



Annual Report

2021/22

Acknowledgement of Country

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

About the artist – Acacia Collard

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

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

Artwork story as told by the artist

As part of our Reconciliation Action Plan (RAP), we are committed to creating awareness of the history and cultures of Aboriginal and Torres Strait Islander peoples.

The four orange/red/white circles represent GESB itself and the 4 core values – Members first, Sustainable performance, Achieve together, Act with Integrity. The colours also symbolise the colours of the landscapes across WA – from the white beaches to the red desert.

The green pathway is connecting the values all together. The blue patterns on the inside are the initiatives coming in the future that GESB is working towards.

Each meeting place shown by the smaller circles represents the communities in which GESB is involved and impacts, they are spread all over WA.

As well as the GESB team amongst the communities there are a number of people who are involved. They and their stories are symbolised by the other patterns throughout the artwork.

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 2022.

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

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

Ben Palmer
Chief Executive Officer

Responsible Minister

The Hon. Mark McGowan, MLA, Premier; Treasurer; Minister for Public Sector Management; Federal-State Relations was GESB's responsible Minister for the period 1 July 2021 to 30 June 2022.

Ministerial directives

No ministerial directives were received during 2021/22.

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GESB profile



Our purpose

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

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

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

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

Strategic objectives

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

GESB achieves its purpose by focusing on four objectives:

1. Financial outcomes for members

- Net benefit to members through low fees and delivery of returns that meet investment objectives

2. Member experience

- A positive experience for members when they engage with GESB
- Give primacy to our members' perspective and be their advocate for appropriate outcomes

3. Efficient and effective operations

- Value for money products and services, that meet members' needs
- Insurance members can rely on
- Supporting employers in meeting their superannuation obligations efficiently and effectively
- Sufficient scale to support continued achievement of member outcomes

4. Positive culture and stakeholders

- A positive and supportive organisational culture underpinned by strong values
- Highly regarded by stakeholders

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

GESB values



Putting members first

We are committed to providing excellent superannuation and retirement products and related services that meet members' needs.



Sustainable performance

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



Achieve together

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



Act with integrity

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

Year in review

Member statistics



49.35

Average
member age

31%

Male
members

69%

Female
members

Member services



147,392

Members called
our Member
Services
Centre

9,904

Number of
times our Click
to Chat service
was used

6,423

Members
attended our
webinars and
seminars

1,941,835

Visits to Member
Online

91%

Member
Satisfaction

94%

Employer
Satisfaction

60%

Members with
insurance

\$73,093,030[^]

Insurance
benefits paid

Financial statistics



\$145,942

Average
member balance

\$411

Fees that a GESB
Super member
with a balance of
\$50k paid for the
year

\$33.2b

Funds under
management

[^] This figure is different to the figure listed in the 'Statement of changes in member benefits for the year ended 30 June 2022' table on page 32 of this report due to different data sources used as well as including SCI payments made (in addition to Death and TPD payments).

Report from the Chair

I was honoured to be appointed as Chair of GESB in October 2021. On behalf of the GESB Board, Executive Management Group and employees, I am pleased to present to you GESB's Annual Report.

Introduction

GESB has a critical role to play in supporting well-deserved quality retirement for people who have spent their working lives supporting the Western Australian (WA) community.

I have spent my own working life representing the interests of public sector employees in WA and am excited at the opportunity to continue to contribute to the future of the organisation that supports public sector employees' future financial security.

GESB members live and work on the traditional lands throughout Western Australia. On behalf of the Board I wish to acknowledge the traditional custodians and their connection to the land, waters and community. We pay our respects to all members of Aboriginal communities and their cultures, and to their Elders, past, present and emerging.



Jo Gaines
Chair

Investment outcomes

The past year has been a difficult one for financial markets across the world. As economies emerged from COVID-19 lockdowns they were faced with low interest rates, increased demand, a shortage of workers and supply issues - the combination of which has resulted in increasing inflation. Pricing pressures also grew following the Russian invasion of Ukraine and the subsequent economic sanctions.

Increases in interest rates by the Reserve Bank of Australia, the US Federal Reserve and other central banks to mitigate inflationary pressures have negatively impacted returns for most asset classes. Australian shares have fallen 6.5% over the year to 30 June 2022 while overseas shares fell 12.5% on an Australian dollar-hedged basis.

Many of GESB's investment plans were unable to avoid the negative returns achieved by the major markets. For the 12 months to June 2022, the My GESB Super option delivered an after fees and taxes return of -3.78%^ and the My West State Super* option delivered an after fees return of -5.34%^.

This one year of negative returns should be viewed in the context of the last ten years where our investment options have delivered strong performance for our members. On a ten-year basis, the My GESB Super option has delivered an average return after fees and taxes of 7.34%^ p.a. and the My West State Super* option has delivered an average return after fees of 7.36%^ p.a.

Although financial market volatility can challenge investment returns in the short to medium term, GESB's investment strategies remain diversified, risk managed and structured to achieve their longer-term objectives.

GESB regularly reviews its investment portfolio and is focused on delivering long-term returns that meet investment objectives, with sufficient flexibility to respond to evolving investment market conditions.

GESB's total funds under management, including member net inflows and investment performance, fell slightly from \$34.7 billion last financial year to \$33.2 billion as of 30 June 2022.

Environmental, Social and Governance (ESG)

There is an increasing responsibility on the superannuation industry and companies more generally to ensure that they apply high ESG standards to everything they do. As an example of our ESG Policy in practice, GESB's investment managers significantly reduced our exposure to Russian investments in the period leading up to the invasion of Ukraine and we had substantially withdrawn from investments in Russia as the conflict escalated.

At GESB, we believe it is in the best financial interests of our members to robustly manage ESG risks and opportunities, and for global economies to make the transition to sustainable environmental and climate dynamics.

In terms of climate risks, GESB has made a commitment to transition its investment portfolio to net zero carbon emissions by 2050, which is consistent with the goals of the Paris Agreement and in line with the Western Australian Government Climate Change Policy.

To support this overarching commitment, GESB has set interim reduction targets for several major asset classes. These interim targets will be used to monitor and report on GESB's progress.

^Returns are based on transactional unit prices.

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

More recently the State Government has announced a whole-of-government 2030 carbon reduction target of 80 per cent below 2020 levels. GESB will review our plans in light of this announcement. The Board is committed to responsibly managing ESG matters across everything we do, in addition to ensuring that our suite of investment products meets the needs of our diverse membership.

Other areas of ESG related activities include addressing our obligations under the Modern Slavery Act and adopting a portfolio-wide exclusion of companies involved in controversial weapons.

Member experience

The Board continues to review the GESB member experience across a range of channels to ensure that we offer appropriate support to members throughout their working lives and into retirement. We recognise that your needs and interaction with the fund will change as your life circumstances change, and we continue to explore offerings that respond to these changes.

In the 2022/23 financial year we will be launching our new Member Online (MOL) portal to better engage with and service members in an increasingly digital environment. Our new MOL will enhance members' ability to see up to date information on their superannuation and insurance and interact and transact with GESB more easily and efficiently.

Member outcomes assessment

During the year, we were pleased to publish the results of our second annual member outcomes assessment, where our performance on a range of quantitative and qualitative measures was assessed against the performance of like products across the industry. This year we extended our assessment to include our My Super equivalent, Choice and Retirement Income products.

Pleasingly, these assessments demonstrated that investment returns for My West State Super and My GESB Super exceeded their 10-year target returns and compared well with industry medians. Although we are not included in the Australian Prudential Regulation Authority (APRA) performance test, we assessed our My GESB Super investment plan against the equivalent APRA benchmark and determined that it would have passed the performance test if GESB was APRA regulated.

Our operating expenses, relative to the size of our membership base and assets, are in the lowest fee quartile and are below industry medians, and we continue to be well-regarded by our members, public sector employers and peers.

Overall, the GESB Board determined that GESB continues to promote the best financial interests of the beneficiaries of the fund.

Inaugural Annual Member Meeting

We held our inaugural Annual Member Meeting on 25 November 2021. Presentations from Board member Frank Sciarrone, our Chief Executive Officer and General Manager Investments provided overviews of the regulatory and investment environment, and initiatives undertaken on our members' behalf during the 2020/21 financial year.

Members also had the opportunity to ask questions prior to, and during, the meeting. There were a significant number of questions posed and those that were not answered on the night were responded to shortly afterwards, with all answers published on the GESB website.

Thank you to staff and outgoing directors

On behalf of the Board, I would like to thank my fellow Board members, the Executive Management Group and GESB staff for their continued dedication and hard work navigating the external environment, particularly the impacts of the COVID-19 pandemic. These were extremely challenging but GESB was able to adapt effectively, keeping members' interests at the centre of all we do.

I would also like to recognise the contribution made to GESB by the Board members who retired from the Board during the year. Former Chair John Langoulant AO served on the GESB Board for more than 10 years and departed to take up tenure as WA's Agent General in London. I would like to thank John for his strong stewardship of GESB over the past decade.

Ms Catherine Nance and Ms Naomi McCrae also retired from the Board during the year. Both members made a significant contribution to GESB during their respective 12 and three-year tenures, providing outstanding superannuation, legal and governance expertise.

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



Jo Gaines
Chair

Report from the Chief Executive Officer

The 2021/22 financial year was characterised by changing global conditions as a result of the COVID-19 coronavirus pandemic, as border measures, vaccine mandates and restrictions worldwide adapted to fluctuating infection rates. Financial markets were also impacted by Russia's invasion of Ukraine in early 2022.

The horrific events in Ukraine and the subsequent global economic sanctions triggered significant increases in energy prices. With major economies facing low interest rates, strong demand and employment conditions, and constrained supply chains, inflationary pressures have grown significantly in the first half of 2022. Rising inflation and the monetary responses of central banks to mitigate against them, have provided a challenging backdrop for returns of major asset classes.

Despite these challenges, GESB remained focused on working with our service providers and other stakeholders in the Western Australian (WA) Government to continue to help our members during these difficult times. I'm pleased to present our successes and learnings for the 2021/22 financial year.



Ben Palmer
Chief Executive Officer

Response to COVID-19

In WA, borders opened to interstate and international travellers after two years of restricted arrivals. In response to changing COVID-19 case numbers, border policy, testing and other risk management protocols, a range of initiatives over the financial year were implemented to ensure the safety of our employees, stakeholders and the wider community. Regrettably, these included restrictions on visitor access to GESB's offices to contain the spread of COVID-19 among staff and the community. We thank our members for your understanding and for helping to keep ourselves, our families and our community safe.

Our flexible and responsive approach to changing conditions enabled us to continue to provide excellent superannuation and retirement products and services to our members with minimal disruption to our high service standards.

Member focus and advocacy

GESB's purpose is to look after our members' superannuation with excellence. We endeavour to simplify the complexities, rules and requirements of superannuation for our members by championing their needs and giving primacy to their perspective at all times.

