Accessibility Guidelines (WCAG) so our content is accessible to a wider range of members with disabilities. We also understand that following these guidelines will make our website easier to use for all members.

In an independent audit of selected pages of our website in May 2018, the Centre for Inclusive Design (CFID) found that our website was 69% compliant with WCAG 2.0. This identified a number of areas of improvement, which we worked to address over the next 12 months. We also completed staff training on website accessibility.

In their post remediation audit in April 2019, the CFID assessed these pages of our website as being 84% compliant, only recommending a small number of additional changes. Now that we have implemented these changes, we are pleased to report that the pages assessed are 100% compliant.

The CFID also assessed our retirement planning calculator as being 97% compliant in their post remediation review.

Member complaints

At GESB, we're committed to providing members with quality super and retirement products and services. We also 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 follow our internal complaints process.

Within two working days, we will call the member or send them a letter or email to acknowledge their complaint. 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 it's not resolved within 30 days, we'll contact the member to advise of the reason for the delay.

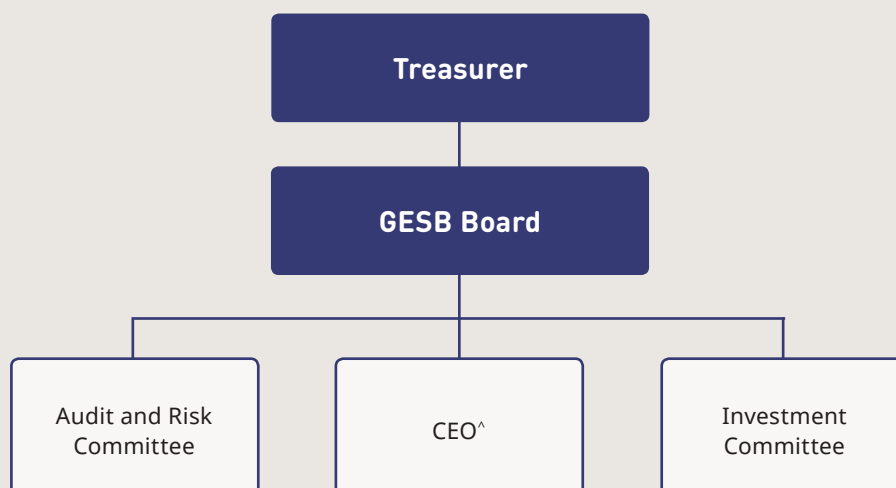
Members who are not satisfied with the outcome can request a review of their complaint by an independent staff member at GESB. This review is separate from the initial review, and we will aim to complete it within 90 days of receiving the member's initial complaint. We advise members of the outcome of 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.

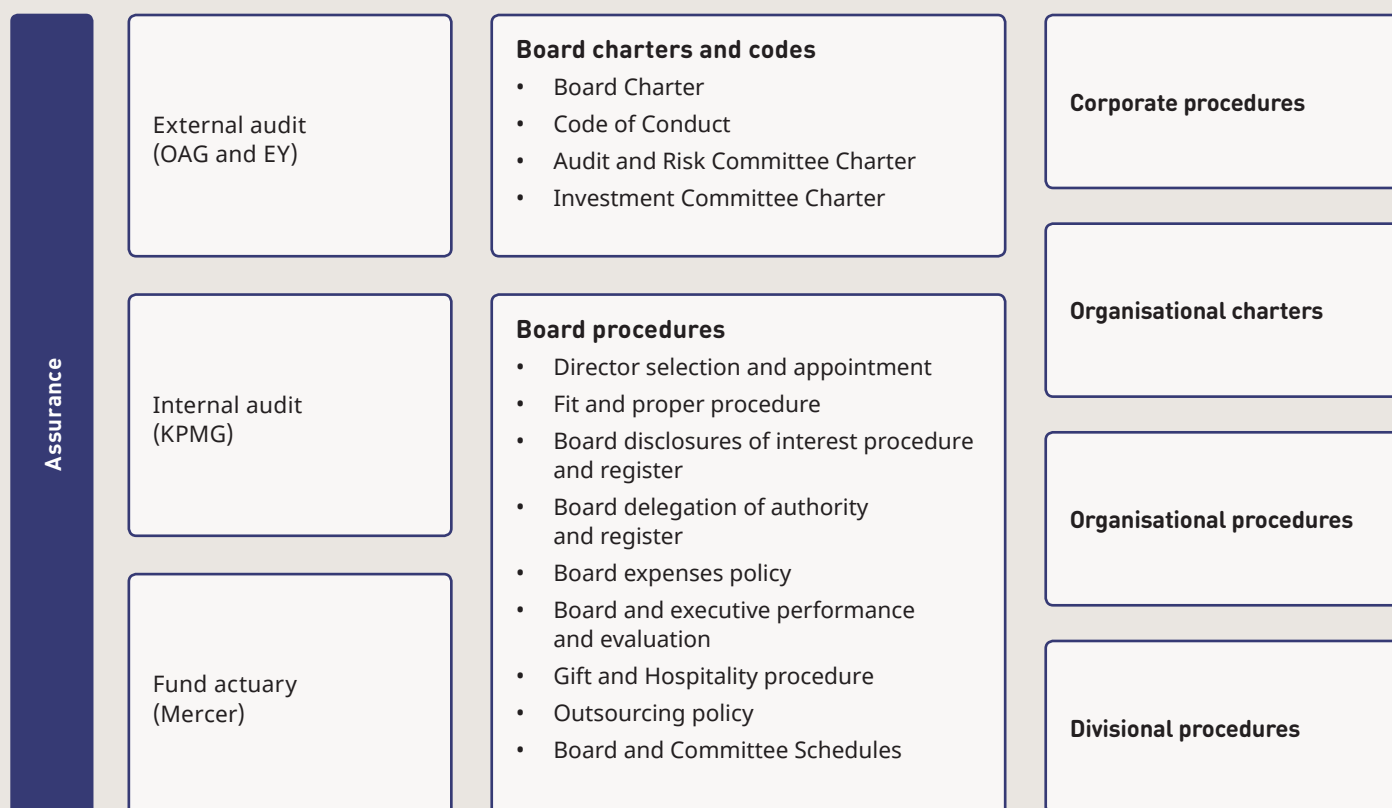
During 2018/19, we received a total of 258 complaints. All complaints were acknowledged within two working days and a full response to the complaint provided within agreed timeframes. Thirteen members were dissatisfied with the response to their complaint and requested an independent review. Sixteen 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 not 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 the Telethon Kids Institute, the Northern Territory's Power and Water Corporation, the Rottne Island Authority, the Pawsey Supercomputing Centre and the Dampier to Bunbury Gas Pipeline.

In addition Mr Langoulant is Chair WA for the Westpac Group and is a Director of the National Disability Insurance Agency (NDIA).



Scott Ellis
Employer Director

Mr Ellis was first appointed to the Board on 2 November 2010 and is serving his third three year term as Employer Director, which will expire in October 2019.

Mr Ellis is a Barrister at Francis Burt Chambers specialising in commercial litigation and alternative dispute resolution. Mr Ellis commenced practicing as a lawyer in 1983 and was a partner at Freehills for more than a decade.

Mr Ellis holds a Bachelor of Jurisprudence, a Bachelor of Laws and a Master of Laws from the University of Western Australia. He also holds a Diploma in International Commercial Arbitration from Queen Mary College, University of London.

Mr Ellis is a Chartered Arbitrator, a Fellow of the Chartered Institute of Arbitrators, and a Fellow of the Australian Centre for International Commercial Arbitration. He is currently a Senior Sessional Member of the State Administrative Tribunal, a member of the Commonwealth Anti-dumping Review Panel and the Acting Commissioner of the Crime and Corruption Commission.



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. This is her first term serving on the Board.

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 and a Diploma of Teaching from the Western Australian College of Advanced Education.



Bruce Hawkins
Member Director

Mr Hawkins was appointed to the Board on 1 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) 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.

Since 2015, 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 is also a Director and Chair of the Audit Committee of the Western Australian Treasury Corporation.

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 Sciarrone
Employer Director

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

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

Mr Sciarrone is currently the Managing Director 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 the following former Board members and recognise their valuable contributions during their time as Board Members.



Philippa Clarke
(Former Member Director)

Elected	2 April 2015
Re-elected	2 April 2018
Concluded	4 July 2018



Glen Townsing
(Former Member Director)

Elected	4 July 2012
Re-elected	17 March 2015
Concluded	3 July 2018

Meetings

The Board meets monthly other than in January and May. The number of meetings attended by each Director during 2018/19 is indicated below.

Director	Meetings held whilst a Director	Meetings attended
John Langoulant, Chair	10	10
Philippa Clarke, Member Director	1	1
Scott Ellis, Employer Director	10	10
Anne Gisborne, Member Director	10	9
Bruce Hawkins, Member Director	10	10
Naomi McCrae, Member Director	8	5
Catherine Nance, Employer Director	10	10
Frank Sciarrone, Employer Director	10	10
Glen Townsing, Member Director	-	-

Board member attendance during the period complied with the requirements of the *State Superannuation Act 2000* 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
Scott Ellis	5	5
Anne Gisborne	3	3
Bruce Hawkins	4	4

Philippa Clarke stepped down from the Audit and Risk Committee when her Board term concluded. She did not attend any Audit and Risk Committee meetings during the period.

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. Philippa Clarke and Glen Townsing stepped down from the Investment Committee when their Board terms concluded. Anne Gisborne Member Director joined the Investment Committee in August 2018. Naomi McCrae, Member Director, joined the Investment Committee in March 2019. David McMahon's term as an external investment specialist expired in June 2018. John Stroud joined the Investment Committee as an external investment specialist in December 2018.

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 (Chair)	4	4
Warren Bird	4	4
Anne Gisborne	4	4
Naomi McCrae	2	2
Catherine Nance	4	4
Frank Sciarrone	4	4
John Stroud	3	3

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 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	Scott Ellis	Annual	12 months	\$59,128
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	\$58,259
Member Director	Naomi McCrae	Annual	10 months	*\$48,894
Member Director	Philippa Clarke	Annual	4 days	*\$910
Member Director	Glen Townsing	Annual	3 days	No Payment
Total				\$403,702

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	Philippa Clarke	Annual	4 days	No Payment
Member	Scott Ellis	Annual	12 months	No Payment
Member	Anne Gisborne	Annual	6 months	No Payment
Member	Bruce Hawkins	Annual	11 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	^\$14,055
Member	Philippa Clarke	Annual	4 days	*\$137
Member	Catherine Nance	Annual	12 months	\$8,891
Member	Frank Sciarrone	Annual	12 months	\$8,891
Member	Naomi McCrae	Annual	4 months	*\$7,353
Member	John Stroud	Annual	7 months	\$9,951
Member	Anne Gisborne	Annual	10.5 months	No Payment
Total				\$58,169

In accordance with government policy, Directors who are public sector employees were not paid additional remuneration for sitting on the Board. Mr Townsing, and Ms Gisborne received no payment as they are public sector employees.

*Paid to Board member's employer.

^Includes arrears received from previous financial year due to timing of re-appointment.

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 ensures that the EPSSSs conform with the principles of the Commonwealth's Retirement Incomes Policy. Broadly, this means that superannuation benefits provided under the GESB administered schemes must meet 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 certain information on a regular basis.