During the year we introduced non-lapsing Binding Death Nominations (BDNs) which allow members to nominate a beneficiary or beneficiaries to whom they would like their superannuation benefit paid to on their death. Where a member does not have a valid BDN in place at the time of death, the death benefit will be paid to the member's estate as the default position.

We also recognise that superannuation has a role to play in certain circumstances where members require compassionate release of funds. In response to member feedback, we reviewed all our documentation in relation to compassionate grounds early release payments and developed a simplified compassionate grounds application pack to assist members to understand these rules and requirements.

New Member Online portal

A key strategic focus for GESB is the development of improved technology to better service our members and engage with them in an increasingly digital environment.

The long-term objective is to provide easy-to-use digital functionality which will facilitate electronic interactions as the default channel for all member communications. This will involve transitioning to digital outbound communications and facilitating easy-to-use and efficient self-serving of inbound member queries, helping us to meet member needs through simple and cost-effective channels and processes.

Our new Member Online (MOL) portal will be integral to achieving this digital-first objective. By enhancing the system's capabilities over time to include an online document centre, online forms and delivery of personalised information, our aim is for the new MOL to become the central access point for members to engage with GESB and efficiently take action on their account as required.

During the year we made great progress in the development and testing of the new MOL environment. I look forward with excitement to our members benefiting from the platform's improved capabilities following the implementation of phase one later this year.

Reconciliation action plan (RAP)

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

During the year we continued to implement initiatives identified in our 'Innovate' RAP. We recognise that Aboriginal and Torres Strait Islander peoples face unique challenges accessing and understanding the complex superannuation system.

Consultation with Aboriginal and Torres Strait Islander people and the organisations that support regional communities around Western Australia has helped us to determine three key areas of focus:

- Financial literacy
- Access to superannuation services, entitlements and information
- Cultural and social awareness and advocacy

During the year we provided access to First Nation Foundation's My Money Dream financial literacy program to help our members learn about budgeting, banking, insurance and superannuation. We also embedded flexible identity requirements into our administration processes.

Our path to reconciliation is an ongoing and collaborative process, made possible with support from organisations including First Nations Foundation, the Financial Counsellors Association of WA, Wunan Foundation, Australian Institute of Superannuation Trustees Indigenous Superannuation Working Group, AUSTRAC, Indigenous Managed Services, Gather People, Kulbardi and the Public Sector Commission WA.

2022/23 Outlook

The coming year will be transformational for GESB with the launch of our new MOL platform, further enhancement of our ESG approach and a suite of initiatives aimed at improving and simplifying the complexities of superannuation for our members and their employers.

While investment returns over the past 10 years have been strong, looking forward the investment environment continues to present challenges in the near term. Despite these challenges, our investment strategies remain well positioned to achieve our investment objectives over the medium to long term.

Our focus remains steadfastly on the delivery of high quality, competitive member outcomes, low fees, strong long-term returns, insurance members can rely on and an exceptional member experience. We value the responsibility we have to members – our current and former WA public sector colleagues – and we remain committed to providing excellent superannuation and retirement products and services to members and employers.

Superannuation update

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



State reform

Binding death nominations

A change to the *State Superannuation Regulations 2001* was enacted to allow members to nominate a beneficiary or beneficiaries who they would like their superannuation benefit paid to on their death. Members were able to submit binding death nominations as of October 2021.

The main objective of introducing binding death nominations is to provide members with greater certainty about who will receive their death benefit.

Binding death nominations also allow for benefits to be paid without the need for Grant of Probate or Letters of Administration, providing quicker access for nominated beneficiaries and reducing their legal costs.

Commonwealth reform

Your Future Your Super

In October 2020 the Commonwealth Government announced *Your Future Your Super* (YFYS), a package of measures which implement key recommendations from the Productivity Commission review into superannuation and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Although the reforms do not apply directly to Exempt Public Sector Super Schemes (EPSSS) or State Government employers, they do an impact on GESB. The Heads of Government Agreement (HoGA) between the State and the Commonwealth, commits the State to conform with the principles of Commonwealth superannuation policy to the best of its endeavours where practicable. We are currently reviewing our position on the YFYS reforms to determine the extent with which we are able to comply.

Member outcomes assessment

In 2021/22 we delivered our second Member Outcomes assessment report. We considered the design of our products, based on analysis using cohorts and objective benchmarks to determine whether GESB is operating in a way that supports delivery of appropriate member outcomes and to distinguish how our MySuper products compare with other MySuper products.

Member complaints

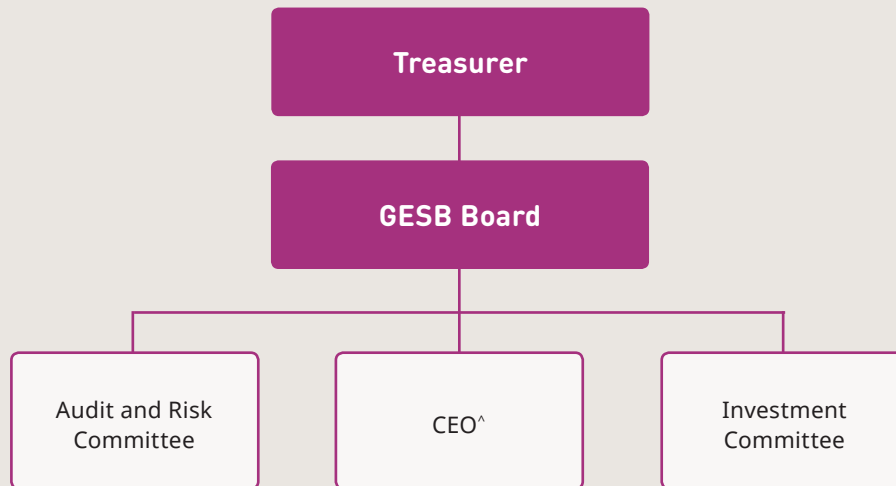
At GESB, we're committed to providing members with quality super and retirement products and services. We recognise that despite our best intentions, sometimes a member might want to make an enquiry or raise a complaint. We consider a complaint as 'any expression of dissatisfaction with our products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

Members can make a complaint verbally or in writing. In most cases, we're able to resolve member concerns over the phone, or promptly if it's a written complaint. If that's not possible, then we will follow our internal complaints process. We will call the member or send them a letter or email to acknowledge their complaint within two working days. We will provide them with a contact name and telephone number for one of our staff should they wish to talk about any issues related to their complaint. We aim to resolve member complaints within 30 days. Once resolved, we will send the member a letter confirming our findings and intended actions. If not resolved within 30 days, we'll contact the member to explain the delay. Members who are not satisfied with the outcome can request a review of their complaint by an independent staff member at GESB. This review is separate from the initial investigation, and we will aim to complete it within 90 days of receiving the member's initial complaint. We advise members of the outcome of this review in writing, and if they are still not satisfied with the outcome, they have the right to appeal directly to the relevant external dispute resolution body.

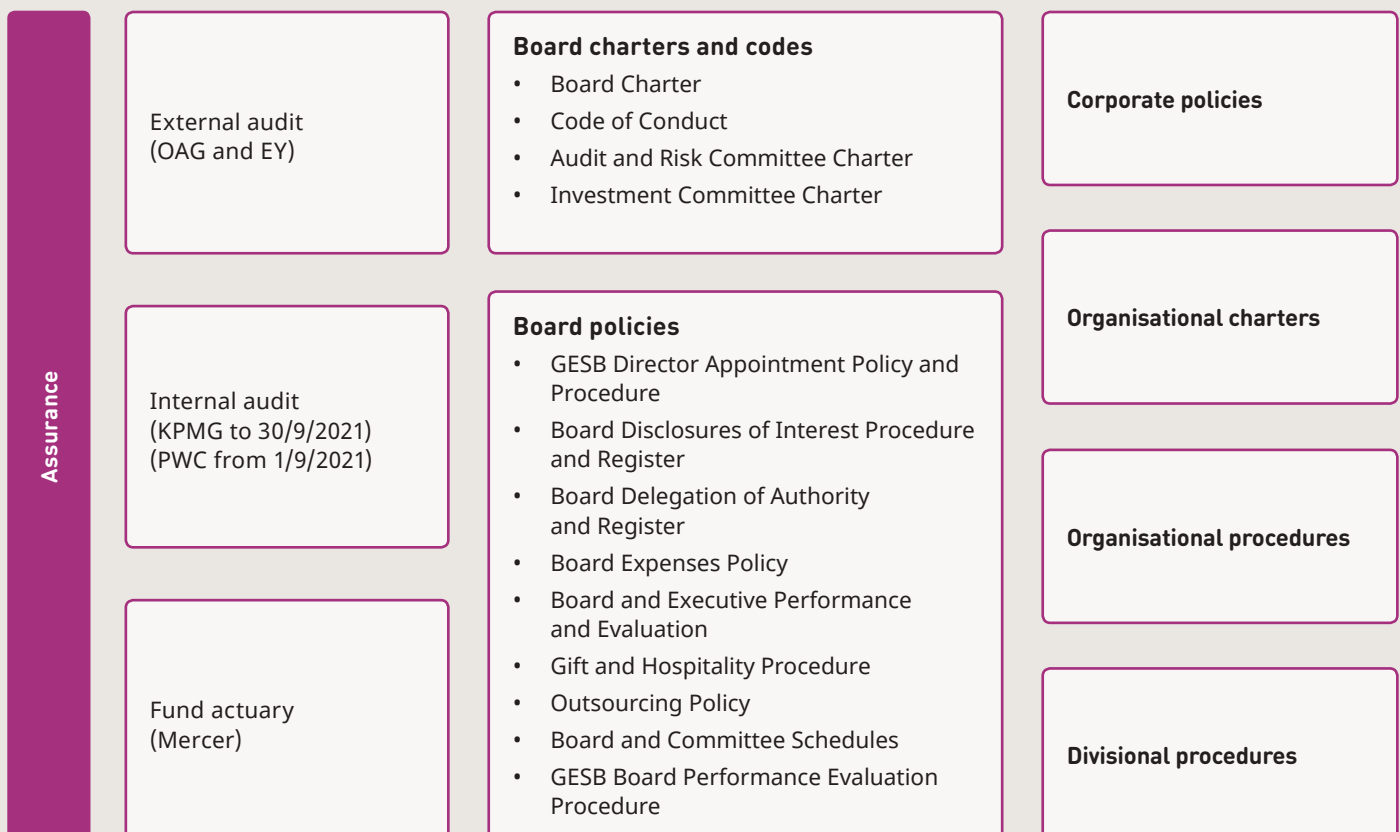
It does not cost members anything to access our complaints process. During 2021/22 we received a total of 319 complaints. All complaints were acknowledged within two working days and a full response to the complaint provided within agreed timeframes. 13 members were dissatisfied with the response to their complaint and requested an independent review. 16 members escalated their complaint to an external complaints body.

Corporate overview

GESB governance structure



GESB internal governance policies and procedures



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

The Board

The Board

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

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

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

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

GESB is a State regulated public sector fund rather than Commonwealth regulated like most other superannuation providers. GESB is a statutory authority, subject to the Heads of Government Agreement (HoGA) between the Commonwealth and the State, and administers exempt public sector superannuation schemes (see page 19).