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 1936*, 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 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 State public sector superannuation fund 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:

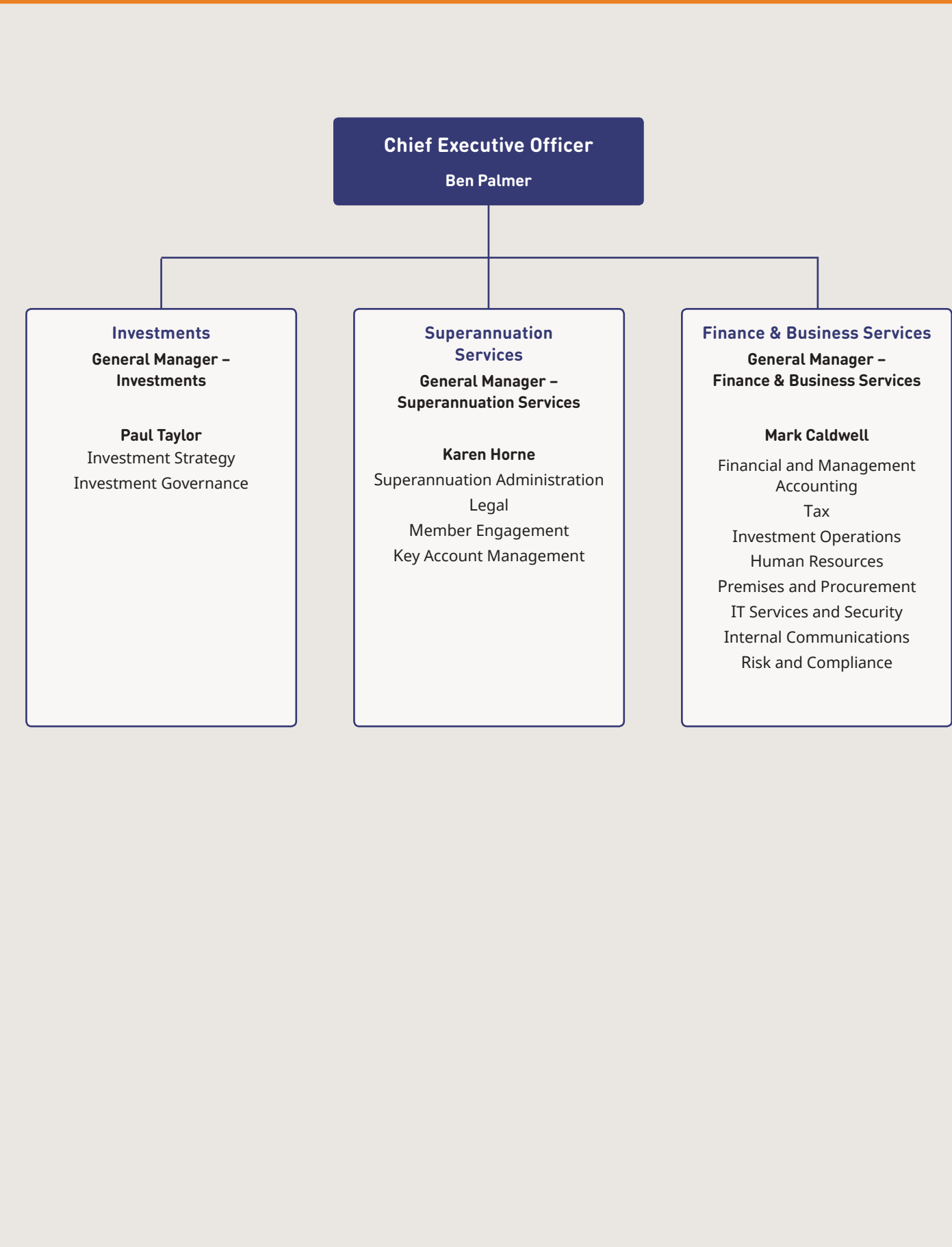
- development and implementation of a webinar program providing regional and remote members access to GESB's information and education seminars,
- member seminars held in various regional centres.

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, United Voice and the State School Teachers' Union of WA.

GESB works with all key public sector unions including those unions that nominate Directors to the Board.

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 are 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. There is a range of alternatives including a comprehensive Member online website, accessible fact sheets, forms and brochures, and feedback forms in alternative 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. Improvements in line with our Implementation Plan for 2018/19 were made to the GESB website related to Outcome 4 of our DAIP. 'Quality of Service'. An independent audit by the Centre for Inclusion Design (CFID) last year assessed the website content as being only 69% compliant with the Web Content Accessibility Guidelines WCAG 2.0. Over the subsequent 12 months, many improvements were made. These include: Applying table headings and accessible HTML code to complex tables and implementing an accessibility plug in for all of our high chart graphs. After a post-remediation audit in June this year we now have achieved 100% compliance. Further assessments included the recently launched retirement planning calculator which is now 97% compliant with the WCAG 2.0.

GESB provides staff experiencing accessibility issues 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. This year, at the end of the placement, we employed one of the participants and the intention is to set up a traineeship for him so that he can continue to develop his skills and gain formal qualifications.

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 2018/19.

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 our Intranet and form part of the GESB 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 Accountability and Ethical Decision Making Framework,
- Having a Code of Conduct in place, to incorporate the official conduct requirements specified under the Public Sector Commissioners Instruction No.8,

During 2018/19, 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 2018	30 June 2019
Permanent public service officers	38.0	40.9
Fixed term public service officers	3.0	3.5
State Superannuation Act (SSA) employees	1.0	1.0
Total	42.0	45.4

Occupational Health and Safety Management Framework

The Occupational Health and Safety (OHS) Management Framework comprises of the Health, Safety and Well-being Policy approved by the Board. 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 2019-03.

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 policy and procedures related to health and safety. Members of the committee also investigate all incidents, hazards and near misses and organises hazard inspections.

The committee consists of employee and employer representatives, First Aid officers, Fire Wardens, and a union representative. 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 noticeboards and on GESB's intranet and a monthly report is provided to the CEO. Items related to Occupational Health and Safety (OHS) are reported to the Board and included as part of the minutes for the Joint Consultative Committee (JCC).

The JCC, which meets quarterly, 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 DMJC 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. Staff are encouraged to use public transport, walk or bike to work, and enjoy end of trip facilities. All staff have sit/stand workstations and access to regular workstation assessments. Staff have access to flexible working arrangements and those staff working from home have their work areas assessed for suitability and functionality. 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.

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. Risk cover, a division of the Insurance Commission of WA, currently manages GESB's insurance obligations for OHS risk events.

GESB's performance against targets set in Public Sector Commissioner's Circular 2019-03 is shown in the table below.

Occupational Safety, Health and Injury Management indicators

Indicator	2016/17	2017/18	2018/19	Targets
Number of fatalities	0	0	0	Achieved
Lost Time injury/disease incident rate	0	2.38%	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	N/A	100%	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, OHS policies, grievance resolution processes, DAIP, SAFETRAC and the Employee Assistance Programme.

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.

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 demonstrates how GESB provides a supportive environment for employees if they experience domestic or family violence. We have continued to build on our relationships with Lifeline WA who delivered family and domestic violence awareness workshops to all our staff in 2018. In March 2019, Lifeline WA provided customised training for our Managers, HR practitioners and Contact Officers. The training was designed to provide advice and practical options to assist them how to recognise and support those affected by family and domestic 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 principles of merit and equity. GESB continues to support, promote and encourage diversity within our workforce through its recruitment, development and retention of staff. Initiatives include:

- Public Sector Commission's Aboriginal School Based Traineeship Program
- Disability Access and Inclusion Plan 2016-21
- RAP – 2019-20 (Reflect 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.

Diversity group	2017/18 %	2018/19 %
Women	57.1	49.1
Employees from Culturally Diverse Backgrounds	14.3	13.2
Indigenous Australians	2	1.9
Employees with Disability	2	3.8
Youth (under 25 years)	0	1.9
Mature workers	44.9	41.5
Women in Tier 2	50	33.3
Women in Tier 3	44.4	33.3

Figures derived from the 2018/19 Equity Index figures gathered from the Diversity Questionnaire completed by all GESB employees.

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 2019, and the financial position as at 30 June 2019.

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 Finance Officer
4 September 2019



F Sciarrone
Director
4 September 2019



JL Langoulant
Chair
4 September 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	NOTE	2019 \$'000	2018 \$'000
Assets			
Cash and cash equivalents	27	115,692	126,362
Receivables	9	1,032,584	441,557
Employer-sponsor receivables	10	3,478,379	3,902,384
Investments			
Cash and term deposits	8	4,073,381	4,747,718
Australian equities	8	5,374,363	3,917,084
International equities	8	8,914,041	8,533,751
Units in unit trusts	8	3,733,411	3,807,972
Other interest-bearing securities	8	7,822,276	6,472,015
Derivative assets	8	229,044	130,072
Plant and equipment	11	72	39
Intangible assets	12	174	318
Total assets		34,773,417	32,079,272
Liabilities			
Derivative liabilities	8	(255,443)	(258,357)
Payables	13	(1,327,556)	(411,182)
Provision for employee benefits	14	(1,537)	(1,399)
Provision for post-employment benefits	15	(1,141)	(1,583)
Interest-bearing loans	16	(114,870)	(168,504)
Income tax payable	18	(35,134)	(52,102)
Deferred tax liabilities	18	(55,317)	(35,214)
Total liabilities excluding member benefits		(1,790,998)	(928,341)
Net assets available for member benefits		32,982,419	31,150,931
Member benefits			
Defined contribution member liabilities	3	(26,343,992)	(24,110,146)
Defined benefit member liabilities	4	(5,678,867)	(6,227,683)
Total member benefits		(32,022,859)	(30,337,829)
Net assets		959,560	813,102
Reserves			
Other reserves	17	(103,000)	(126,875)
Operational risk reserve	17	(133,731)	(92,979)
Defined benefits that are over funded	5	(722,829)	(593,248)
Total reserves		(959,560)	(813,102)

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

Income Statement for the year ended 30 June 2019

	NOTE	2019 \$'000	2018 \$'000
Income			
Interest	19	313,008	287,748
Dividend revenue	19	444,580	344,448
Distributions	19	289,224	109,027
Changes in assets measured at fair value	19	1,033,839	1,379,653
Other investment income	19	2,617	688
Changes in loans measured at fair value	16	4,093	7,400
Other income	20	7,446	7,613
Total income		2,094,807	2,136,577
Expenses			
Administration expenses	21	(37,964)	(37,807)
Investment expenses	19	(63,266)	(94,630)
Depreciation and amortisation	22	(173)	(142)
Loan interest expenses	16	(9,342)	(12,795)
Total expenses		(110,745)	(145,374)
Net result from operating activities			
		1,984,062	1,991,203
Net benefits allocated to defined contribution member accounts		(2,124,822)	(2,102,341)
Net change in defined benefit member liabilities		764,831	683,765
Net result before income tax		624,071	572,627
Income tax expense	18	8,694	15,690
Net result after income tax		615,377	556,937

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

Statement of changes in member benefits for the year ended 30 June 2019

	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	2,155,572	–	2,155,572
Administration fees	(30,750)	–	(30,750)
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
	DC Members \$'000	DB Members \$'000	Total \$'000
Opening balance as at 1 July 2017	21,901,152	6,683,085	28,584,237
Contributions:			
Employer	1,468,152	621,542	2,089,694
Member	211,644	10,380	222,024
Transfers from other superannuation plans	297,430	–	297,430
Government co-contributions	1,099	–	1,099
Income tax on contributions	(170,605)	–	(170,605)
Net after tax contributions	1,807,720	631,922	2,439,642
Benefits to members/beneficiaries	(1,636,350)	(405,570)	(2,041,920)
Insurance premiums charged to member accounts	(102,626)	–	(102,626)
Death and disability insurance benefits credited to member accounts	45,290	–	45,290
Reserves allocated to/(from) members:			
General reserve	(7,381)	–	(7,381)
WSS government guaranteed payment reserve	–	2,011	2,011
Net benefits allocated to/(from) defined contribution member accounts, comprising:			
Net investment income	2,136,546	–	2,136,546
Administration fees	(34,205)	–	(34,205)
Net change in defined benefit member accrued benefits	–	(683,765)	(683,765)
Closing balance as at 30 June 2017	24,110,146	6,227,683	30,337,829

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

Statement of changes in reserves for the year ended 30 June 2019

	Unallocated surplus \$'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
Transfer from defined contribution member accounts	-	8,720	-	8,720
Movement in WATC loan recoverable from State	(53,634)	-	-	(53,634)
Movement in employer-sponsor receivables	(424,005)	-	-	(424,005)
Net result	607,220	(32,595)	40,752	615,377
Closing balance as at 30 June 2019	722,829	103,000	133,731	959,560

	Unallocated surplus \$'000	Other reserves \$'000	Operational risk reserve \$'000	Total reserves \$'000
Opening balance as at 1 July 2017	463,333	120,449	89,226	673,008
Transfer from defined contribution member accounts	-	5,370	-	5,370
Movement in WATC loan recoverable from State	(53,722)	-	-	(53,722)
Movement in employer-sponsor receivables	(368,491)	-	-	(368,491)
Net result	552,128	1,056	3,753	556,937
Closing balance as at 30 June 2018	593,248	126,875	92,979	813,102

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

Statement of cash flows for the year ended 30 June 2019

	NOTE	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Interest received		308,326	279,613
Dividends received		445,238	341,484
Distributions received		307,943	85,462
Insurance recoveries		51,874	45,488
Administration expenses paid		(40,000)	(38,881)
Investment expenses paid		(83,887)	(69,699)
Insurance premiums paid		(102,048)	(102,572)
Other investment income received		2,617	688
Other income received		7,336	7,550
Income tax (paid)/refund		14,062	(16,494)
Net cash inflows from operating activities	27	911,461	532,639
Cash flows from investing activities			
Purchase of investments		(25,519,399)	(22,442,727)
Proceeds from sale of investments		24,282,416	21,568,909
Purchase of plant and equipment		(62)	(51)
Purchase of intangible assets		-	(61)
Net cash outflows from investing activities		(1,237,045)	(873,930)
Cash flows from financing activities			
Employer contributions received		2,025,916	2,085,271
Member contributions received		205,599	222,065
Transfers from other superannuation plans received		367,141	297,430
Government co-contributions received		746	1,099
Benefits paid to members/beneficiaries		(2,028,390)	(2,039,800)
Income tax paid on contributions received		(197,215)	(142,450)
Repayment of loans and borrowings		(58,883)	(59,117)
Net cash inflows from financing activities		314,914	364,498
Net (decrease)/increase in cash and cash equivalents		(10,670)	23,207
Cash and cash equivalents at beginning of the financial year		126,362	103,155
Cash and cash equivalents at the end of the financial year	27	115,692	126,362

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

Index of notes to the financial statements for the year ended 30 June 2019

Note 1: Statement of significant accounting policies	33
Note 2: Scheme information	44
Note 3: Defined contribution member liabilities	45
Note 4: Defined benefit member liabilities	46
Note 5: Defined benefit schemes that are over funded	48
Note 6: Guaranteed benefits	49
Note 7: Employer funding arrangement	49
Note 8: Fair value of financial instruments	51
Note 9: Receivables	57
Note 10: Employer-sponsor receivables	58
Note 11: Plant and equipment	59
Note 12: Intangible assets	60
Note 13: Payables	61
Note 14: Provision for employee benefits	62
Note 15: Provision for post-employment benefits	63
Note 16: Interest-bearing loans	69
Note 17: Reserves	70
Note 18: Income tax	71
Note 19: Investment revenue and expenses	73
Note 20: Other income	74
Note 21: Administration expenses	75
Note 22: Depreciation and amortisation	76
Note 23: Employee benefits expense	77
Note 24: Auditor's remuneration	77
Note 25: Remuneration of senior officers	78
Note 26: Remuneration of members of the board and investment committee	79
Note 27: Cash flow statement reconciliation	80
Note 28: Financial risk management objectives and policies	81
Note 29: Scheme financial reporting	91
Note 30: Insurance	94
Note 31: Commitments and contingent liabilities	95
Note 32: Related party transactions	96
Note 33: Explanatory statement	97
Note 34: Summary of actuarial report	99
Note 35: Write-offs	100
Note 36: Significant events after balance date	101

Notes to the financial statements for the year ended 30 June 2019

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 where practicable, the resulting financial effect, are disclosed in individual notes to these financial statements.

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 represented to be consistent with current period disclosures.

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

The financial statements were approved by the Board of the Government Employees Superannuation Board on 4 September 2019.

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 2018.

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

AASB 9 Financial Instruments

The Fund adopted AASB 9 *Financial Instruments* on 1 July 2018.

AASB 9 replaced AASB 139 *Financial Instruments: Recognition and Measurement*, and introduces new requirements for classification and measurement, impairment and hedge accounting.

Classification and measurement

The Fund has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- All financial assets previously held at fair value, in accordance with AASB 1056, continue to be measured at fair value through profit or loss ('FVPL');
- No financial assets have previously been classified as at amortised cost; and
- The classification of financial liabilities under AASB 9 remains broadly the same as under AASB 139. All financial liabilities have previously been, and continue to be, classified as at FVPL, in accordance with AASB 1056.

Impairment

AASB 9 requires the Fund to record expected credit losses ('ECLs') on all of its debt securities, loans and trade receivables, classified as at amortised cost, either on a 12-month or lifetime basis. Given the Fund does not have any financial assets at amortised cost, this amendment has not had an impact on the financial statements.

Hedge accounting

The Fund has not previously applied hedge accounting under AASB 139 nor will it apply hedge accounting under AASB 9.

Impact of adoption of AASB 9

The classification and measurement requirements of AASB 9 have been adopted retrospectively as of the date of initial application on 1 July 2018. However, the Fund has chosen to take advantage of the option not to restate comparatives. Therefore, the 2018 figures are presented and measured under AASB 139.

The following table shows the original measurement categories in accordance with AASB 139 and the new measurement categories under AASB 9 for the Fund's financial assets and financial liabilities as at 1 July 2018:

1 July 2018 AASB 139 Classification AASB 9 Classification

1 July 2018	AASB 139 Classification	AASB 9 Classification
Financial assets		
Cash and term deposits	FVPL	FVPL
Australian equities	FVPL	FVPL
International equities	FVPL	FVPL
Units in unit trusts	FVPL	FVPL
Other interest-bearing securities	FVPL	FVPL
Derivative assets	Held for trading at FVPL	FVPL
Financial liabilities		
Derivative liabilities	Held for trading at FVPL	FVPL
Interest-bearing loans	Loan at FVPL	FVPL

AASB 9 has not resulted in changes in the carrying amount of the Fund's financial instruments due to changes in measurement categories. All financial assets that were classified as at FVPL under AASB 139 are still classified as FVPL under AASB 9.

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
<p>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</p> <p>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.</p> <p>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.</p>	1 January 2020	1 July 2020
<p>AASB 16 Leases</p> <p>AASB 16 will primarily affect the accounting by lessees. The standard no longer distinguishes between finance and operating leases and will result in the recognition of almost all leases on the balance sheet. The accounting by lessors is substantially unchanged. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p> <p>AASB 16 requires lessees to account for all leases under a single on balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees in the following situations:</p> <ol style="list-style-type: none"> 1) Leases of ‘low-value’ assets (e.g. personal computers); and 2) Short-term leases (i.e. leases with a lease term of 12 months or less). <p>At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments).</p> <p>The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>On transition, lessees are permitted to choose one of the following two approaches in adopting AASB 16:</p> <ol style="list-style-type: none"> 1) Full retrospective approach – retrospectively restate comparatives as if the Standard always applied; or 2) Modified retrospective approach – retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application. <p>The Fund is in the process of assessing the impact of the Standard.</p>	1 January 2019	1 July 2019
<p>AASB 1058 Income of Not-for-Profit Entities</p> <p>AASB 1058 and AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit (NFP) Entities</i> will defer income recognition in some circumstances for NFP entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The Standard also expands the circumstances in which</p> <p>NFP entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives (discounted goods and services), including for example, peppercorn leases.</p> <p>AASB 1004 <i>Contributions</i> is also amended, with many of its requirements being revised and relocated to AASB 1058. The scope of AASB 1004 is effectively limited to address issues specific to government entities and contributions by owners in a public sector entity context. The Fund is in the process of assessing the impact of the Standard.</p>	1 January 2019	1 July 2019
<p>AASB 15 Revenue from Contracts with Customers</p> <p>This Standard replaces all existing revenue requirements in Australian Accounting Standards, unless another standard is applied, such as AASB 117 or AASB 16 <i>Leases</i>. The Standard introduces a single revenue recognition model based on the principle that revenue is recognised when control of a good or service transfers to a customer-so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2018), without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the initial application.</p> <p>AASB 2016-7 amends the effective date of AASB 15 for NFP entities so that it is required to be applied by such entities for annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018. The Fund is in the process of assessing the impact of the Standard.</p>	1 January 2019	1 July 2019

c) Consolidation

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

d) 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 revenue and dividend revenue in the Income Statement.

e) 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. Refer to Note 8.

f) 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.

g) 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 revenue 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 are normally settled on 30 day terms.

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

h) 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.

i) 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 the 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.

j) 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.

k) 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

l) 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.

m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue 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 revenue 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 FVPL 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 revenue 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 revenue are recognised when the Fund's right to receive payment is established. Revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately as a tax expense in the Income Statement.

n) 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 concessional tax.

GESB Super and GESB Super - Retirement Access are complying superannuation funds under the *Superannuation Industry (Supervision) Act 1993* and accordingly are concessional tax. 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 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 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.

o) 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.

p) Goods and services tax ('GST')

Revenues, 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 revenue 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 are classified as operating cash flows.

q) Leases

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.

r) 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 does 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 (2018: Nil). The Fund has no contractual commitments or current intentions to provide any financial or other support to its unconsolidated subsidiary (2018: Nil).

s) 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.

t) 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.

u) 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.

v) Reserves

The Fund maintains an Operational Risk, General and WSS Government Guaranteed Payment reserve in accordance with the Fund's Reserve Strategy and are held at a Fund level. The purpose of these reserves is set out in Note 17.

w) 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.

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 2019, all net assets attributable to defined contribution members have been allocated to those members (2018: 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 2019 and 30 June 2018.

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:

	2019 \$'000	2018 \$'000
West State Super	16,392,851	15,317,122
GESB Super	4,605,829	3,968,721
Retirement Income	5,327,055	4,805,325
Term Allocated Pension	18,257	18,978
Total	26,343,992	24,110,146

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:

	2019 \$'000	2018 \$'000
West State Super	16,392,851	15,317,122
GESB Super	4,605,829	3,968,721
Retirement Income	5,327,055	4,805,325
Term Allocated Pension	18,257	18,978
Total	26,343,992	24,110,146

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:

	2019	2018
Future investment return (net of investment fees and taxes)	6.25%	6.25%
Future salary increase*	2.0% for the first 3 years, 3.75% thereafter	2.0% for the first 3 years, 3.75% thereafter
Future CPI increase	2.25%	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 maintained at 3.75% 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 returns	2019: 2018:	6.25% 6.25%	+1.0% / -1.0% +1.0% / -1.0%	(349,931) / 393,154 (365,177) / 410,788
Salary increases	2019: 2018:	2.0% for the first 3 years, 3.75% thereafter 2.0% for the first 3 years, 3.75% thereafter	+1.0% / -1.0% +1.0% / -1.0%	158,533 / (145,528) 160,480 / (147,937)
CPI increases	2019: 2018:	2.25% 2.25%	+1.0% / -1.0% +1.0% / -1.0%	220,031 / (197,242) 233,786 / (208,587)

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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Pension Scheme	1,448,034	1,565,639	73,547	76,654	1,374,487	1,488,985
Gold State Super	4,230,833	4,662,044	2,126,941	2,248,645	2,103,892	2,413,399
Total	5,678,867	6,227,683	2,200,488	2,325,299	3,478,379	3,902,384

The unfunded liability in respect of West State Super stands at \$115 million as at 30 June 2019 (2018: \$168 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Pension Scheme	1,472,193	1,585,195	73,547	76,654	1,398,646	1,508,541
Gold State Super	5,783,380	6,118,617	2,500,903	2,642,225	3,282,477	3,476,392
Total	7,255,573	7,703,812	2,574,450	2,718,879	4,681,123	4,984,933

Note 5: Defined benefit schemes that are over funded

	NOTE	2019 \$'000	2018 \$'000
Pension Scheme	A		
Accrued benefits related to funded liabilities		73,547	76,654
Net assets available for member benefits		(97,706)	(96,210)
Over funded amount for Pension Scheme		(24,159)	(19,556)
Gold State Super	B		
Accrued benefits related to funded liabilities		2,126,941	2,248,645
Net assets available for member benefits		(2,825,611)	(2,822,337)
Over funded amount for Gold State Super		(698,670)	(573,692)
Total over funded amount		(722,829)	(593,248)

In the opinion of the Fund's actuary, the overall financial position of the Fund has improved since the previous actuarial investigation as at 30 June 2018, due to Perth CPI being lower than assumed, investment returns on the existing 'surplus' assets and the investment returns for the defined benefit schemes of 7.4% for the year being higher than the previously assumed returns of 6.25% per annum. In addition, the demographic assumptions (i.e. resignation, retirement, death, disability and mortality rates) have been updated, which improved the reported financial position. The combined funding percentage in respect of the funded liabilities for Gold State Super and the Pension Scheme has increased from 125.5% at 30 June 2018 to 132.9% at 30 June 2019*. However, the net position for Gold State Super may also be expressed as 113.2% 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. It is noted that the current financial position was based on a set of assumptions that may now be considered somewhat optimistic.