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

The role of the Minister

The Treasurer of Western Australia is the Minister responsible for administering the SSA and regulations.

The Board is accountable to the Treasurer for performance of its obligations under the SSA in the best interests of members, as far as practicable.

The Treasurer has a role in GESB matters that affect the financial rights and obligations of the State along with the general operation of GESB. Specific responsibilities of the Treasurer under the SSA include (but are not restricted to):

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

Board appointments and elections

The Board comprises a Chair, three Employer Directors and three Member Directors.

Directors are appointed or elected under Schedule 1 of the SSA as follows:

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

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

Members of the Board



Jo Gaines
Chair

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

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

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

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

Ms Gaines is currently serving as Executive Director of Gaines Advisory, an international strategic advisory and board search firm.

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



Virginia Christie
Employer Director

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

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

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

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



Janine Freeman
Member Director

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

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

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

Currently, Ms Freeman is the independent Chair of Fair Food WA and the State Emergency Relief Committee (auspiced by the Western Australian Council of Social Service), Board Member of Anglicare WA and Water Corporation, and serves on the WA Department of Health's Sustainable Health Independent Oversight Committee.

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



Anne Gisborne
Member Director

Ms Gisborne was appointed to the Board as Member Director in February 2017, for a period of three years. Her appointment was renewed for a second three-year term, effective 8 February 2020.

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

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

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

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



Bruce Hawkins
Member Director

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

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

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

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



Janice Jones
Employer Director

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

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

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

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

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

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



Frank Sciarrone
Employer Director

Mr Sciarrone was appointed to the Board on 21 February 2016 as an Employer Director for a term of five years. He was re-appointed for a further one-year term, effective 21 February 2021. He has been re-appointed for a second five-year period expiring on 20 February 2027.

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, Financial Planning Association, and 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 and Chair of the Fire and Emergency Services Superannuation Fund, as well as a director of several other private companies.

Former directors

The GESB Board would like to thank the following directors and to recognise their valuable contribution during their time on the Board.



John Langoulant – Chair

Mr Langoulant was Chair of the Board from March 2011 and continued in this role until 15 October 2021, when he resigned to take up his appointment as the Agent General for Western Australia to the United Kingdom and Europe.



Naomi McCrae – Member Director

Ms McCrae was first appointed as a Member Director to the Board in August 2018, for a period of three years. She was reappointed for a second three-year term, commencing 1 September 2021. Ms McCrae resigned as a Member Director of GESB with effect from 10 March 2022.



Catherine Nance – Employer Director

Ms Nance was first appointed to the Board in March 2011 and has served two five-year terms as Employer Director. She was reappointed for a further one-year term, which concluded on 6 March 2022.

Meetings

The Board meets monthly other than in October and January.

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

Board committees

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

Audit and Risk Committee

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

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

Investment Committee

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

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

The Investment Committee comprises GESB Board Directors and external appointees.

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

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

Member	Board		Investment Committee		Audit and Risk Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Jo Gaines (<i>Chair from 19/10/2021</i>)	7	7	1	1	N/A	N/A
John Langoulant (<i>former Chair</i>)	3	3	3	3	N/A	N/A
Virginia Christie (<i>Employer Director</i>)	10	10	1	1	5	5
Janine Freeman (<i>Member Director</i>)	3	3	1	1	N/A	N/A
Anne Gisborne (<i>Member Director</i>)	10	10	4	4	5	5
Bruce Hawkins (<i>Member Director</i>)	10	10	1	1	5	5
Janice Jones (<i>Employer Director</i>)	3	3	1	1	N/A	N/A
Naomi McCrae (<i>Member Director</i>)	7	7	3	2	N/A	N/A
Catherine Nance (<i>Employer Director</i>)	7	7	3	3	N/A	N/A
Frank Sciarrone (<i>Employer Director</i>)	10	10	4	4	5	5
Warren Bird (<i>External expert</i>)	N/A	N/A	4	3	N/A	N/A
John Stroud (<i>External expert</i>)	N/A	N/A	4	4	N/A	N/A

Corporate Governance and External Relations Committee

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

Executive Performance Committee

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



Employer Director, Frank Sciarrone was not present for this photo.

Corporate governance

Corporate governance policy framework

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

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

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

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

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

Other governance matters

Directors' duties

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

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

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

Fit and proper standards

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

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

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

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

Ethical standards

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

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

Material interests

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

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

Compensation and remuneration

Directors and committee members are entitled to the remuneration and allowances determined by the responsible Minister on the recommendation of the Public Sector Commissioner and endorsed by Cabinet. Superannuation Guarantee contributions are paid at the rate of 10%.

Board

Position	Name	Type of remuneration	Period of membership	Gross / actual remuneration including Superannuation
Chair	Jo Gaines	Annual	8.5 months	\$81,329
Chair (former)	John Langoulant	Annual	3.5 months	\$37,009
Employer Director	Virginia Christie	Annual	12 months	\$59,398
Employer Director	Janice Jones	Annual	3 months	\$15,535
Employer Director	Catherine Nance	Annual	8 months	\$41,350
Employer Director	Frank Sciarrone	Annual	12 months	\$59,398
Member Director	Janine Freeman	Annual	3 months	\$13,479
Member Director	Anne Gisborne	Annual	12 months	No payment
Member Director	Bruce Hawkins	Annual	12 months	\$59,398
Member Director	Naomi McCrae	Annual	8 months	\$42,264*
				Total \$409,160

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 Director	Virginia Christie	Annual	12 months	No payment
Member Director	Anne Gisborne	Annual	12 months	No payment
Member Director	Bruce Hawkins	Annual	12 months	No payment
				Total \$5,557

Investment Committee

Position	Name	Type of remuneration	Period of membership	Gross / actual remuneration including Superannuation
GESB Chair	Jo Gaines	Annual	4 months	\$2,783
Chair (former)	John Langoulant	Annual	3.5 months	\$2,783
Employer Director	Virginia Christie	Annual	4 months	\$2,783
Employer Director	Janice Jones	Annual	3 months	\$2,336
Employer Director	Catherine Nance	Annual	8 months	\$6,218
Employer Director (Committee Chair)	Frank Sciarrone	Annual	12 months	\$8,932
Member Director	Janine Freeman	Annual	3 months	\$2,027
Member Director	Anne Gisborne	Annual	12 months	No Payment
Member Director	Bruce Hawkins	Annual	4 months	\$2,783
Member Director	Naomi McCrae	Annual	8 months	\$6,356*
				Total \$37,000

In accordance with government policy, Directors who are public sector employees were not paid additional remuneration for sitting on the Board. Ms Gisborne received no payment as she is a public sector employee.

*Paid to Board member's employer.

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 financial and non-financial 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 focused 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 has a governance, risk and compliance monitoring and reporting system, which has been configured to automate risk management, compliance and governance processes.

GESB's Integrity Framework (GIF) has a focused approach to integrity at the core of our work. Improved integrity helps minimise the incidence and impact of misconduct.

As required under the *Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Act 2006*, GESB has an independently reviewed AML/CTF Program A and B to comply with the requirements for Reporting Entities. The primary purpose of Part A is to identify, mitigate and manage risk through the provision of designated services through its third-party engagements in Australia. The primary purpose of Part B is to set out the applicable customer-member identification procedures, transaction monitoring and ongoing customer due diligence. GESB measures how well it achieves this purpose on an ongoing basis, and provides a summary of these findings quarterly to the Board.

GESB's Information Security Steering Committee is responsible for ensuring the security of GESB's information assets. The Committee meets as required to assess, amongst other things, security threats and adequacy of GESB's cyber and third-party IT risk environment. This ensures that GESB remains vigilant to the threat of fraudulent access to members' benefits and/or identity theft.

Heads of Government Agreement

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

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

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

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

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

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

Compliance

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

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

Investment risk

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

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

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

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

Relationship with stakeholders

State Department of Treasury

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

Employers

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
- Ensure there is an efficient and effective exchange of information between employers and GESB on all superannuation related matters through our regular employer communications program

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 and the State School Teachers' Union of WA.

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

Organisational structure



All compliance requirements

Freedom of information

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

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

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

WA Multicultural Policy Framework

GESB's Multicultural Access Plan 2021 – 2023 displays our commitment to multicultural access and inclusion and fulfils our obligations under the Western Australian Multicultural Policy Framework.

This Plan has been developed in alignment with our Workforce and Diversity Plan.

In 2021/22 our achievements, presented against the three main priority areas of the Framework, include:

Harmonious and inclusive communities

- Our Executive Management Group (EMG) participated in a leadership development program
- Promoted and celebrated Harmony Week
- Our value of 'achieve together', ensures we partner with our members, the State Government, employers and other stakeholders to successfully deliver on our purpose

Culturally responsive policies, programs and services

- Reviewed our recruitment and selection process
- Joined Diversity Council Australia to access evidence-based research and resources
- Implemented an inclusive policy guide

Economic, social, cultural, civic and political participation

- Established a workplace inclusion network to provide a consultative forum for people from different backgrounds
- Quarterly diversity report that includes culturally and linguistically diverse (CALD) representation is submitted to our EMG

Diversity progress report

GESB integrates substantive equality principles into our policies and practices.

Our Workforce and Diversity Plan incorporates workforce planning and Equal Employment Opportunity principles and is aligned with our Disability Access and Inclusion Plan, Reconciliation Action Plan and Multicultural Action Plan.

To improve our diversity outcomes, in 2021/22 we:

- Increased the number of diversity events and awareness activities that we promoted to staff
- Continued to grow our networks and consult with relevant stakeholders
- Increased the availability of diversity and inclusion resources for staff and promoted our Diversity and Inclusion intranet page
- Undertook an employee pulse survey to identify perceptions on leadership, culture, health, safety and wellbeing, and workplace behaviour
- Included difficult conversations training in our development program
- Offered permanent, full-time employment to our school-based trainee graduate and SuperGrad

Diversity group	2020/21 %	2021/22 %
Women	50.8	53.8
Employees from culturally diverse backgrounds	16.9	18.5
Aboriginal and Torres Strait Islander employees	1.5	1.5
Employees with Disability	4.6	3.1
Youth (age 24 and under)	9.2	4.6
Mature workers (age 45 and older)	63.1	53.8
Women in Tier 2 roles	33.3	33.3
Women in Tier 3 roles	27.3	30.0

Disability Access and Inclusion Plan outcomes

Through our Disability Access and Inclusion Plan 2016-21 (DAIP) we continued to provide equitable access for people with disability, their families and carers, to our services, facilities and information.

Key outcomes achieved for the year include:

- GESB's Jane Ots winning the '2021 Accessibility Person of the Year' award
- Our ongoing partnership with the Centre for Accessibility Australia
- 36 staff attending disability awareness and social inclusion training
- Establishing the GESB Workforce Inclusion Network
- Establishing a partnership with the Australian Network on Disability

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

Public interest disclosure

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

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

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

No public interest disclosures were made during 2021/22.