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 is in a strong financial position and it would therefore be feasible to consider reducing the employer contribution rate and the recoupment percentage. However, since the economic assumptions were set for this investigation, the Fund's actuary has witnessed the second successive drop in official interest rates. In light of the current uncertainties relating to the investment markets and the likelihood that extremely low interest rates will last longer than previously expected, it is now expected that the long-term investment returns for the Fund will be at least 0.5% p.a. lower than used in the Actuarial Report. Given the current uncertain outlook and, the distinct possibility of an economic shock as well as the desire to have stable long-term costs for employers, 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 Allocated 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 direct to a Department of Treasury bank account.

During the reporting period, the employer contribution rate for contributory members was 15% (2018: 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% (2018: 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% (2018: 9.5%). The rate will remain at 9.5% in 2020.

(d) GESB Super

The employer contribution rate payable is determined under State legislation and is currently 9.5% (2018: 9.5%). The rate will remain at 9.5% in 2020.

Note 8: Fair value of financial instruments

(a) Classification of financial instruments under the fair value hierarchy

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial 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	-	1,067,974	-	1,067,974
Derivative assets:				
Futures	-	14,143	-	14,143
Options	414	17,937	-	18,351
Swaps	-	119,021	-	119,021
Forwards	-	77,292	-	77,292
Warrants	237	-	-	237
Total financial assets	18,868,277	10,790,869	487,370	30,146,516
Financial liabilities				
Interest-bearing loans	-	114,870	-	114,870
Derivative liabilities:				
Futures	-	9,538	-	9,538
Options	106	17,656	-	17,762
Swaps	-	147,214	-	147,214
Forwards	-	80,929	-	80,929
Total financial liabilities	106	370,207	-	370,313
Net financial assets	18,868,177	10,420,662	487,370	29,776,203

30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Cash and term deposits	4,747,718	-	-	4,747,718
Australian equities:				
Listed equity securities	3,913,042	-	4,042	3,917,084
International equities:				
Listed international equity securities	8,457,749	-	1,213	8,458,962
Listed international preferred securities	74,789	-	-	74,789
Units in unit trusts:				
Listed unit trusts	368,557	16,835	-	385,392
Unlisted unit trusts	-	2,845,916	534,926	3,380,842
Limited partnerships	-	41,738	-	41,738
Other interest-bearing securities:				
Asset-backed securities	-	210,781	-	210,781
Bank loans	-	493,894	-	493,894
Commercial paper	-	94,175	-	94,175
Fixed interest bonds	-	4,888,490	-	4,888,490
Indexed bonds	-	222,283	-	222,283
Mortgage-backed securities	-	562,392	-	562,392
Derivative assets:				
Futures	-	26,105	-	26,105
Options	138	3,421	-	3,559
Swaps	-	28,155	-	28,155
Forwards	-	72,221	-	72,221
Warrants	32	-	-	32
Total financial assets	17,562,025	9,506,406	540,181	27,608,612
Financial liabilities				
Interest-bearing loans	-	168,504	-	168,504
Derivative liabilities:				
Futures	-	14,735	-	14,735
Options	54	2,058	-	2,112
Swaps	-	35,910	-	35,910
Forwards	-	205,600	-	205,600
Total financial liabilities	54	426,807	-	426,861
Net financial assets	17,561,971	9,079,599	540,181	27,181,751

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**	2019:	17,994	Adjusted last traded price	Listed price	2019 : 0% - 100% (50%)
	2018:	4,042			2018 : 0% - 100% (50%)
International equities**	2019:	210	Adjusted last traded price	Listed price	2019: 0% - 100% (50%)
	2018:	1,213			2018 : 0% - 100% (50%)
Units in unit trusts	2019:	469,166	Net asset value	Net asset value	2019 : 0% - 10% (5%)
	2018:	534,926			2018 : 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%	2019 : 17,994 / (17,994) 2018 : 4,042 / (4,042)	
International equities	Last traded price and the adjustment	100% 100%	2019 : 210 / (210) 2018 : 1,213 / (1,213)	
Units in unit trusts	Net asset value	5% 5%	2019 : 23,458 / (23,458) 2018 : 26,746 / (26,746)	

* 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 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
30 June 2018				
Opening balance	1,592	385	1,023,001	1,024,978
Total realised/unrealised gains and losses	1,404	(220)	(74,123)	75,307
Purchases	-	-	-	-
Sales	-	(33)	(175,323)	(175,356)
Transfers into Level 3	1,046	1,081	-	2,127
Transfers out of Level 3	-	-	(386,875)	(386,875)
Closing balance	4,042	1,213	534,926	540,181

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

	Australian equities \$'000	International equities \$'000	Units in unit trusts \$'000	Total \$'000
30 June 2019				
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
	Australian equities \$'000	International equities \$'000	Units in unit trusts \$'000	Total \$'000
30 June 2018				
Total gains/(losses) recognised in the Income Statement for the period	1,404	(220)	74,123	75,307
Total gains/(losses) recognised in the Income Statement for the period for assets held at the end of the reporting period.	1,418	(25)	74,123	75,516

(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

	2019 \$'000	2018 \$'000
Investment		
Interest receivable	65,217	60,535
Investment income receivable	47,514	66,891
Other investment receivable*	795,714	130,296
Pension Scheme		
Recoup State's share of pensions	1,279	889
Gold State Super		
Employer contributions receivable*	2,087	9,731
Contributions in arrears	3,363	3,575
West State Super		
Insurance benefits recoverable	20	54
WATC loan recoverable from State	114,870	168,504
Others		
Administration fees recoverable from Treasury	284	259
GST receivable	1,762	167
Prepayments	351	609
Other debtors	123	47
Total	1,032,584	441,557

* The increase from 2018 to 2019 is primarily due to an increase in exposure to mortgage-backed investments. These investments are fully backed by cash or cash equivalents and typically have settlement periods of around one month.

	2019 \$'000	2018 \$'000
Current	975,479	330,471
Non-current	57,105	111,086
Total	1,032,584	441,557

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 administrated 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:

	2019 \$'000	2018 \$'000
Current		
Pension Scheme	166,578	173,926
Gold State Super	364,609	422,734
	531,187	596,660
Non-Current		
Pension Scheme	1,207,909	1,315,059
Gold State Super	1,739,283	1,990,665
	2,947,192	3,305,724
Total	3,478,379	3,902,384

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:

	2019 \$'000	2018 \$'000
Computer hardware		
At cost	236	199
Accumulated depreciation	(187)	(160)
	49	39
Office furniture and equipment		
At cost	40	16
Accumulated depreciation	(17)	(16)
	23	-
Total plant and equipment	72	39

A reconciliation of the 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:

	2019 \$'000	2018 \$'000
Computer hardware		
Carrying amount at start of year	39	-
Additions	37	51
Disposals	-	-
Depreciation expense	(27)	(12)
	49	39
Office furniture and equipment		
Carrying amount at start of year	-	-
Additions	25	-
Disposals	-	-
Depreciation expense	(2)	-
	23	-
Total plant and equipment	72	39

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:

	2019 \$'000	2018 \$'000
Computer software		
At cost	1,118	1,118
Accumulated amortisation	(944)	(800)
Total intangible assets	174	318

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

	2019 \$'000	2018 \$'000
Computer software		
Carrying amount at start of year	318	387
Additions	-	61
Disposals	-	-
Amortisation expense	(144)	(130)
Total intangible assets	174	318

Note 13: Payables

	2019 \$'000	2018 \$'000
Due within 12 months		
Investment		
Investments payable*	1,270,309	334,895
Management fees payable	25,213	45,834
GESB Super		
Benefits due and payable	1,520	639
Insurance premiums payable	4,552	4,359
Gold State Super		
Contributions in advance	1,434	1,301
West State Super		
Benefits due and payable	6,210	4,251
Insurance premiums payable	9,285	9,550
Pension and retirement scheme		
Pension benefits due and payable	1,332	926
Retirement income benefits due and payable	808	2,310
Others		
PAYG withholding tax	463	568
Superannuation surcharge liability	777	493
Other payables and accruals	5,653	6,056
Total	1,327,556	411,182

* The increase from 2018 to 2019 is primarily due to an increase in exposure to mortgage-backed investments. These investments are fully backed by cash or cash equivalents and typically have settlement periods of around one month.

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.

	2019 \$'000	2018 \$'000
Current		
Long-service leave	583	604
Annual leave	403	298
	986	902
Non-Current		
Long-service leave	551	497
	551	497
Total employee benefits	1,537	1,399
Number of employees (head count)	51	47

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.

	2019 \$'000	2018 \$'000
Pension Scheme	1,073	1,519
Gold State Super	68	64
Total	1,141	1,583

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, 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	2019 \$'000	2018 \$'000
Defined Benefit Obligation	1,073	1,519
(-) Fair value of Scheme assets	-	-
Deficit	1,073	1,519
(+) Adjustment for effect of asset ceiling	-	-
Net defined benefit liability	1,073	1,519

Reconciliation of the fair value of Scheme assets

Pension Scheme	2019 \$'000	2018 \$'000
Fair value of Scheme assets at beginning of the year	-	-
(+) Employer contributions	94	142
(-) Benefits paid	(94)	(142)
Fair value of Scheme assets at end of the year	-	-

Reconciliation of the defined benefit obligation

Pension Scheme	2019 \$'000	2018 \$'000
Present value of defined benefit obligations at beginning of the year	1,519	1,605
(+) Interest cost	38	35
(+) Actuarial (gains) / losses arising from changes in demographic assumptions	(29)	-
(+) Actuarial losses / (gains) arising from changes in financial assumptions	96	(40)
(+) Actuarial (gains) / losses arising from liability experience	(457)	61
(-) Benefits paid	(94)	(142)
Present value of defined benefit obligations at end of the year	1,073	1,519

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	2019	2018
Discount rate	2.60%pa	2.26%pa
Salary increase rate*	1.5% pa for 2018/19 1.5% pa for 2019/20 1.5% pa for 2020/21 and then 4.2% pa	1.5% pa for 2017/18 1.1% pa for 2018/19 1.0% pa for 2019/20 and then 3.7% 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	2019	2018
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 discount rate is based on the Commonwealth Government bond maturing in November 2027 which has a similar duration to that of the Scheme's liabilities. The decrement rates used (e.g. mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes.

Sensitivity analysis

The defined benefit obligation as at 30 June 2019 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.

Scenario A: 0.5% p.a. lower discount rate assumption

Scenario B: 0.5% p.a. higher discount rate assumption

Scenario C: 0.5% p.a. lower pension increase rate assumption

Scenario D: 0.5% p.a. higher pension increase rate assumption

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	1.40% pa	0.90% pa	1.90% pa	1.40% pa	1.40% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	2.00% pa	3.00% pa
Defined benefit obligation (A\$'000s)	1,073	1,118	1,031	1,034	1,115

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

	2020 \$'000
Pension Scheme	
Expected annual employer contributions	93

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:

- **Inflation risk** – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, and/or 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

Gold State Super	2019 \$'000	2018 \$'000
Defined Benefit Obligation	68	64
(-) Fair value of Scheme assets	-	-
Deficit	68	64
(+) Adjustment for effect of asset ceiling	-	-
Net defined benefit liability	68	64

Reconciliation of the fair value of Scheme assets

Gold State Super	2019 \$'000	2018 \$'000
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

Gold State Super	2019 \$'000	2018 \$'000
Present value of defined benefit obligations at beginning of the year	64	64
(+) Interest cost	2	1
(+) Actuarial losses/(gains) arising from changes in financial assumptions	3	(1)
(+) Actuarial (gains)/losses arising from liability experience	(1)	-
(-) Benefits paid	-	-
Present value of defined benefit obligations at end of the year	68	64

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	2019	2018
Discount rate	2.60%pa	2.26%pa
Salary increase rate*	1.5% pa for 2018/19 1.5% pa for 2019/20 1.5% pa for 2020/21 and then 4.2% pa	1.5% pa for 2017/18 1.1% pa for 2018/19 1.0% pa for 2019/20 and then 3.7% pa
CPI	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.

Gold State Super	2019	2018
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 discount rate is based on the Commonwealth Government bond maturing in November 2027 which has a similar duration to that of the Scheme's liabilities. The decrement rates used (e.g. mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes.

Sensitivity analysis

The defined benefit obligation as at 30 June 2019 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.

Scenario A: 0.5% p.a. lower discount rate assumption

Scenario B: 0.5% p.a. higher discount rate assumption

Scenario C: 0.5% p.a. lower salary increase rate assumption

Scenario D: 0.5% p.a. higher salary increase rate assumption

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	1.40% pa	0.90% pa	1.90% pa	1.40% pa	1.40% pa
Salary increase rate	4.20% pa	4.20% pa	4.20% pa	3.70% pa	4.70% pa
Defined benefit obligation (A\$'000s)	68	70	67	67	70

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 also have 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	2020 \$'000
Expected annual employer contributions	8

Maturity profile of Defined Benefit Obligation

The weighted average duration of GESB's defined benefit obligation is 4.0 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. The change in fair value is attributable to changes in the discount rate resulting from market-related movements in long term 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.

	2019 \$'000	2018 \$'000
Within one year	57,765	57,418
After one year but not more than five years	57,105	111,086
Total fair value	114,870	168,504
Premium included in fair value	5,215	9,308

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 2019.

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:

	2019 \$'000	2018 \$'000
Interest and government guarantee fee	9,342	12,795

Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in Note 28. The change to the fair value of \$4.1m (2018: \$7.4m) is a reflection of the change to the interest rate outlook from 30 June 2018 to 30 June 2019.

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

	2019 \$'000	2018 \$'000
Opening balance at 1 July	168,504	222,226
Cash flows	(58,883)	(59,117)
Changes in fair value	(4,093)	(7,400)
Loan interest charges	9,342	12,795
Closing balance at 30 June	114,870	168,504

Note 17: Reserves

	2019 \$'000	2018 \$'000
Accumulation General Reserve		
Opening balance	82,519	74,479
Utilisation of reserve ²	(3,431)	(1,907)
Contribution to reserve	13,426	9,288
Transfer between reserve ³	(35,749)	-
Investment performance	1,616	659
Closing balance	58,381	82,519
WSS¹ Government Guaranteed Payment Reserve		
Opening balance	44,356	45,970
Utilisation of reserve	(1,275)	(2,011)
Transfer between reserve	542	-
Investment performance	996	397
Closing balance	44,619	44,356
Total Other Reserves	103,000	126,875
Operational Risk Reserve		
Opening balance	92,979	89,226
Contribution to reserve	3,000	3,000
Transfer between reserve ³	35,207	-
Investment performance	2,545	753
Closing balance	133,731	92,979

¹ West State Superannuation scheme ('WSS')

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

³ During 2018/19 financial year, the GESB Board agreed to top up the Operational Risk Reserve to 50bps of accumulation fund under management. This was facilitated by transferring \$35.2m from the Accumulation General Reserve to the Operational Risk Reserve.

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 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 0.51% (2018: 0.39%) 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.

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 0.22% (2018: 0.34%) of the net assets available for the accumulation schemes' member benefits (West State Super, GESB Super and Retirement products).

Note 18: Income tax

(a) Major components of income tax expenses

	2019 \$'000	2018 \$'000
Income statement		
<i>Current tax expense</i>	(17,056)	(297)
Adjustment to the current tax for prior periods	5,647	1,262
<i>Deferred tax</i>		
Deferred tax expense relating to the origination and reversal of temporary differences	20,103	14,725
Total income tax expense as reported in the Income Statement	8,694	15,690

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

	2019 \$'000	2018 \$'000
Net result before income tax	624,071	572,627
Adjustments:		
Related to constitutionally protected schemes	(743,796)	(701,682)
Related to WATC Loan	5,249	5,395
Related to Reserves	(18,152)	(12,189)
Total net result related to GESB Super and Retirement schemes	(132,628)	(135,849)
Income tax calculated at 15%	(19,894)	(20,377)
Tax effect of expenses that are not deductible in determining taxable income:		
Non-deductible expenses	878	1,229
Tax effect of income that is not assessable in determining taxable income:		
Income from managed portfolio	(37,673)	(25,406)
Tax credit and offsets	(30,454)	(20,089)
Exempt current pension income	(19,397)	(24,243)
Other items	(57)	(101)
Tax effect of other adjustments:		
Net benefit allocated to defined contribution member accounts	114,742	108,667
Other deductions	(5,098)	(5,252)
Current tax for prior year	5,647	1,262
Income tax expense	8,694	15,690

(c) Recognised tax assets and liabilities

	2019 \$'000		2018 \$'000	
	Current Tax	Deferred Tax	Current Tax	Deferred Tax
Opening balance	(52,102)	(35,214)	(39,237)	(20,489)
Charged to income	11,409	(20,103)	(965)	(14,725)
Charged to changes in member benefits	(177,878)	-	(170,605)	-
Other payments	172,798	-	12,801	-
Income tax paid on contributions received	10,639	-	145,904	-
Closing balance	(35,134)	(55,317)	(52,102)	(35,214)
Deferred tax liability at 30 June related to the following:				
Unreleased capital gain	-	(7,464)	-	(34,147)
Accrued income	-	(47,853)	-	(1,067)
Closing balance	-	(55,317)	-	(35,214)

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.

Note 19: Investment revenue and expenses

30 June 2019	Interest income \$'000	Dividend income \$'000	Distribution income \$'000	Other investment income \$'000	Changes in fair value \$'000	Total \$'000
Investment revenue						
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 revenue	313,008	444,580	289,224	2,617	1,033,839	2,083,268
Investment expenses						
External fund management base fees						59,206
External fund management performance fees						(4,637)
Custodial fees						4,598
Investment administration costs						4,099
Total investment expenses						63,266
Net investment revenue						2,020,002

30 June 2018	Interest income \$'000	Dividend income \$'000	Distribution income \$'000	Other investment income \$'000	Changes in fair value \$'000	Total \$'000
Investment revenue						
Cash and term deposits	72,969	-	-	688	72,201	145,858
Australian equities	-	142,886	-	-	391,357	534,243
International equities	-	201,534	-	-	912,299	1,113,833
Units in unit trusts:						
Listed unit trusts	-	(1)	18,529	-	30,409	48,937
Unlisted unit trusts	-	-	88,627	-	203,354	291,981
Limited partnerships	-	-	1,871	-	7,028	8,899
Other interest-bearing securities:						
Asset-backed securities	7,865	-	-	-	5,111	12,976
Bank loans	23,477	-	-	-	16,672	40,149
Commercial paper	609	-	-	-	3,885	4,494
Fixed interest bonds	167,408	29	-	-	25,148	192,585
Indexed bonds	4,646	-	-	-	5,724	10,370
Mortgage-backed securities	10,774	-	-	-	8,988	19,762
Derivatives	-	-	-	-	(302,523)	(302,523)
Total investment revenue	287,748	344,448	109,027	688	1,379,653	2,121,564
Investment expenses						
External fund management base fees						56,089
External fund management performance fees						30,456
Custodial fees						4,273
Investment administration costs						3,812
Total investment expenses						94,630
Net investment revenue						2,026,934

Note 20: Other income

	2019 \$'000	2018 \$'000
Administration expenses recovered	7,233	6,905
Other	213	708
Total other income	7,446	7,613

Note 21: Administration expenses

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

	Note	2019 Actual \$'000	2019 Budget \$'000	Variance Actual to Budget \$'000	%	2018 Actual \$'000	Variance Actual to Prior Year Actual \$'000	%
Outsourced administration costs	(i)	27,486	26,369	(1,117)	(4)	25,541	(1,945)	(8)
Employment expenses	(ii)	6,525	7,169	644	9	6,374	(151)	(2)
Information technology costs		1,405	1,431	26	2	1,170	(235)	(20)
Consultants		40	288	248	86	98	58	59
Accommodation costs ¹		597	819	222	27	526	(71)	(13)
Professional fees (actuarial, legal and audit)	(iii)	1,104	1,438	334	23	1,204	100	8
Postage, printing and record management		94	97	3	3	89	(5)	(6)
Product information and engagement		76	78	2	3	52	(24)	(46)
Other administration costs	(iv)	2,481	7,607	5,126	67	4,479	1,998	45
		39,808	45,296	5,488	12	39,533	(275)	(1)
Less:								
Investment administration costs		1,844	2,088	244	12	1,726	(118)	(7)
Total administration costs excluding depreciation and amortisation		37,964	43,208	5,244	12	37,807	(157)	(0)
Add:								
Depreciation and amortisation		173	288	115	40	142	(31)	(22)
Total administration costs		38,137	43,496	5,359	12	37,949	(188)	(0)

¹ 2019 actuals include other accommodation costs (parking) of \$93k (2018: \$43k).

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

2018/19 Actual to Budget (increased expenditure \$1,117k) and Actual to Previous Year's Actual (increased expenditure \$1,945k)

The increased expenditure against budget in 2018/19 is primarily due to projects relating to legislative changes including SuperStream. This was partially offset by underspends in the base level contract due to lower than anticipated member numbers.

The increase in the expenditure for 2018/19 when compared to 2017/18 is due to the standard pricing increases as set out in the Link contract, also additional project work was completed throughout 2018/19 as a result of legislative changes.

(ii) Employment expenses

2018/19 Actual to Budget (decreased expenditure \$644k) and Actual to Previous Year's Actual (increased expenditure \$151k)

Employment expenses were lower than anticipated in 2018/19 predominantly due to the positions across the organisation not being occupied for a full year, including the General Manager Investments and two legal officers

2018/19 actuals were higher than 2017/18 due to an increased FTE requirement for 'business as usual' activities and additional project work.

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

2018/19 Actual to Budget (decreased expenditure \$334k) and Actual to Previous Year's Actual (decreased expenditure \$100k)

The decreased expenditure to budget in 2018/19 is due to lower than anticipated spend on legal and actuarial fees.

The decrease to actual expenditure from 2017/18 relates predominantly to additional professional services being required for the 2017/18 financial year.

(iv) Other administration costs

2018/19 Actual to Budget (decreased expenditure \$5,126k) and Actual to Previous Year's Actual (decreased expenditure \$1,998k)

The decreased expenditure compared to budget is primarily due to less than anticipated spend on contractors in 2018/19. 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. Also attributable is an ATO refund for GST irrecoverable that was received as a result of a Reduced Input Tax Credit ('RITC') review.

2018/19 costs are lower than the previous year. This is predominantly due to the credit received from the ATO for the RITC review that was finalised in 2018/19.

Note 22: Depreciation and amortisation

	2019 \$'000	2018 \$'000
Depreciation		
Computer hardware	27	12
Office furniture and equipment	2	-
Total depreciation	29	12
Amortisation		
Computer software	144	130
Total amortisation	144	130
Total depreciation and amortisation	173	142

Note 23: Employee benefits expense

	2019 \$'000	2018 \$'000
Salaries	4,746	4,527
Superannuation – defined contribution plans	555	509
Superannuation – defined benefit plans ²	(297)	82
Long service leave ¹	311	221
Annual leave ¹	525	454
Other related expenses ²	685	581
Total employee benefits expense	6,525	6,374

¹ Includes an accrued payroll tax and superannuation contribution component.

² A movement in provision due to decrease in value 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:

	2019 \$'000	2018 \$'000
Fees for auditing the financial statements and key performance indicators*	268	273

*These fees exclude GST, where as in previous reporting period they were inclusive of GST.

Note 25: Remuneration of senior officers

Position	Name	Period of Employment	Remuneration	
			2019 \$	2018 \$
Chief Executive Officer Acting Chief Executive Officer	Benjamin Palmer ^{1,4}	04 Jul 2018 – Current 30 Jan 2017 – 30 Jul 2017 and 01 Feb 2018 – 03 Jul 2018	366,610	170,673
Acting Chief Executive Officer	Karen Horne ⁴	31 Jul 2017 – 31 Jan 2018	-	179,885
General Manager Investments	Benjamin Palmer ³	03 Mar 2015 – 29 Jan 2017 and 31 Jul 2017 – 31 Jan 2018	-	148,105
General Manager Investments	Paul Taylor ³	21 Jan 2019 – Current	138,798	-
General Manager Superannuation Services	Karen Horne ²	03 Nov 2014 – 30 Jul 2017 and 01 Feb 2018 – Current	190,731	96,227
General Manager Finance	Mark Caldwell ²	03 Nov 2014 – Current	196,143	190,453
Total			892,282	785,343
Short-term employee benefits			790,468	694,180
Post-employment benefits			74,142	66,400
Other long-term benefits			27,672	24,763
Termination benefits			-	-
Total Remuneration of senior officers			892,282	785,343

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 These officers were appointed under section 11(2) of the *State Superannuation Act (2000)*.