Compliance with Public Sector Standards and ethical codes

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

Staff are informed of these standards in our Code of Conduct, relevant human resource management policies and processes, during induction, staff development sessions, and information published on our intranet.

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

In 2021/22:

- Our Code of Conduct was updated and communicated to staff
- The GESB Dignity at work policy was reviewed and updated
- 56 staff attended a working at GESB webinar on our Code of Conduct and ethical behaviour
- No breach of standard claims lodged
- There were no breaches found of the WA public sector Code of Ethics or our Code of Conduct

FTE	2020/21	2021/22
Permanent public service officers	48.1	54.1
Fixed term public service officers	9.4	5.0
State Superannuation Act (SSA) employees	1.0	2.0
Total	58.5	61.1

Occupational safety, health and injury management

GESB, through its Board and Executive Management Group demonstrates a commitment to providing a mentally and physically healthy and safe workplace for all its employees, contractors and visitors.

We comply with *Work Health and Safety Act 2020* and *Workers Compensation and Injury Management Act 1981*.

GESB's Health and Safety Committee provides the formal mechanism for consultation with employees on workplace health and safety matters. The committee strives to promote a positive and proactive work health and safety culture based on collaboration, consultation, and inclusion. Membership includes management, employee and union representatives.

In 2021/22:

- 25 ergonomic assessments were completed
- Workplace inspections were performed quarterly
- 5 trained first aid officers and 4 trained fire wardens operated across GESB
- 5 health and safety committee meetings were held
- 18 skin checks were complete
- GESB implemented an online OSH risk register and reporting tool
- A mental health awareness program was piloted

Safety and injury management performance reporting 2019/20 to 2021/22

Measures	2019/20	2020/21	2021/22	Targets	Comments about targets
Number of fatalities	0	0	0	0	Target met
Lost Time Injury and/or disease incident rate	0	0	0	0 or 10% reduction achieved	Target met
Lost Time Injury and severity rate	0	0	0	0 or 10% reduction achieved	Target met
Percentage of injured workers returned to work (i) within 13 weeks	N/A	N/A	N/A	N/A	Zero injured workers
Percentage of injured workers returned to work (ii) within 26 weeks	N/A	N/A	N/A	N/A	Zero injured workers
Percentage of managers trained in occupational safety, health and injury management responsibilities, including refresher training within 3 years	100%	100%	100%	80%	2 managers are enrolled for refresher training, 3 managers are newly enrolled

Requirements of the Electoral Act 1907

GESB incurred \$125,391 total expenditure for 2021/22 to undertake member and employer satisfaction surveys and research into members' investment behaviour.

	2020/21	2021/22
Advertising agencies	Nil	Nil
Market research organisations Research Solutions	\$149,312	\$125,391

Record keeping plan

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

- Conversion of processes to enable automatic capture and workflow in Content Manager
- Removal of unnecessary sensitive data from processes to improve data protections
- Migration of ageing content on share drives and email to Content Manager to improve information governance

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

Evaluation of recordkeeping systems

- The Information Management Policy was endorsed by the Executive Management Group in July 2021
- The Recordkeeping plan was approved by the State Records Commission in July 2021 for 5 years
- Various records and information management procedures were updated to reflect current practices and align with ISO standards
- Digital obsolescence monitoring was introduced to ensure records remain accessible for their entire life
- The sensitive data register was expanded to a more comprehensive information asset register. Work continues to ensure reliable management of data collected and managed by GESB processes
- The use of the recordkeeping system is actively monitored to ensure its effectiveness and efficiency in meeting compliance and operational requirements
- Performance indicators are reported monthly

Recordkeeping training program

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

Evaluation of the recordkeeping training program

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

Recordkeeping induction program

- The records and information management induction covering obligations and responsibilities is mandatory for all staff and contractors at the commencement of employment. The training is repeated annually to ensure staff are updated with any changes
- Separate face to face system training is provided to all staff
- The induction content was updated in 2022 to reflect policy and process changes

Unauthorised use of credit cards

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

During 2021/22, no GESB card holders inadvertently utilised corporate credit cards for personal purchases.

	2021/22
Aggregate amount of personal use expenditure for the reporting period	Nil
Aggregate amount of personal use expenditure settled within 5 working days	Nil
Aggregate amount of personal use expenditure settled outside 5 working days	Nil
Aggregate amount of personal use expenditure outstanding at balance date	Nil

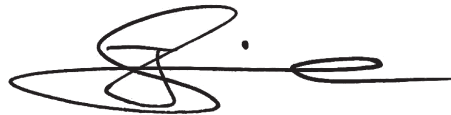
Certification of the financial statements

The accompanying Financial Statements of the Government Employees Superannuation Board ('the Fund' or 'GESB'), have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records, to present fairly the financial transactions for the financial year ended 30 June 2022, and the financial position as at 30 June 2022.

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



M HADDLETON
Acting Chief Finance Officer
1 September 2022



F SCIARRONE
Director
1 September 2022



J GAINES
Chair
1 September 2022

Statement of financial position as at 30 June 2022

	Note	2022 \$'000	2021 \$'000
Assets			
Cash and cash equivalents	24	67,612	87,831
Receivables	9	263,176	231,903
Employer-sponsor receivables	10	3,547,120	3,266,070
Investments			
Cash and term deposits	8	4,719,801	4,155,897
Australian equities	8	5,630,715	6,087,493
International equities	8	11,182,457	11,983,021
Units in unit trusts	8	5,012,116	4,428,985
Other interest-bearing securities	8	7,112,685	8,233,195
Derivative assets	8	227,098	142,850
Plant and equipment		52	49
Intangible assets		2,024	11
Income tax receivable	15	33,369	-
Deferred tax assets	15	-	2,407
Total assets		37,798,225	38,619,712
Liabilities			
Derivative liabilities	8	(805,100)	(398,463)
Payables	11	(212,504)	(291,440)
Provision for employee benefits	12	(2,056)	(2,020)
Provision for post-employment benefits	13	(837)	(1,049)
Income tax payable	15	-	(12,052)
Deferred tax liabilities	15	(68,947)	(121,519)
Total liabilities excluding member benefits		(1,089,444)	(826,543)
Net assets available for member benefits		36,708,781	37,793,169
Member benefits			
Defined contribution member liabilities	3	(30,072,361)	(31,131,147)
Defined benefit member liabilities	4	(5,719,030)	(5,492,613)
Total member benefits		(35,791,391)	(36,623,760)
Net assets		917,390	1,169,409
Reserves			
Other reserves	14	(154,021)	(174,168)
Operational risk reserve	14	(76,581)	(76,408)
Defined benefits that are over funded	5	(686,788)	(918,833)
Total reserves		(917,390)	(1,169,409)

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

Income Statement for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Income			
Interest	16	200,327	197,286
Dividends	16	588,488	378,873
Distributions	16	189,227	79,557
Changes in assets measured at fair value	16	(2,666,953)	4,397,721
Other investment income	16	5,523	3,582
Changes in loans measured at fair value		-	1,437
Other income	17	6,640	7,096
Total income		(1,676,748)	5,065,552
Expenses			
Administration expenses	18	(39,893)	(42,102)
Investment expenses	16	(79,695)	(87,045)
Depreciation and amortisation	19	(65)	(271)
Loan interest expenses		-	(1,697)
Total expenses		(119,653)	(131,115)
Net result from operating activities		(1,796,401)	4,934,437
Net benefits allocated to defined contribution member accounts		1,267,149	(4,472,012)
Net change in defined benefit member liabilities		(64,931)	711,965
Net result before income tax		(594,183)	1,174,390
Income tax benefit/(expense)	15	81,620	(92,195)
Net result after income tax		(512,563)	1,082,195

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

Statement of changes in member benefits for the year ended 30 June 2022

	DC members \$'000	DB members \$'000	Total \$'000
Opening balance as at 1 July 2021	31,131,147	5,492,613	36,623,760
Contributions:			
Employer	1,616,298	450,289	2,066,587
Member	293,310	6,462	299,772
Transfers from other superannuation plans	403,413	–	403,413
Government co-contributions	732	–	732
Income tax on contributions	(207,146)	–	(207,146)
Net after tax contributions	2,106,607	456,751	2,563,358
Benefits to members/beneficiaries	(1,853,827)	(295,955)	(2,149,782)
Insurance premiums charged to member accounts	(116,743)	–	(116,743)
Death and disability insurance benefits credited to member accounts	52,510	–	52,510
Reserves allocated to/(from) members:			
General reserve	19,816	–	19,816
WSS government guaranteed payment reserve	–	690	690
Net benefits allocated to/(from) defined contribution member accounts, comprising:			
Net investment losses	(1,228,809)	–	(1,228,809)
Administration fees	(38,340)	–	(38,340)
Net change in defined benefit member accrued benefits	–	64,931	64,931
Closing balance as at 30 June 2022	30,072,361	5,719,030	35,791,391
	DC members \$'000	DB members \$'000	Total \$'000
Opening balance as at 1 July 2020	26,380,622	6,086,024	32,466,646
Contributions:			
Employer	1,518,178	394,708	1,912,886
Member	227,615	7,207	234,822
Transfers from other superannuation plans	355,544	–	355,544
Government co-contributions	735	–	735
Income tax on contributions	(164,068)	–	(164,068)
Net after tax contributions	1,938,004	401,915	2,339,919
Benefits to members/beneficiaries	(1,593,247)	(285,541)	(1,878,788)
Insurance premiums charged to member accounts	(111,145)	–	(111,145)
Death and disability insurance benefits credited to member accounts	52,950	–	52,950
Reserves allocated to/(from) members:			
General reserve	(8,049)	–	(8,049)
WSS government guaranteed payment reserve	–	2,180	2,180
Net benefits allocated to/(from) defined contribution member accounts, comprising:			
Net investment income	4,532,253	–	4,532,253
Administration fees	(60,241)	–	(60,241)
Net change in defined benefit member accrued benefits	–	(711,965)	(711,965)
Closing balance as at 30 June 2021	31,131,147	5,492,613	36,623,760

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

Statement of changes in reserves for the year ended 30 June 2022

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

	Defined benefits that are over funded \$'000	Other reserves \$'000	Operational risk reserve \$'000	Total reserves \$'000
Opening balance as at 1 July 2020	462,474	167,813	76,187	706,474
Transfers from defined contribution member accounts	-	5,869	-	5,869
Movement in WATC loan recoverable from State	(58,107)	-	-	(58,107)
Movement in employer-sponsor receivables	(567,022)	-	-	(567,022)
Net result	1,081,488	486	221	1,082,195
Closing balance as at 30 June 2021	918,833	174,168	76,408	1,169,409

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

Statement of cash flows for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Interest received		199,950	202,503
Dividends received		580,030	368,108
Distributions received		187,582	86,953
Insurance recoveries		52,620	52,768
Administration expenses paid		(42,860)	(40,437)
Investment expenses paid		(87,954)	(74,736)
Insurance premiums paid		(116,274)	(109,536)
Other investment income received		5,523	3,582
Other income received		5,077	7,108
Income tax (paid)/refund		(22,022)	178
Net cash inflows from operating activities	24	761,672	496,491
Cash flows from investing activities			
Purchase of investments		(36,059,247)	(29,686,026)
Proceeds from sale of investments		34,845,239	28,790,037
Purchase of plant and equipment		(57)	(226)
Purchase of intangible assets		(2,024)	-
Net cash outflows from investing activities		(1,216,089)	(896,215)
Cash flows from financing activities			
Employer contributions received		2,072,137	1,906,330
Member contributions received		300,172	235,114
Transfers from other superannuation plans received		403,413	355,544
Government co-contributions received		732	735
Benefits paid to members/beneficiaries		(2,143,130)	(1,873,293)
Income tax paid on contributions received		(199,126)	(178,781)
Repayment of loans and borrowings		-	(58,367)
Net cash inflows from financing activities		434,198	387,282
Net decrease in cash and cash equivalents		(20,219)	(12,442)
Cash and cash equivalents at beginning of financial year		87,831	100,273
Cash and cash equivalents at the end of financial year	24	67,612	87,831

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

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Notes to the financial statements for the year ended 30 June 2022

Note 1: Statement of significant accounting policies

a) Basis of preparation

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

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

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

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

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

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

The financial statements were approved by the Board of GESB on 1 September 2022.

b) New Accounting Standards and Interpretations

There were no new or amended standards and interpretations that became effective for the first time for the financial year beginning 1 July 2021 that were relevant or have a material impact to the Fund.

Accounting Standards and Interpretations issued, but not yet effective

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

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

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

c) Financial instruments

(i) Classification

The Fund classifies all its financial assets and liabilities, with the exception of member liabilities and tax assets and liabilities, at fair value through profit or loss ('FVTPL') in accordance with AASB 1056.

(ii) Recognition

The Fund recognises a financial asset or financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date (i.e. the date that the Fund commits to purchase or sell the assets).

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

(iv) Initial measurement

Financial assets and financial liabilities at FVTPL are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in the Income Statement.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the Income Statement, unless specified otherwise.

(v) Subsequent measurement

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

d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to/by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which lowest level input that is significant to the fair value measurement of the asset or liability is directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement of the asset or liability is unobservable.

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

e) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

f) Receivables and payables

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

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

Payables are carried at nominal amounts which approximate fair value. Payables, excluding investments, represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables under \$1 million are normally settled within 14 days and payables over \$1 million are normally settled within 30 days.

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

g) Benefits payable

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

h) Provisions

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

Provision – employee benefits

Annual leave and long service leave

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

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

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

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

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

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

Superannuation

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

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

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

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

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

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

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

Provisions – other

Employment on-costs

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

i) Accrued salaries

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

j) Income recognition

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

Changes in assets measured at fair value

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

Interest

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

Dividends and distributions

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

k) Income tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

l) Superannuation expense

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

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

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

m) Goods and services tax ('GST')

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

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

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

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

n) Leases

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

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

Right-of-use assets

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

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

Lease Liabilities

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

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

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

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

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

Short-term leases and leases of low-value assets

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

o) Investments in controlled entities

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

GPEF via Equity Trustees Limited as Trustee provides exposure to companies that are not publicly traded on a stock exchange. These may be start-up companies, but are often more established firms. Common strategies in private equity include leveraged buyouts, venture capital and growth capital. Private equity strategies are typically illiquid, meaning the investment may not be exited as quickly as investments that trade on public stock exchanges. GPEF or Equity Trustees Limited do not control any subsidiaries. The Fund receives income in the form of distributions from the unconsolidated subsidiary, and there are no significant restrictions on the transfer of funds from this entity to the Fund. The Fund did not provide support to GPEF in the current year (2021: Nil). The Fund has no contractual commitments or current intentions to provide any financial or other support to its unconsolidated subsidiary (2021: Nil).

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

p) 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.

q) 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.

r) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

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

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

Liability for accrued benefits

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

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

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

Vested benefits

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

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

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

s) Reserves

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

t) 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 FVTPL rather than consolidate them. The criteria which define an investment entity are as follows:

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

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

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

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

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

Valuation of defined benefits member liabilities

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

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

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

u) Coronavirus ('COVID-19') impact

COVID-19 was declared a world-wide pandemic by the World Health Organisation in March 2020. In the previous financial year, COVID-19, as well as measures to slow the spread of the virus, had a significant impact on the equity, debt and commodity markets. For the current financial year, COVID-19 continues to be the biggest factor steering the domestic and global economies.

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

Financial instruments at fair value through profit and loss

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

Defined benefit member liabilities

GESB continues to monitor the impact of COVID-19 on the financial position and liquidity of the Fund as well as the key assumptions adopted in the member liabilities valuation (refer to Note 4 and Note 5).

Note 2: Scheme information

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

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

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

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

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

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

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

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

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

Note 3: Defined contribution member liabilities

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

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

At 30 June 2022, all net assets attributable to defined contribution members have been allocated to those members (2021: nil unallocated).

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

Defined contribution member liabilities are fully vested as at 30 June 2022 and 30 June 2021.

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:

	2022 \$'000	2021 \$'000
West State Super	17,861,732	18,885,878
GESB Super	6,287,941	6,212,432
Retirement Income	5,908,138	6,016,053
Term Allocated Pension	14,550	16,784
Total	30,072,361	31,131,147

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:

	2022 \$'000	2021 \$'000
West State Super	17,861,732	18,885,878
GESB Super	6,287,941	6,212,432
Retirement Income	5,908,138	6,016,053
Term Allocated Pension	14,550	16,784
Total	30,072,361	31,131,147

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:

	2022	2021
Future investment return (net of investment fees and taxes)	5.5% p.a.	5.0% p.a.
Future salary increase	3.5% p.a.	2.5% p.a. for the first 3 years, 3.0% p.a. thereafter
Future Perth CPI increase*	Pension Scheme 5.5% p.a. for the first year, 3.0% p.a. for the next 2 years, 2.5% p.a. thereafter Gold State Super 3.0% p.a. for the first 3 years, 2.5% p.a. thereafter	2.0% p.a.

* Different short-term assumptions have been applied to Gold State Super and Pension Scheme to reflect the timing of indexation of benefits and known Consumer Price Index ('CPI') experience to March 2022. In addition to the rates shown in the above table, the Fund's actuary has allowed for the known increase which will be applied to Gold State Super deferred benefits at 1 July 2022, based on CPI of 7.6%.

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

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

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

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

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

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

Assumption		Assumed at reporting date	Reasonably possible change	Increase/(decrease) in member benefit liabilities \$'000
Investment return	2022: 2021:	5.0% p.a. 5.0% p.a.	+1.0% / -1.0% +1.0% / -1.0%	(349,975) / 393,447 (348,059) / 391,454
Salary increase	2022: 2021:	3.5% p.a. 2.5% p.a. for the first 3 years, 3.0% p.a. thereafter	+1.0% / -1.0% +1.0% / -1.0%	124,948 / (115,495) 142,999 / (131,729)
Perth CPI increase	2022: 2021:	Pension Scheme 5.5% p.a. for the first year, 3.0% p.a. for the next 2 years, 2.5% p.a. thereafter Gold State Super 3.0% p.a. for the first 3 years, 2.5% p.a. thereafter 2.0% p.a.	+1.0% / -1.0% +1.0% / -1.0%	249,113 / (223,141) 230,429 / (206,258)

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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Pension Scheme	1,424,513	1,404,825	69,643	76,060	1,354,870	1,328,765
Gold State Super	4,294,517	4,087,788	2,102,267	2,150,483	2,192,25	1,937,305
Total	5,719,030	5,492,613	2,171,910	2,226,543	3,547,120	3,266,070

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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Pension Scheme	1,446,536	1,436,213	69,643	76,060	1,376,893	1,360,153
Gold State Super	5,368,173	5,472,844	2,276,454	2,370,930	3,091,719	3,101,914
Total	6,814,709	6,909,057	2,346,097	2,446,990	4,468,612	4,462,067

Note 5: Defined benefit schemes that are over funded

	Note	2022 \$'000	2021 \$'000
Pension Scheme	A		
Accrued benefits related to funded liabilities		69,643	76,060
Net assets available for member benefits		(91,666)	(107,448)
Over funded amount for Pension Scheme		(22,023)	(31,388)
Gold State Super	B		
Accrued benefits related to funded liabilities		2,102,267	2,150,483
Net assets available for member benefits		(2,767,032)	(3,037,928)
Over funded amount for Gold State Super		(664,765)	(887,445)
Total over funded amount		(686,788)	(918,833)

In the opinion of the Fund's actuary, the overall financial position of the Fund has deteriorated since the previous actuarial investigation as at 30 June 2021 primarily due to investment returns for the defined benefit schemes of -5.1% for the year being lower than the previously assumed returns of 5.0% per annum.

The combined funding percentage in respect of the funded liabilities for Gold State Super ('GSS') and Pension Scheme ('PS') has decreased from 141.3% at 30 June 2021 to 131.6% of funded liabilities at 30 June 2022. However, the net position for GSS may also be expressed as 112.5% (2021: 116.3%) of all defined benefit liabilities, which highlights the overall position for this scheme. Under this approach, the net financial position expressed as a percentage of both past and future service benefits is considerably lower than when expressed as a percentage of accrued funded benefits.

Note A – Pension Scheme

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

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

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

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

Note B – Gold State Super

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

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

However, the financial position is sensitive to the assumptions adopted for future investment returns, salary increases and price inflation. Given the current uncertainty in financial markets, and understanding the Board's preference for stable long-term costs for employers, the Fund's actuary believes a cautious approach is prudent. Therefore, the Fund's actuary recommended that:

- The employer contribution rate and recoupment percentage for GSS 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 GSS are appropriated from the Consolidated Account.

GSS 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 ('PS'), Gold State Super, West State Super, GESB Super, Retirement Income Pension (Allocated Pension and Transition to Retirement Pension) and Retirement Income Term Allocated Pension is guaranteed by the State under Section 31 of the *State Superannuation Act 2000*.

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

Note 7: Employer funding arrangement

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

(a) Pension Scheme

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

(b) Gold State Super

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

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

During the reporting period, the employer contribution rate for contributory members was 15% (2021: 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% (2021: 73.6%), net of administration fee, of the contributory service benefit and is payable at the time payment is made to the member.

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

(c) West State Super

The employer contribution rate payable is determined under State legislation and is currently 10% (2021: 9.5%). The rate will increase to 10.5% on 1 July 2022.

(d) GESB Super

The employer contribution rate payable is determined under State legislation and is currently 10% (2021: 9.5%). The rate will increase to 10.5% on 1 July 2022.