⁴ These officers were directed to act in the vacant position of Chief Executive Officer for a limited period pursuant to section 51 of the *Public Sector Management Act 1994*.

'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 (\$)	2019	2018
\$130,001 - 140,000	1	-
\$190,001 - 200,000	2	1
\$270,001 - 280,000	-	1
\$310,001 - 320,000	-	1
\$360,001 - 370,000	1	-
Total	4	3

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 2019 \$	2018 \$
Chair	John Langoulant ¹	02 Nov 2010 - Current	127,147	127,147
Employer Director	Scott Ellis ³	02 Nov 2010 - Current	59,128	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
Member Director	Philippa Clarke ^{1,3,5}	02 Apr 2015 - 04 Jul 2018	1,046	68,019
Member Director	Glen Townsing ⁴	04 Jul 2012 - 03 Jul 2018	-	-
Member Director	Anne Gisborne ^{1,3,4}	08 Feb 2017 - Current	-	-
Member Director	Bruce Hawkins ³	04 Jul 2018 - Current	58,259	-
Member Director	Naomi McCrae ^{1,5}	31 Aug 2018 - Current	56,247	-
Total			443,422	395,889
Short-term employee benefits			404,951	361,542
Post-employment benefits			38,471	34,347
Other long-term benefits			-	-
Termination benefits			-	-
Total Remuneration of members of the board			443,422	395,889

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 guideline, as a public sector employee these officers receive 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 (\$)	2019	2018
\$0 - 10,000	3	2
\$50,001 - 60,000	3	1
\$60,001 - 70,000	1	2
\$70,001 - 80,000	1	1
\$120,001 - 130,000	1	1
Total	9	7

Remuneration of members of the investment committee

Position	Name	Period of Membership	Remuneration	
			2019 \$	2018 \$
Member	David McMahon	01 Jun 2010 - 07 Jun 2018	-	12,545
Member	John Stroud	01 Oct 2018 - Current	9,951	-
Member	Warren Bird ¹	10 Jun 2013 - Current	14,055	12,619
Total			24,006	25,164
Short-term employee benefits			21,924	23,001
Post-employment benefits			2,082	2,163
Other long-term benefits			-	-
Termination benefits			-	-
Total Remuneration of external members of the investment committee			24,006	25,164

¹ This officer has received arrears from the previous financial year due to timing of his new appointment.

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

Remuneration Band (\$)	2019	2018
\$0 – 10,000	1	-
\$10,001 – 20,000	1	2
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:

	2019 \$'000	2018 \$'000
Cash and cash equivalents	115,692	126,362

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

	2019 \$'000	2018 \$'000
Net result after income tax	615,377	556,937
Adjustments for:		
Increase in assets measured at fair value	(1,033,839)	(1,379,653)
Increase in insurance	(50,136)	(57,336)
Decrease/(increase) in receivables	14,619	(34,529)
Depreciation and amortisation	173	142
(Decrease)/increase in payables	(22,729)	23,911
Increase/(decrease) in income tax payable	22,756	(804)
Changes in loans measured at fair value and interest expenses	5,249	5,395
Allocation to members' accounts	1,359,991	1,418,576
Net cash inflows from operating activities	911,461	532,639

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 both 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. A professional, specialist asset consultant is 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 utilised to leverage the investment portfolio.

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

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	77,292	-	77,292
Warrants	237	-	237
Total derivative assets	422,712	(193,668)	229,044
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
Total net derivatives	(26,399)	-	(26,399)

2018	Gross derivative amounts \$'000	Derivative amounts set off \$'000	Net amounts presented in statement of financial position \$'000
Derivative assets:			
Futures	26,105	-	26,105
Options	3,559	-	3,559
Swaps	226,647	(198,492)	28,155
Forwards	72,221	-	72,221
Warrants	32	-	32
Total derivative assets	328,564	(198,492)	130,072
Derivative liabilities:			
Futures	14,735	-	14,735
Options	2,112	-	2,112
Swaps	234,402	(198,492)	35,910
Forwards	205,600	-	205,600
Total derivative liabilities	456,849	(198,492)	258,357
Total net derivatives	(128,285)	-	(128,285)

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

(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) are held via a Custodian, Northern Trust. 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
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	1,017,938	8,409	34,769	-	6,858	1,067,974
WATC loan recoverable from State	114,870	-	-	-	-	114,870
Total	6,997,958	2,181,565	2,083,025	498,676	249,303	12,010,527

	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	BB+ to D \$'000	Not Rated ¹ \$'000	Total \$'000
2018						
Cash and term deposits	3,725,210	758,474	264,020	-	14	4,747,718
Asset-backed securities	124,653	6,037	16,276	-	63,815	210,781
Bank loans	-	-	22,632	271,109	200,153	493,894
Commercial paper	-	-	-	-	94,175	94,175
Fixed interest bonds	1,635,084	1,297,343	1,607,399	329,717	18,947	4,888,490
Indexed bonds	209,972	12,311	-	-	-	222,283
Mortgage-backed securities	516,304	10,268	35,820	-	-	562,392
WATC loan recoverable from State	168,504	-	-	-	-	168,504
Total	6,379,727	2,084,433	1,946,147	600,826	377,104	11,388,237

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 \$196,313k (2018: \$100,376k).

(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:

	2019 \$'000	2018 \$'000
Financial assets held at fair value		
British Pound	1,302,410	993,626
Canadian Dollar	468,813	363,351
Euro	2,986,565	2,527,127
Hong Kong Dollar	550,094	493,997
Japanese Yen	1,674,295	1,266,985
Swiss Franc	322,761	330,541
US Dollar	17,278,938	12,530,081
Other Currencies	1,479,748	1,167,796
Total financial assets	26,063,624	19,673,504
Financial liabilities held at fair value		
British Pound	856,353	582,529
Canadian Dollar	423,184	305,995
Euro	2,504,828	2,005,357
Hong Kong Dollar	150,652	150,253
Japanese Yen	1,113,218	830,577
Swiss Franc	123,440	105,880
US Dollar	14,833,435	10,333,122
Other Currencies	973,078	754,215
Total financial liabilities	20,978,188	15,067,928
Net exposure	5,085,436	4,605,576

The following table details the Fund's sensitivity to a 10% (2018: 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	
	2019 %	2018 %	2019 \$'000	2018 \$'000
British Pound/AUD	+/- 10	+/-10	43,557 / (43,557)	40,206 / (40,206)
Canadian Dollar/AUD	+/- 10	+/-10	4,456 / (4,456)	5,609 / (5,609)
EUR/AUD	+/- 10	+/-10	47,041 / (47,041)	51,030 / (51,030)
Hong Kong Dollar/AUD	+/- 10	+/-10	39,005 / (39,005)	33,619 / (33,619)
Japanese Yen/AUD	+/- 10	+/-10	54,789 / (54,789)	42,681 / (42,681)
Swiss Franc/AUD	+/- 10	+/-10	19,464 / (19,464)	21,972 / (21,972)
USD/AUD	+/- 10	+/-10	238,801 / (238,801)	214,866 / (214,866)
Other/AUD	+/- 10	+/-10	49,476 / (49,476)	40,449 / (40,449)

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.

2019	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	1760,815	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	-	-	-	679,105	-	1,067,974
Total financial assets	3,465,129	816,104	711,708	2,142,016	3,561,170	1,241,404	11,937,531
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

2018	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	1,572,167	804,000	850,000	-	-	1,548,742	4,774,909
Asset-backed securities	190,940	-	-	2,757	17,084	-	210,781
Bank loans	493,894	-	-	-	-	-	493,894
Commercial paper	-	-	-	-	-	94,175	94,175
Fixed interest bonds	994,663	24,227	135,809	1,624,155	1,964,711	144,925	4,888,490
Indexed bonds	-	-	23,961	119,477	78,845	-	222,283
Mortgage-backed securities	334,216	-	-	-	228,176	-	562,392
Total financial assets	3,585,880	828,227	1,009,770	1,746,389	2,288,816	1,787,842	11,246,924
Financial liabilities							
Interest-bearing loans	-	14,743	42,675	111,086	-	-	168,504
Cash and term deposits	18,912	8,279	-	-	-	-	27,191
Total financial Liabilities	18,912	23,022	42,675	111,086	-	-	195,695

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	2019		2018	
	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	+ 100 / (100)	69,114 / (69,114)	+ 25 / (25)	18,101 / (18,101)
USD	+ 50 / (50)	16,911 / (16,911)	+ 100 / (50)	28,805 / (14,402)
EUR	+ 20 / (20)	1,537 / (1,537)	+ 20 / (20)	1,141 / (1,141)
GBP	+ 50 / (50)	780 / (780)	+ 50 / (50)	589 / (589)
Others	+ 50 / (50)	3,301 / (3,301)	+ 50 / (50)	2,380 / (2,380)

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.

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	
	2019 %	2018 %	2019 \$'000	2018 \$'000
Cash and term deposits	+/-1	+2.5	40,734 / (40,734)	118,693 / -
Australian equities	+/-20	+/-20	1,074,873 / (1,074,873)	783,417 / (783,417)
International equities	+/-20	+/-20	1,782,808 / (1,782,808)	1,706,750 / (1,706,750)
Units in unit trusts:				
Listed unit trusts	+/-20	+/-20	104,809 / (104,809)	77,078 / (77,078)
Unlisted unit trusts	+/-15	+/-15	476,851 / (476,851)	507,126 / (507,126)
Limited partnerships	+/-10	+/-10	3,036 / (3,036)	4,174 / (4,174)
Other interest-bearing securities:				
Asset-backed securities	+/-10	+/-10	19,852 / (19,852)	21,078 / (21,078)
Bank loans	+/-10	+/-10	28,079 / (28,079)	49,389 / (49,389)
Commercial paper	+/-10	+/-10	3,542 / (3,542)	9,417 / (9,417)
Fixed interest bonds	+/-10	+/-10	611,167 / (611,167)	488,849 / (488,849)
Indexed bonds	+/-10	+/-10	12,790 / (12,790)	22,228 / (22,228)
Mortgage-backed securities	+/-10	+/-10	106,797 / (106,797)	56,239 / (56,239)
Derivatives	+/-10	+/-10	(2,640) / 2,640	(12,829) / 12,829

(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 month' column below as this is the amount that members could call upon as at year end.

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	> 1 year \$'000
30 June 2019					
Derivative liabilities	255,443	255,443	159,832	20,263	75,348
Payables	1,327,556	1,327,556	1,327,556	-	-
Interest-bearing loans	114,870	116,297	-	58,191	58,106
Member benefits	32,022,859	32,022,859	32,022,859	-	-
Total	33,720,728	33,722,155	33,510,247	78,454	133,454
	Carrying amount \$'000	Contractual cash flows \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	> 1 year \$'000
30 June 2018					
Derivative liabilities	258,357	258,357	222,157	377	35,823
Payables	411,182	411,182	411,182	-	-
Interest-bearing loans	168,504	174,280	-	58,176	116,104
Member benefits	30,337,829	30,337,829	30,337,829	-	-
Total	31,175,872	31,181,648	30,971,168	58,553	151,927

(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:

	2019		2018	
	\$'000	%	\$'000	%
Consumer discretionary	1,245,202	8.39	1,288,654	10.01
Consumer staples	922,826	6.21	877,798	6.82
Energy	1,028,932	6.93	861,595	6.69
Financials	3,041,986	20.48	2,404,193	18.67
Health care	1,281,287	8.63	1,206,676	9.37
Industrials	1,432,658	9.65	1,140,263	8.86
Information technology	1,567,853	10.56	1,538,844	11.95
Materials	1,592,791	10.73	1,206,528	9.37
Real Estate	1,361,607	9.17	1,606,478	12.48
Communication services	986,821	6.65	357,981	2.78
Utilities	386,718	2.60	386,258	3.00
Total	14,848,681	100.00	12,875,268	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.

	2019		2018	
	\$'000	%	\$'000	%
Australia	14,659,102	49.64	13,691,078	50.20
Canada	375,466	1.27	384,162	1.41
France	374,199	1.27	304,404	1.12
Germany	541,662	1.84	519,668	1.91
Hong Kong	281,734	0.96	276,848	1.02
Japan	1,183,424	4.01	998,934	3.66
Netherlands	272,745	0.92	197,289	0.72
Singapore	122,170	0.41	112,717	0.41
Switzerland	361,478	1.22	343,037	1.26
United Kingdom	1,092,994	3.70	1,025,898	3.76
United States	7,275,285	24.64	6,793,408	24.91
Other	2,988,291	10.12	2,624,858	9.62
Total	29,528,550	100.00	27,272,301	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 ensures all 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 requires 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 robustly appropriately managed and good ESG practices are employed. The Fund also requires its Asset Consultant to evaluate investment manager's ESG capabilities when researching, monitoring and carrying out investment due diligence of these investment managers.

The Fund will undertake 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

2019	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	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 revenue (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	(720)	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

2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net assets available for member benefits at the beginning of the year	94,345	2,781,198	14,220,045	3,363,693	4,297,419	19,995	(222,226)	209,675	-	-	24,764,144
Investment income											
Investment revenue (net of investment expenses)	8,398	247,582	1,157,256	313,451	300,204	1,379	-	(1,336)	-	-	2,026,934
Superannuation income											
Employer contributions	181,294	440,248	937,616	471,419	-	-	59,117	-	-	-	2,089,694
Member contributions	324	10,056	174,936	36,708	-	-	-	-	-	-	222,024
Government co-contributions	-	-	668	431	-	-	-	-	-	-	1,099
Transfer from other superannuation plans	-	-	467,646	217,139	1,022,192	-	-	-	(1,409,547)	-	297,430
Income tax on contributions	-	-	-	(75,059)	(95,546)	-	-	-	-	-	(170,605)
Lag gain / (loss)	-	-	(231)	(116)	(175)	(1)	-	523	-	-	-
Other income											
Death and disability insurance received	-	-	30,390	14,900	-	-	-	-	-	-	45,290
Other income	1	266	(249)	9	63	(2)	-	7,525	-	-	7,613
Total income	190,017	698,152	2,768,032	978,882	1,226,738	1,376	59,117	6,712	(1,409,547)	1,409,547	4,519,479
Expenses											
Benefits to members/beneficiaries	(190,109)	(655,056)	(1,583,093)	(307,100)	(711,790)	(2,308)	-	(2,011)	1,409,547	-	(2,041,920)
Insurance premiums charged	-	-	(70,660)	(31,966)	-	-	-	-	-	-	(102,626)
Administration expenses	-	-	(17,202)	(17,003)	(9,087)	(135)	-	5,478	-	-	(37,949)
Changes in fair value of loan	-	-	-	-	-	-	7,400	-	-	-	7,400
Loan interest expenses	-	-	-	-	-	-	(12,795)	-	-	-	(12,795)
Total expenses	(190,109)	(655,056)	(1,670,955)	(356,069)	(720,877)	(2,443)	(5,395)	3,467	1,409,547	-	(2,187,890)
Change in net assets before income tax	(92)	43,096	1,097,077	622,813	505,861	(1,067)	53,722	10,179	-	-	2,331,589
Income tax expense /(benefit)	-	-	-	17,785	(2,045)	(50)	-	-	-	-	15,690
Change in net assets after income tax	(92)	43,096	1,097,077	605,028	507,906	(1,017)	53,722	10,179	-	-	2,315,899
Reclassification of defined benefit assets	1,957	(1,957)	-	-	-	-	-	-	-	-	-
Net assets available for member benefits at the end 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

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:

	2019 \$'000	2018 \$'000
Defined benefit schemes		
Pension Scheme	97,706	96,210
Gold State Super	2,825,611	2,822,337
Total defined benefit schemes	2,923,317	2,918,547
Defined contribution schemes		
West State Super	16,392,851	15,317,122
GESB Super	4,605,829	3,968,721
Retirement Income - Allocated Pension and Transition to Retirement	5,327,055	4,805,325
Retirement Income - Term Allocated Pension	18,257	18,978
Total defined contribution schemes	26,343,992	24,110,146
Reserves	236,731	219,854
WATC Loan	(114,870)	(168,504)
Total net assets available for member benefits as per Scheme Financial Reporting	29,389,170	27,080,043
Adjustments		
Employer-sponsor receivables:		
Pension Scheme	1,374,487	1,488,985
Gold State Super	2,103,892	2,413,399
WATC Loan recoverable from State	114,870	168,504
Net assets available for member benefits as per Statement of Financial Position	32,982,419	31,150,931

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:

	2019 \$'000	2018 \$'000
Change in net assets after income tax as per Scheme Financial Reporting	2,309,127	2,315,899
Adjustments:		
Superannuation contributions income	(2,591,802)	(2,610,247)
Income tax on contributions	177,878	170,605
Death and disability insurance received	(51,840)	(45,290)
Benefits to members/beneficiaries	2,030,029	2,041,920
Insurance premiums charged	101,976	102,626
Allocation to members' accounts	(1,359,991)	(1,418,576)
Net result after income tax as per Income Statement	615,377	556,937

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, 61 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 2019 includes six car bays payable to a different lessor than the accommodation provider, at \$60,923 'within 1 year' and \$62,293 'Later than 1 year and not later than 5 years'. In 2018 five car bays were included from a separate lessor at \$60,234 'within 1 year' and \$120,469 '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.

	2019 \$'000		2018 \$'000	
Commitments payable	Premises	Vehicles	Premises	Vehicles
Within 1 Year	472	21	456	19
Later than 1 Year and not later than 5 Years	1,878	42	1,867	41
Later than 5 years	1,020	3	1,501	1
Total	3,370	66	3,824	61

Other expenditure commitments

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

	2019 \$'000	2018 \$'000
Administration services		
Within 1 Year	582	573
Later than 1 Year and not later than 5 Years	2,488	-
Total	3,070	573

The Fund exercised a five year extension for the Outsourced Administration arrangement with the Link Group in 2019 financial year. 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 2019/20 Statement of Corporate Intent is projected to be \$25.6m 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 2019 and 2018.

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 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

30 June 2018	Pension Scheme \$'000	Gold State Super \$'000	West State Super \$'000	Parliamentary and Judges Pension \$'000	Corporate \$'000	Total \$'000
WATC loan recoup ¹	-	-	59,117	-	-	59,117
Employer contributions recoup	181,293	378,866	-	-	-	560,159
Administration expense recoup	1,535	4,765	-	416	189	6,905
Leases and shared services expenses	-	-	-	-	(915)	(915)
Total	182,828	383,631	59,117	416	(726)	625,266

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 2019 and between the actual results for 2019 and 2018 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	2019 Actual \$'000	2019 Budget \$'000	Variance actual to budget \$'000	%	2018 Actual \$'000	Variance actual to prior year actual \$'000	%
REVENUE								
Investment revenue								
Investment revenue	(i)	2,083,268	1,800,337	282,931	16	2,121,564	(38,296)	(2)
Less: investment expenses	(ii)	(63,266)	(76,749)	13,483	(18)	(94,630)	31,364	(33)
Net Investment revenue		2,020,002	1,723,588	296,414	17	2,026,934	(6,932)	(0)
Superannuation revenue								
Contribution income:								
Member (includes government co-contributions)	(iii)	206,000	436,726	(230,726)	(53)	223,123	(17,123)	(8)
Employer	(iv)	2,018,661	1,869,700	148,961	8	2,089,694	(71,033)	(3)
Rollover into retirement products	(v)	778,707	1,226,602	(447,895)	(37)	1,022,192	(243,485)	(24)
Inward transfer from other funds	(vi)	950,217	746,823	203,394	27	684,785	265,432	39
Group life insurance proceeds		51,840	50,310	1,530	3	45,290	6,550	14
Other income	(vii)	7,446	10,352	(2,906)	(28)	7,613	(167)	(2)
Total superannuation revenue		4,012,871	4,340,513	(327,642)	(8)	4,072,697	(59,826)	(1)
Total Revenue		6,032,873	6,064,101	(31,228)	(1)	6,099,631	(66,758)	(1)
EXPENSES								
Benefits to members/beneficiaries	(viii)	3,391,812	4,040,024	648,212	16	3,451,467	59,655	2
Administration expenses	(ix)	37,964	43,207	5,243	12	37,807	(157)	(0)
Insurance premiums charged to member accounts		101,976	100,226	(1,750)	(2)	102,626	650	1
Depreciation and amortisation	(x)	173	288	115	40	142	(31)	(22)
Changes in loans measured at fair value	(xi)	(4,093)	-	4,093	100	(7,400)	(3,307)	45
Loan interest expenses	(xii)	9,342	11,293	1,951	17	12,795	3,453	27
Total Expenses		3,537,174	4,195,038	657,864	16	3,597,437	60,263	2
NET RESULT BEFORE TAX FOR THE YEAR		2,495,699	1,869,063	626,636	34	2,502,194	(6,495)	(0)

Notes to the Explanatory Statement

(i) Investment revenue

Investment revenue is \$282.9m (16%) higher than budget. The full year investment performance of the Fund was 7.6% compared to a budget of 6.5%, which was provided by GESB's asset consultant at the time of budget preparation. The higher than expected investment performance in the 2018/19 financial year was largely due to higher than anticipated returns in the market.

Details of investment revenue are included in Note 19.

(ii) Investment expenses

Investment expenses are \$13.5m (18%) lower than budget and \$31.4m (33%) lower than the prior year.

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.

The majority of the difference between the actual investment expenses, compared to budget and the previous year, is due to performance fees. During the financial year, none of the relevant investment managers achieved a performance fee, resulting in the difference when compared to budget. In 2017/18, a number of investment managers achieved a performance fee above budget, resulting in the difference when comparing current and previous financial years.

(iii) Member contributions

Member contributions were \$230.7m (53%) lower than budget due to lower than anticipated member contributions into West State Super. This was predominantly due to changes to the nonconcessional caps on contributions in the previous year that were not captured in the 2018/19 budget cycle.

(iv) Employer contributions

Employer contributions were \$149.0m (8%) 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 \$447.9m (37%) lower than budget and \$243.5m (24%) lower than prior year. The decrease from prior year and decrease to budget is due to the reduced tax benefits of rolling into a retirement product with members choosing other options.

(vi) Inward transfer from other funds

Inward transfers from other funds were \$203.4m (27%) higher than budget and \$265.4m (39%) higher than prior year. This was driven by a recommendation from the ATO that members should consolidate their superannuation accounts.

(vii) Other income

Other income is \$2.9m (28%) lower than budget, predominantly due to the removal of exit fees for members in December 2018, also attributable is the demand for ROS appointments being lower than anticipated.

(viii) Benefits to members/beneficiaries

Total superannuation benefits were \$648.2m (16%) 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.

(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 2019.

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 2019 was as stated in the table below.

	2019 \$'000
Total net assets	29,504,040
<i>Less: Net assets for defined contribution schemes</i>	
West State Super	16,392,851
GESB Super	4,605,829
Retirement Income	5,327,055
Term Allocated Pension	18,257
<i>Less: Reserves</i>	236,731
Net assets for defined benefit schemes	2,923,317
<i>Less: Accrued actuarial funded liabilities for defined benefit schemes</i>	
Pension Scheme	73,547
Gold State Super	2,126,941
Net position	722,829

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 improved over the year since the last actuarial investigation due to higher than assumed investment return for the year and lower than assumed pension increases.

(ii) Gold State Super

The Actuary reported that the financial position of the Scheme has improved slightly over the year since the last actuarial investigation due to a lower than expected Perth CPI increase, the investment return of 7.4% during the reporting period and an update to the retirement assumption.

Note 35: Write-offs

The write-offs approved by the Board during the current financial year were \$63 (2018: \$180,028).

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 2019, 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 2019 and the results of its operations, cash flows, changes in reserves and changes in member benefits for the year ended 30 June 2019. 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 Responsibilities 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 GESB'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.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GESB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on GESB's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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 2019.