Note 8: Investments and derivatives

(a) Fair value hierarchy

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

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment assets				
Cash and term deposits	4,719,801	-	-	4,719,801
Australian equities:				
Listed equity securities	5,628,669	-	2,046	5,630,715
International equities:				
Listed international equity securities	11,169,412	1,552	1,532	11,172,496
Listed international preferred securities	9,961	-	-	9,961
Units in unit trusts:				
Listed unit trusts	498,744	-	-	498,744
Unlisted unit trusts	-	2,360,215	2,149,105	4,509,320
Limited partnerships	-	-	4,052	4,052
Other interest-bearing securities:				
Asset-backed securities	-	538,255	-	538,255
Bank loans	671	209,903	1,038	211,612
Commercial paper	-	5,804	-	5,804
Fixed interest bonds	-	5,633,479	436	5,633,915
Indexed bonds	-	48,737	-	48,737
Mortgage-backed securities	-	674,362	-	674,362
Derivative assets				
Futures	-	29,325	-	29,325
Options	930	1,853	-	2,783
Swaps	-	73,276	-	73,276
Forwards	-	121,714	-	121,714
Warrants	-	-	-	-
Derivative liabilities				
Futures	-	(15,143)	-	(15,143)
Options	(29)	(7,845)	-	(7,874)
Swaps	-	(140,744)	-	(140,744)
Forwards	-	(641,339)	-	(641,339)
Total investments and derivatives	22,028,159	8,893,404	2,158,209	33,079,772

30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment assets				
Cash and term deposits	4,155,897	-	-	4,155,897
Australian equities:				
Listed equity securities	6,059,536	-	27,957	6,087,493
International equities:				
Listed international equity securities	11,951,425	1,693	9,792	11,962,910
Listed international preferred securities	20,111	-	-	20,111
Units in unit trusts:				
Listed unit trusts	637,469	-	-	637,469
Unlisted unit trusts	-	2,042,042	1,732,448	3,774,490
Limited partnerships	-	-	17,026	17,026
Other interest-bearing securities:				
Asset-backed securities	-	318,651	708	319,359
Bank loans	-	249,453	4,210	253,663
Commercial paper	-	31,226	-	31,226
Fixed interest bonds	-	6,947,340	631	6,947,971
Indexed bonds	-	72,464	-	72,464
Mortgage-backed securities	-	608,512	-	608,512
Derivative assets				
Futures	-	24,100	-	24,100
Options	377	2,062	-	2,439
Swaps	-	37,293	-	37,293
Forwards	-	78,996	-	78,996
Warrants	22	-	-	22
Derivative liabilities				
Futures	-	(11,460)	-	(11,460)
Options	(14)	(4,176)	-	(4,190)
Swaps	-	(32,366)	-	(32,366)
Forwards	-	(350,447)	-	(350,447)
Total investments and derivatives	22,824,823	10,015,383	1,792,772	34,632,978

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**	2022:	2,046	Adjusted last traded price	Last traded price	2022 : 0% - 100% (50%)
	2021:	27,957			2021 : 0% - 100% (50%)
International equities**	2022:	1,532	Adjusted last traded price	Last traded price	2022 : 0% - 100% (50%)
	2021:	9,792			2021 : 0% - 100% (50%)
Units in unit trusts	2022:	2,153,157	Net asset value	Last traded price	2022 : 0% - 10% (5%)
	2021:	1,749,474			2021 : 0% - 10% (5%)
Other interest-bearing securities	2022:	1,474	Adjusted last traded price	Last traded price	2022 : 0% - 100% (50%)
	2021:	5,549			2021 : 0% - 100% (50%)

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

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

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

Description	Input	Sensitivity used*	Effect on fair value	
			\$'000	\$'000
Australian equities	Last traded price and the adjustment	100% 100%	2022 : 2,046 / (2,046) 2021 : 27,957 / (27,957)	
International equities	Last traded price and the adjustment	100% 100%	2022 : 1,532 / (1,532) 2021 : 9,792 / (9,792)	
Units in unit trusts	Net asset value	5% 5%	2022 : 107,658 / (107,658) 2021 : 87,474 / (87,474)	
Other interest-bearing securities	Last traded price and the adjustment	100% 100%	2022 : 1,474 / (1,474) 2021 : 5,549 / (5,549)	

* 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	Other Interest-bearing securities \$'000	Total \$'000
30 June 2022					
Opening balance	27,957	9,792	1,749,474	5,549	1,792,772
Total realised/unrealised gains and losses	449	(21)	197,708	342	198,478
Purchases	-	156	376,811	-	376,967
Sales	(3,713)	(277)	(170,836)	(4,423)	(179,249)
Transfers into Level 3	1,314	-	-	6	1,320
Transfers out of Level 3	(23,961)	(8,118)	-	-	(32,079)
Closing balance	2,046	1,532	2,153,157	1,474	2,158,209
30 June 2021					
Opening balance	1,601	239	389,350	-	391,190
Total realised/unrealised gains and losses	(1,499)	(50)	107,010	-	105,461
Purchases	-	138	-	-	138
Sales	-	83	(112,242)	-	(112,159)
Transfers into Level 3	27,957	9,737	1,365,356	5,549	1,408,599
Transfers out of Level 3	(102)	(355)	-	-	(457)
Closing balance	27,957	9,792	1,749,474	5,549	1,792,772

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	Other interest-bearing securities \$'000	Total \$'000
30 June 2022					
Total gains/(losses) recognised in the Income Statement for the period	449	(21)	197,708	342	198,136
Total gains/(losses) recognised in the Income Statement for the period for assets held at the end of the reporting period	-	123	145,482	52,226	145,605
	Australian equities \$'000	International equities \$'000	Units in unit trusts \$'000	Other interest-bearing securities \$'000	Total \$'000
30 June 2021					
Total gains/(losses) recognised in the Income Statement for the period	(1,499)	(50)	107,010	-	105,461
Total gains/(losses) recognised in the Income Statement for the period for assets held at the end of the reporting period	(1,499)	(48)	107,010	-	105,463

(c) Transfer between hierarchy levels

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

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers between Level 1 and Level 3:			
Equity securities:			
Australian listed securities	22,647	-	(22,647)
International listed securities	8,118	-	(8,118)
Transfers between Level 2 and Level 3:			
Other interest-bearing securities:	-	(6)	6
Bank loans			
30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers between Level 1 and Level 3:			
Equity securities:			
Australian listed securities	(27,855)	-	27,855
International listed securities	(9,367)	-	9,367
Transfers between Level 2 and Level 3:			
Equity securities:			
International listed securities	-	(15)	15
Units in unit trusts:			
Unlisted equity unit trusts	-	(1,033,912)	1,033,912
Unlisted real estate unit trusts	-	(314,418)	314,418
Unlisted limited partnerships unit trusts	-	(17,026)	17,026
Other interest-bearing securities:	-		
Asset-backed securities	-	(708)	708
Bank loans	-	(4,210)	4,210
Corporate bonds	-	(631)	631

The reclassification of unlisted equity unit trust investments from Level 2 to Level 3 in the fair value hierarchy is due to the limited extent of recent available information to validate their valuation at the balance date.

Note 9: Receivables

	2022 \$'000	2021 \$'000
Recoverable within 12 months		
Investment		
Interest receivable	43,051	42,674
Investment income receivable	50,582	40,480
Other investment receivable	158,428	133,233
Pension Scheme		
Recoup State's share of pensions	2,249	1,941
Gold State Super		
Employer contributions receivable	4,397	10,255
Contributions in arrears	1,880	2,290
West State Super		
Insurance benefits recoverable	14	124
Others		
Administration fees recoverable from Treasury	121	250
GST receivable	289	191
Prepayments	381	394
Other debtors	1,784	71
Total	263,176	231,903

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

The maximum exposure to credit risk is the fair value of receivables. Information regarding credit risk exposure is set out in Note 25.

Note 10: Employer-sponsor receivables

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

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

	2022 \$'000	2021 \$'000
Current		
Pension Scheme	145,872	148,906
Gold State Super	395,867	398,013
	541,739	546,919
Non-Current		
Pension Scheme	1,208,998	1,179,859
Gold State Super	1,796,383	1,539,292
	3,005,381	2,719,151
Total	3,547,120	3,266,070

Note 11: Payables

	2022 \$'000	2021 \$'000
Due within 12 months		
Investment		
Investments payable	148,069	223,135
Management fees payable	23,485	31,744
GESB Super		
Benefits due and payable	2,909	1,960
Insurance premiums payable	6,790	6,251
Gold State Super		
Contributions in advance	1,149	1,159
West State Super		
Benefits due and payable	11,729	6,773
Insurance premiums payable	9,127	9,198
Pension and Retirement Scheme		
Pension benefits due and payable	2,342	2,021
Retirement income benefits due and payable	773	600
Others		
PAYG withholding tax	1,126	874
Superannuation surcharge liability	712	748
Other payables and accruals	4,293	6,977
Total	212,504	291,440

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

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

Note 12: Provision for employee benefits

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

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

	2022 \$'000	2021 \$'000
Current		
Long-service leave	849	827
Annual leave	718	599
	1,567	1,426
Non-Current		
Long-service leave	489	594
	489	594
Total employee benefits	2,056	2,020
Number of employees (head count)	66	64

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

Note 13: Provision for post-employment benefits

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

	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Present value at beginning of the year	979	1,104	70	69
(+) Interest cost	14	9	1	1
(+) Actuarial (gains)/losses	(137)	(36)	4	-
(-) Benefits paid	(94)	(98)	-	-
Present value at end of the year	762	979	75	70

The nature of benefits provided by the Fund are:

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

Note 14: Reserves

	2022 \$'000	2021 \$'000
Accumulation General Reserve		
Opening balance	132,039	123,630
Utilisation of reserve	(25,904)	-
Contribution to reserve	6,088	8,049
Investment performance	264	360
Closing balance	112,487	132,039
WSS¹ Government Guaranteed Payment Reserve		
Opening balance	42,129	44,183
Utilisation of reserve	(690)	(2,180)
Investment performance	95	126
Closing balance	41,534	42,129
Total Other Reserves	154,021	174,168
Operational Risk Reserve		
Opening balance	76,408	76,187
Investment performance	173	221
Closing balance	76,581	76,408

¹ West State Super ('WSS').

Accumulation General Reserve

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

The current Accumulation General Reserve represents approximately 0.37% (2021: 0.42%) of the net assets available for the accumulation schemes' member benefits (WSS, GESB Super and Retirement products).

Utilisation of reserves are related to two items. Firstly, the GESB Board approved the distribution payment from the WSS Accumulation General Reserve to WSS members. In November 2021, an amount of \$25.4m was successfully distributed to WSS members. Secondly, an insurance premium of \$550k was paid to AIA Insurance to cover claims resulting from TPD definition changes.

WSS Government Guaranteed Payment Reserve

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

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

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

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

Operational Risk Reserve

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

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

The current Operational Risk Reserve represents approximately 0.25% (2021: 0.25%) of the net assets available for the accumulation schemes' member benefits (WSS, GESB Super and Retirement products).