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 the controls, necessary to achieve the overall control objectives, 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 noncompliance 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 2019. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Government Employees Superannuation Board are relevant and appropriate to assist users to assess GESB's performance and fairly represent indicated performance for the year ended 30 June 2019.

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 GESB'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 2019 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 refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
5 September 2019

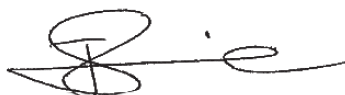
Certification of key performance indicators

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 2019.



JL Langoulant
Chair

4 September 2019



F Sciarrone
Director

4 September 2019

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 2018/19.

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 87% (6-10 out of 10 ratings) for the 2018/19 financial year, against a target of 80%, with 75% 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 $\pm 2.95\%$ on an annual sample of n=1667 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 2018/19 financial year to ensure they are representative. After weighting, the effective sample size for the year is 1088.

	Actual 16/17	Actual 17/18	Target 18/19	Actual 18/19
Percentage who are fairly satisfied, satisfied or extremely satisfied	89%	85%	80%	87%

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 to investment return objectives in 2018/19 reflect prudent consideration of medium and long term expectations for the underlying asset classes and achieve consistency of objectives for investment options of commensurate risk profile across the various GESB schemes.

The changes were approved by the Treasurer of Western Australian in August 2018 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.

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 fees and tax.

Over periods to 30 June 2019, the performance of the vast majority of plans exceeded their primary investment objectives. The only exceptions were several cash plans, which under-performed slightly due to the deduction of statutory tax on earnings and/or fees.

The out-performance of all other plans reflected the strong returns from growth assets over each plan's 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 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 2019, 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 Australian Equities asset classes and an above benchmark exposure to cash. On the positive side, plan returns benefitted from above benchmark returns from Cash, Investment Grade Bonds and International Equities asset classes.

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

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 of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods 	2.30	1.97	0.33
Conservative plan	<ul style="list-style-type: none"> Achieve a return after fees of CPI +2.0% pa over rolling five year periods 	5.14	3.63	1.51
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	5.36	5.45	(0.09)
My West State Super plan	<ul style="list-style-type: none"> Achieve a return after fees of CPI +3.0% pa over rolling seven year periods 	9.24	4.93	4.31
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	8.32	8.77	(0.45)
Growth plan	<ul style="list-style-type: none"> Achieve a return after fees of CPI +4.0% pa over rolling ten year periods 	9.69	6.14	3.55
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	9.14	9.80	(0.66)

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. 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 of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods 	1.95	1.97	(0.02)
Conservative plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +2.0% pa over rolling five year periods 	5.02	3.63	1.39
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	5.99	6.10	(0.11)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +2.5% pa over rolling six year periods 	7.41	4.36	3.05
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	8.11	8.65	(0.54)
My GESB Super plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +3.0% pa over rolling seven year periods 	9.06	4.93	4.13
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	8.75	9.46	(0.68)
Growth plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +4.0% pa over rolling ten year periods 	9.48	6.14	3.34
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	9.97	10.72	(0.75)

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. 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 of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods 	2.15	1.97	0.18
Conservative plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +2.0% pa over rolling five year periods. 	5.06	3.63	1.43
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	5.16	5.45	(0.29)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +3.0% pa over rolling seven year periods. 	9.19	4.93	4.26
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	8.01	8.76	(0.75)
Growth plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +4.0% pa over rolling ten year periods. 	9.79	6.14	3.65
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	8.89	9.79	(0.90)

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. The ICR includes all of the investment costs and any additional underlying costs relating to the investment. 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 of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods 	1.86	1.97	(0.11)
Conservative plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +2.0% pa over rolling five year periods 	N/A	3.63	N/A
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	N/A	N/A	N/A
Balanced plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +3.0% pa over rolling seven year periods 	N/A	4.93	N/A
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	N/A	N/A	N/A
Growth plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +4.0% pa over rolling ten year periods 	N/A	6.14	N/A
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	N/A	N/A	N/A

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. 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 of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods 	1.93	1.97	(0.04)
Conservative plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +2.0% pa over rolling five year periods 	4.66	3.63	1.03
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	4.75	5.45	(0.70)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +3.0% pa over rolling seven year periods 	8.76	4.93	3.83
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	7.59	8.76	(1.17)
Growth plan	<ul style="list-style-type: none"> Achieve a return after fees and tax of CPI +4.0% pa over rolling ten year periods 	9.36	6.14	3.22
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	8.45	9.79	(1.34)

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. The ICR includes all of the investment costs and any additional underlying costs relating to the investment. 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 Super, Pension and Provident Account	<ul style="list-style-type: none"> Achieve a return after fees of Average Weekly Earnings (AWE) +2.5% pa over rolling five year periods 	8.02	4.42	3.60
	<ul style="list-style-type: none"> Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods 	8.94	9.63	(0.69)

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 5.0% in real terms and 6.6% in nominal terms compared to the previous year and was 10.2% below target. Cost per member has increased due to higher administration costs in 2018/19 compared to the prior year. This increase was primarily due to strategic costs for legislative changes that were offset by lower than anticipated salary costs, professional fees and other administration expenses. Another factor is a drop in accumulation scheme member numbers, primarily in West State Super. Refer to Note 21 within the Financial Statements for more details on Administration Expenses.

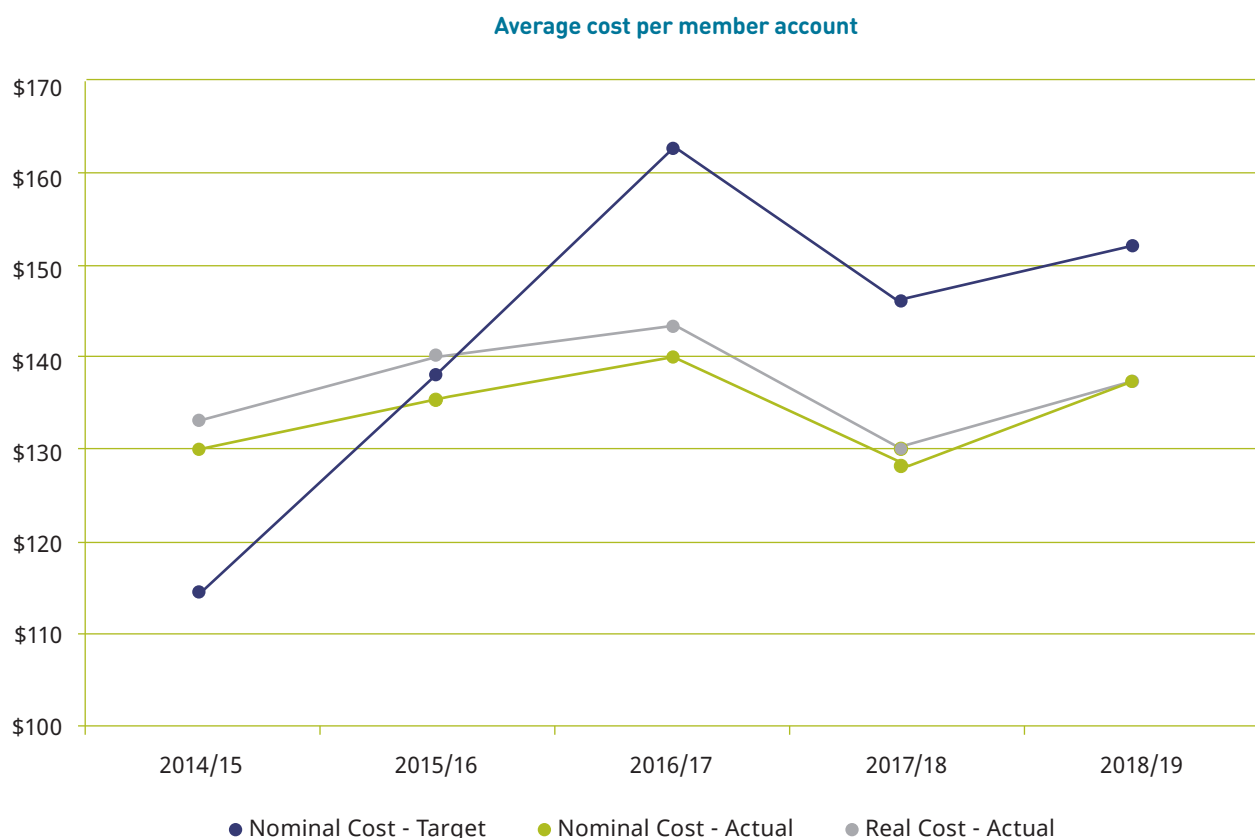
Cost per member account is lower than budgeted for the Accumulation and Defined Benefit Schemes predominantly due to lower than budget administration expenses for the year. The accumulation scheme variance is primarily due to a \$1.5m refund from the Australian Taxation Office for GST irrecoverable that was received as a result of a reduced input tax credit (RITC) review. Again, please refer to Note 21 of the Financial Statements for more detail.

	2014/15	2015/16	2016/17	2017/18	2018/19
Nominal Cost – Target	\$114.59	\$137.95	\$163.12	\$145.79	\$151.87
Nominal Cost – Actual	\$130.03	\$135.63	\$140.03	\$127.82	\$136.37
Real Cost – Actual	\$135.17 ⁷	\$140.29 ⁷	\$143.83 ⁷	\$129.87 ⁷	\$136.37

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.

The direct costs of Superannuation Reform have been excluded from the administration costs in order to maintain comparability with prior year's figures. These costs finished in 2014/15. For illustrative purposes the following table shows the nominal cost per member account including Superannuation Reform costs.

	2014/15	2015/16	2016/17	2017/18	2018/19
Nominal Cost	\$138.30	\$135.63	\$140.03	\$127.82	\$136.37



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 2018/19 was 0.32%, compared to the target IMER of 0.43%. The main contributors to the difference were, lower than budgeted performance fees paid to investment managers, changes to asset allocations, reduced costs declared by a number of unit trust managers and the transition of a number of investment managers during the period.

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 2014/15	Actual 2015/16	Actual 2016/17	Target 2017/18	Actual 2017/18	Actual 2018/19
Investment management expense ratio – investment management costs as a percentage of portfolio mean value invested	0.39 ⁸	0.36 ⁸	0.37 ⁸	0.48 ⁹	0.43	0.32

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

⁹ The actual ratio was incorrectly disclosed as 0.50% in the 2017/2018 Annual Report due to the overstating of investment manager performance fees by 2 basis points

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 2019/20 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 2019/20

Statement of changes in net assets

	Budget 2020
For the financial year ending 30th June	\$'000
Net assets available to pay benefits at the beginning of the financial year	28,773,803
REVENUE	
Investment revenue	
Realised income	580,686
Realised changes in net market value of investment assets	580,686
Unrealised changes in net market value of investment assets	774,248
Income from investment	1,935,619
Superannuation revenue	
Contributions	
Member	825,535
Employer	1,417,021
Rollover into retirement products	1,226,934
Inward transfers	622,770
Member insurance benefits received	51,694
Other income	8,351
TOTAL REVENUE	6,087,924
EXPENSES	
Superannuation benefit payments	4,330,358
Administration expenses	42,319
Group life insurance premiums	111,946
Investment expenses	82,104
Changes in nmv of financial liabilities	-
Changes in nmv other assets	288
Loan interest	5,699
TOTAL EXPENSES	4,572,714
Changes in net assets before income tax	1,515,210
Income tax expense	189,509
Changes in net assets after income tax	1,325,701
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR	30,099,504

Statement of net assets

For the financial year ending 30th June	Budget 2020 \$'000
ASSETS	
Cash and cash equivalents	11,138
Investments	30,202,028
Plant and equipment	169
Intangible assets	560
Receivables	17,715
Prepayments	827
Deferred tax assets	5,637
TOTAL ASSETS	30,238,073
LIABILITIES	
Contributions paid in advance	1,957
Unpaid and accrued liabilities	231
Payables	26,902
Provision for employee entitlements	1,234
Provision for post employment liabilities	549
Interest bearing loans and borrowings	55,804
Current tax liabilities	51,892
TOTAL LIABILITIES	138,569
NET ASSETS AVAILABLE TO PAY BENEFITS	30,099,504

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Contact

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

gesb.com.au

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Government Employees Superannuation Board
ABN 43 418 292 917