Note 15: Income tax

(a) Major components of income tax expenses

	2022 \$'000	2021 \$'000
Income statement		
Current tax expense	(36,251)	14,120
Adjustment to the current tax for prior periods	4,796	410
Deferred tax		
Deferred tax expense relating to the origination and reversal of temporary differences	(46,797)	79,775
Adjustment to the deferred tax for prior periods	(3,368)	(2,110)
Total income tax (benefit)/expense as reported in the Income Statement	(81,620)	92,195

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

	2022 \$'000	2021 \$'000
Net result before income tax	(594,183)	1,174,390
Adjustments:		
Related to constitutionally protected schemes	(156,406)	550,241
Related to WATC loan	-	260
Related to reserves	19,284	(8,756)
Total net result related to GESB Super and Retirement schemes	(731,305)	1,716,135
Income tax calculated at 15%	(109,696)	257,420
Tax effect of expenses that are not deductible in determining taxable income:		
Non-deductible expenses	1,058	2,143
Tax effect of income that is not assessable in determining taxable income:		
Income from managed portfolio	97,366	(100,259)
Tax credit and offsets	(52,268)	(23,899)
Exempt current pension income	(12,078)	(34,946)
Other items	(23)	(14)
Tax effect of other adjustments:		
Other deductions	(7,407)	(6,550)
Current tax for prior year	4,796	410
Deferred tax for prior year	(3,368)	(2,110)
Income tax (benefit)/expense	(81,620)	92,195

(c) Recognised tax assets and liabilities

	2022 \$'000		2021 \$'000	
	Current Tax	Deferred Tax	Current Tax	Deferred Tax
Opening balance	(12,052)	(119,112)	(11,915)	(41,447)
Charged to income	31,455	50,165	(14,530)	(77,665)
Charged to changes in member benefits	(207,146)		(164,068)	-
Other payments	22,022		(178)	-
Income tax paid on contributions received	199,090		178,639	-
Closing balance	33,369	(68,947)	(12,052)	(119,112)
Deferred tax asset at 30 June related to the following:				
Realised capital losses		-		2,407
Closing balance		-		2,407
Deferred tax liability at 30 June related to the following:				
Unreleased capital gain		(95,760)		(128,403)
Accrued income		26,813		6,884
Closing balance		(68,947)		(121,519)
Net deferred tax liability at 30 June		(68,947)		(119,112)

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

Note 16: Investment income and expenses

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

30 June 2021	Interest income \$'000	Dividend income \$'000	Distribution income \$'000	Other investment income \$'000	Changes in fair value \$'000	Total \$'000
Investment income						
Cash and term deposits	11,890	-	-	3,582	9,958	25,430
Australian equities	-	157,646	-	-	1,333,735	1,491,381
International equities	-	221,078	-	-	2,484,438	2,705,516
Units in unit trusts:						
Listed unit trusts	-	58	19,268	-	77,525	96,851
Unlisted unit trusts	-	-	59,833	-	201,928	261,761
Limited partnerships	-	(1)	456	-	(3,763)	(3,308)
Other interest-bearing securities:						
Asset-backed securities	9,561	-	-	-	7,052	16,613
Bank loans	10,890	-	-	-	10,073	20,963
Commercial paper	173	-	-	-	(5,026)	(4,853)
Fixed interest bonds	151,293	92	-	-	(284,595)	(133,210)
Indexed bonds	775	-	-	-	(1,281)	(506)
Mortgage-backed securities	12,704	-	-	-	(96,400)	(83,696)
Derivatives	-	-	-	-	664,077	664,077
Total investment income*	197,286	378,873	79,557	3,582	4,397,721	5,057,019
Investment expenses						
External fund management base fees						55,435
External fund management performance fees						21,267
Custodial fees						5,985
Investment administration costs						4,358
Total investment expenses						87,045
Net investment losses						4,969,974

*Refer to Note 30(i) for explanation of variance between 2022 and 2021.

Note 17: Other income

	2022 \$'000	2021 \$'000
Administration expenses recovered	6,512	7,015
Other	128	81
Total other income	6,640	7,096

Note 18: Administration expenses

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

	Note	2022 Actual \$'000	2022 Budget \$'000	Variance actual to budget \$'000	%	2021 Actual \$'000	Variance actual to prior year actual \$'000	%
Outsourced administration costs	(i)	26,281	31,166	4,885	16	27,511	1,230	4
Employment expenses		9,001	8,716	(285)	(3)	8,312	(689)	(8)
Information technology costs	(ii)	1,277	2,010	733	36	1,393	116	8
Consultants	(iii)	43	626	583	93	-	(43)	(100)
Accommodation costs ¹		666	656	(10)	(2)	645	(21)	(3)
Professional fees:								
Actuarial fees		179	255	76	30	222	43	19
Audit fees - external		382	350	(32)	(9)	380	(2)	(1)
Audit fees - internal		379	450	71	16	451	72	16
Legal and other fees		137	100	(37)	(37)	278	141	51
Postage, printing and record management		34	121	87	72	72	38	53
Product information and engagement		88	98	10	10	38	(50)	(132)
Other administration costs	(iv)	3,743	4,675	932	20	5,055	1,312	26
		42,210	49,223	7,013	14	44,357	2,147	5
Less:								
Investment administration costs		2,317	2,405	88	4	2,255	(62)	(3)
Total administration costs excluding depreciation and amortisation		39,893	46,818	6,925	15	42,102	2,209	5
Add:								
Depreciation and amortisation		65	288	223	77	271	206	76
Total administration costs		39,958	47,106	7,148	15	42,373	2,415	6

¹ 2022 actuals include other accommodation costs (parking) of \$45k (2021: \$64k).

Notes on significant variances in administration expenses

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

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

(i) Outsourced Administration Costs

2021/22 Actual to Budget (decreased expenditure \$4,885k)

The decreased expenditure compared to budget in 2021/22 is primarily due to less than planned projects being undertaken during the year by our outsourced provider. Also attributable is a transfer of \$2 million to the work in progress ('WIP') account for the member online project that will be capitalised once completed.

(ii) Information technology (IT) costs

2021/22 Actual to Budget (decreased expenditure \$733k)

The decreased expenditure compared to budget in 2021/22 is due to spend on IT consultancy being lower than anticipated for the year. Also attributable are IT costs relating to the member online project being transferred to WIP.

(iii) Consultants

2021/22 Actual to Budget (decreased expenditure \$583k)

The decreased expenditure compared to budget in 2021/22 is due to less than planned projects being undertaken during the year which resulted in less requirement for consultants.

(iv) Other administration costs

2021/22 Actual to Budget (decreased expenditure \$932k). Actual to Prior Year's Actual (decreased expenditure \$1,312k)

The decreased expenditure compared to budget is primarily due to underspend in contractors general, bank fees (relating to a third party clearing house) and miscellaneous services.

The decreased expenditure compared to prior year actual is due to a decision in the 2020/21 financial year to pay an insurance premium (\$2 million) to AIA to cover certain claims resulting from TPD definition changes. There was another payment in 2021/22, although significantly lower at \$550k.

Note 19: Depreciation and amortisation

	2022 \$'000	2021 \$'000
Depreciation		
Computer hardware	48	246
Office furniture and equipment	6	6
Total depreciation	54	252
Amortisation		
Computer software	11	19
Total amortisation	11	19
Total depreciation and amortisation	65	271

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

Note 20: Employee benefits expense

	2022 \$'000	2021 \$'000
Salaries	6,577	6,074
Superannuation – defined contribution plans	807	679
Superannuation – defined benefit plans ²	(81)	10
Long service leave ¹	181	244
Annual leave ¹	667	600
Other related expenses	850	705
Total employee benefits expense	9,001	8,312

¹ Includes an accrued payroll tax and superannuation contribution component.

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

Employment on-costs such as workers' compensation insurance and payroll tax are included within 'other administration costs' in Note 18.

Note 21: Auditor's remuneration

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

	2022 \$'000	2021 \$'000
Fees for auditing the financial statements and key performance indicators	282	273

Note 22: Remuneration of senior officers

Position	Name	Period of Employment	Remuneration	
			2022 \$	2021 \$
Chief Executive Officer	Benjamin Palmer ¹	04 Jul 2018 – Current	372,164	346,955
Chief Investment Officer	Paul Taylor ^{3, 4}	21 Jan 2019 – Current	321,660	309,706
Chief Operating Officer	Karen Horne ^{3, 5}	03 Nov 2014 – Current	242,758	210,184
Chief Finance Officer	Mark Caldwell ²	03 Nov 2014 – 25 Jul 2022	204,183	210,591
Head of Strategy and Member Experience	Natalie Skeggs ⁶	01 Feb 2022 – Current	70,701	-
Total			1,211,466	1,077,436
Short-term employee benefits			1,060,400	954,357
Post-employment benefits			113,708	89,601
Other long-term benefits			37,358	33,478
Total remuneration of senior officers			1,211,466	1,077,436

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

² Remuneration of this officer adheres to Public Sector Commission executive salary classifications.

³ These officers are appointed under section 11(2) of the *State Superannuation Act (2000)*.

⁴ The role of General Manager Investments was abolished and replaced with Chief Investment Officer. Paul Taylor was appointed as Chief Investment Officer effective 9 June 2022.

⁵ The position of General Manager Superannuation Services was abolished and replaced with Chief Operating Officer. Karen Horne was appointed as Chief Operating Officer effective 4 May 2022.

⁶ Natalie Skeggs commenced acting in the role of Head of Strategy and Member Experience effective 1 February 2022.

'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 (\$)	2022	2021
\$70,001 - 80,000	1	-
\$200,001 - 210,000	1	-
\$210,001 - 220,000	-	2
\$240,001 - 250,000	1	-
\$300,001 - 310,000	-	1
\$320,001 - 330,000	1	-
\$340,001 - 350,000	-	1
\$370,001 - 380,000	1	-
Total	5	4

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

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

Remuneration of members of the Board

Position	Name	Period of Membership	Remuneration	
			2022 \$	2021 \$
Chair	Jo Gaines	19 Oct 2021 - Current	84,112	-
Chair	John Langoulant	02 Nov 2010 - 15 Oct 2021	39,792	127,147
Employer Director	Catherine Nance	07 Mar 2011 - 6 Mar 2022	47,568	68,019
Employer Director	Francesco Sciarrone ¹	21 Feb 2016 - Current	73,913	73,576
Employer Director	Virginia Christie ²	12 Nov 2019 - Current	62,181	59,128
Employer Director	Janice Jones	22 Mar 2022 - Current	17,871	-
Member Director	Anne Gisborne ^{2,3}	08 Feb 2017 - Current	-	-
Member Director	Bruce Hawkins ²	04 Jul 2018 - Current	62,181	59,317
Member Director	Naomi McCrae ⁴	31 Aug 2018 - 10 Mar 2022	48,619	68,019
Member Director	Janine Freeman ⁵	4 Apr 2022 - Current	15,506	-
Total			451,743	455,206
Short-term employee benefits			410,675	415,713
Post-employment benefits			41,068	39,493
Total remuneration of members of the Board			451,743	455,206

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

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

³ According to public sector guidelines, as a public sector employee this officer receives no remuneration for sitting on a government board.

⁴ The salary portion of the remuneration paid to this officer was paid directly to their employer.

⁵ This officer had a temporary appointment for the period 4 April 2022 to 8 May 2022 and subsequently appointed for a three year term effective 5 May 2022.

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

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

Remuneration band (\$)	2022	2021
\$0 - 10,000	1	1
\$10,001 - 20,000	2	-
\$30,001 - 40,000	1	-
\$40,001 - 50,000	2	-
\$50,001 - 60,000	-	2
\$60,001 - 70,000	2	2
\$70,001 - 80,000	1	1
\$80,001 - 90,000	1	-
\$120,001 - 130,000	-	1
Total	10	7

Remuneration of members of the Investment Committee

Position	Name	Period of membership	Remuneration	
			2022 \$	2021 \$
Member	John Stroud	01 Oct 2018 - Current	13,398	13,337
Member	Warren Bird	10 Jun 2013 - Current	13,398	13,337
Total			26,796	26,674
Short-term employee benefits			24,360	24,360
Post-employment benefits			2,436	2,314
Total remuneration of external members of the Investment Committee			26,796	26,674

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

Remuneration band (\$)	2022	2021
\$10,001 – 20,000	2	2
Total	2	2

Note 24: Cash flow statement reconciliation

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

	2022 \$'000	2021 \$'000
Cash and cash equivalents	67,612	87,831

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

	2022 \$'000	2021 \$'000
Net result after income tax	(512,563)	1,082,195
Adjustments for:		
Decrease / (Increase) in assets measured at fair value	2,666,953	(4,397,721)
Increase in insurance	(64,233)	(58,195)
(Increase) / Decrease in receivables	(11,933)	1,678
Depreciation and amortisation	65	271
(Decrease) / Increase in payables	(10,757)	15,583
(Decrease) / Increase in income tax payable	(103,642)	92,373
Changes in loans measured at fair value and interest expenses	-	260
Allocation to members' accounts	(1,202,218)	3,760,047
Net cash inflows from operating activities	761,672	496,491

Note 25: Financial risk management objectives and policies

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

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

The Fund also has various other financial instruments such as 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

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

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

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

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

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

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

(b) Use of derivative financial instruments

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

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

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

2022	Gross derivative amounts \$'000	Derivative amounts set off \$'000	Net amounts presented in statement of financial position \$'000
Derivative assets:			
Futures	29,325	-	29,325
Options	2,783	-	2,783
Swaps	425,230	(351,954)	73,276
Forwards	121,714	-	121,714
Warrants	-	-	-
Total derivative assets	579,052	(351,954)	227,098
Derivative liabilities:			
Futures	15,143	-	15,143
Options	7,874	-	7,874
Swaps	492,698	(351,954)	140,744
Forwards*	641,339	-	641,339
Total derivative liabilities	1,157,054	(351,954)	805,100
Net derivative liability	(578,002)	-	(578,002)
2021	Gross derivative amounts \$'000	Derivative amounts set off \$'000	Net amounts presented in statement of financial position \$'000
Derivative assets:			
Futures	24,100	-	24,100
Options	2,439	-	2,439
Swaps	201,495	(164,202)	37,293
Forwards	78,996	-	78,996
Warrants	22	-	22
Total derivative assets	307,052	(164,202)	142,850
Derivative liabilities:			
Futures	11,460	-	11,460
Options	4,190	-	4,190
Swaps	196,568	(164,202)	32,366
Forwards*	350,447	-	350,447
Total derivative liabilities	562,665	(164,202)	398,463
Net derivative liability	(255,613)	-	(255,613)

* Included in the forwards are To-Be-Announced ('TBA') Agency Securities. At 30 June 2022, TBA Agency Investments are accounted as derivative instruments as it is likely that the Fund will not take or make physical delivery of the Agency Security upon settlement of the contracts. TBA Agency Investments are essentially forward contracts for the purchase ("long position") or sale ("short position") of an Agency pool of mortgages at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. These mortgage pools are guaranteed by the issuing Agency and backed by the US Government. The fair value of TBA investments is based on similar methods used to value our mortgage-backed securities. At 30 June 2022, the notional value of long and short positions in TBA Agency Investments was \$630,979,000 (2021: \$775,171,000) and \$447,954,000 (2021: \$416,139,000).

All derivative financial assets and liabilities are classified as Level 2 in the fair value hierarchy, except for certain options and warrants which belong to Level 1. The net derivative 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.

The main reason for the increase in the liability value of Forwards from 2020/21 to 2021/22 relates to currency movements. In particular, there was a meaningful fall in the value of the Australian dollar against the US dollar in the months leading up to 30 June 2022, which resulted in a relatively high value of unrealised currency losses (i.e. a liability as at 30 June 2022). This fall in the Australian dollar against the US dollar was greater than the fall in the months leading up to 30 June 2021, which resulted in a higher value of unrealised currency losses compared with 30 June 2021.

(c) Credit risk

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

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

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

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

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

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

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

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

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

Credit quality per class of financial instrument

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

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

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

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

	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	BB+ to D \$'000	Not Rated ¹ \$'000	Total \$'000
2021						
Cash and term deposits	3,561,849	428,492	155,121	868	9,567	4,155,897
Asset-backed securities	220,270	9,541	14,229	42,210	33,109	319,359
Bank loans	-	-	4,285	175,732	73,646	253,663
Commercial paper	-	-	-	-	31,226	31,226
Fixed interest bonds	3,000,902	1,532,735	1,971,985	407,137	35,212	6,947,971
Indexed bonds	65,137	7,327	-	-	-	72,464
Mortgage-backed securities	578,964	4,661	1,168	160	23,559	608,512
Total	7,427,122	1,982,756	2,146,788	626,107	206,319	12,389,092

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 \$194,990k (2021: \$116,289k).

(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:

	2022 \$'000	2021 \$'000
Financial assets held at fair value		
British Pound	1,105,237	1,077,142
Canadian Dollar	634,696	489,599
Euro	3,402,388	3,823,632
Hong Kong Dollar	469,549	522,986
Japanese Yen	1,627,232	1,710,313
Swiss Franc	369,557	409,370
US Dollar	18,863,369	19,049,650
Other Currencies	1,873,041	1,746,166
Total financial assets	28,345,069	28,828,858
Financial liabilities held at fair value		
British Pound	867,400	876,355
Canadian Dollar	533,654	412,818
Euro	2,963,961	3,235,352
Hong Kong Dollar	296,483	134,640
Japanese Yen	1,379,432	1,424,855
Swiss Franc	243,841	183,812
US Dollar	16,816,052	16,566,533
Other Currencies	1,225,292	1,378,747
Total financial liabilities	24,326,115	24,213,112
Net exposure	4,018,954	4,615,746

The following table details the Fund's sensitivity to a 10% (2021: 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	
	2022 %	2021 %	2022 \$'000	2021 \$'000
British Pound/AUD	+/- 10	+/-10	23,107 / (23,107)	19,537 / (19,537)
Canadian Dollar/AUD	+/- 10	+/-10	9,817 / (9,817)	7,471 / (7,471)
EUR/AUD	+/- 10	+/-10	42,596 / (42,596)	57,240 / (57,240)
Hong Kong Dollar/AUD	+/- 10	+/-10	16,814 / (16,814)	37,787 / (37,787)
Japanese Yen/AUD	+/- 10	+/-10	24,075 / (24,075)	27,775 / (27,775)
Swiss Franc/AUD	+/- 10	+/-10	12,214 / (12,214)	21,947 / (21,947)
USD/AUD	+/- 10	+/-10	198,909 / (198,909)	241,610 / (241,610)
Other/AUD	+/- 10	+/-10	62,933 / (62,933)	35,750 / (35,750)

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:

2022	Floating interest rate \$'000	Fixed rate 3 months or less \$'000	Fixed rate 3 to 12 months \$'000	Fixed rate 1 to 5 years \$'000	Fixed rate over 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets							
Cash and term deposits	1,646,876	810,891	939,000	-	-	1,375,045	4,771,812
Asset-backed securities	387,948	-	-	16,954	133,353	-	538,255
Bank loans	207,090	-	-	-	4,522	-	211,612
Commercial paper	-	-	-	-	-	5,804	5,804
Fixed interest bonds	943,105	51,159	150,710	1,529,728	2,624,322	334,891	5,633,915
Indexed bonds	-	-	-	8,130	40,607	-	48,737
Mortgage-backed securities	503,707	-	-	3,224	167,431	-	674,362
Total financial assets	3,688,726	862,050	1,089,710	1,558,036	2,970,235	1,715,740	11,884,497
Financial liabilities							
Cash and term deposits	52,011	-	-	-	-	-	52,011
Total financial liabilities	52,011	-	-	-	-	-	52,011

2021	Floating interest rate \$'000	Fixed rate 3 months or less 3 months \$'000	Fixed rate 3 to 12 months 3 to 12 months \$'000	Fixed rate 1 to 5 years 1 to 5 years \$'000	Fixed rate over 5 years 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets							
Cash and term deposits	1,529,097	635,000	660,000	-	-	1,371,711	4,195,808
Asset-backed securities	275,311	-	-	11,388	32,660	-	319,359
Bank loans	253,663	-	-	-	-	-	253,663
Commercial paper	-	-	-	-	-	31,226	31,226
Fixed interest bonds	943,780	43,784	167,280	1,838,824	3,531,914	422,389	6,947,971
Indexed bonds	-	-	-	21,218	51,246	-	72,464
Mortgage-backed securities	463,857	-	-	7,229	137,426	-	608,512
Total financial assets	3,465,708	678,784	827,280	1,878,659	3,753,246	1,825,326	12,429,003
Financial liabilities							
Cash and term deposits	34,671	5,240	-	-	-	-	39,911
Total financial liabilities	34,671	5,240	-	-	-	-	39,911

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	2022		2021	
	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)	75,225 / (75,225)	+ 50 / (50)	37,842 / (37,842)
USD	+ 100 / (100)	27,273 / (27,273)	+ 50 / (50)	16,124 / (16,124)
EUR	+ 100 / (100)	6,940 / (6,940)	+ 20 / (25)	2,261 / (2,261)
GBP	+ 100 / (100)	1,955 / (1,955)	+ 50 / (50)	1,359 / (1,359)
Others	+ 100 / (100)	7,823 / (7,823)	+ 50 / (50)	4,223 / (4,223)

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

Other price risk

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

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

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

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

	Reasonably possible market price change		Effect on net assets / net results	
	2022 %	2021 %	2022 \$'000	2021 \$'000
Cash and term deposits	+/-0.2	+/-0.2	9,440 / (9,440)	8,312 / (8,312)
Australian equities	+/-20	+/-20	1,126,143 / (1,126,143)	1,217,499 / (1,217,499)
International equities	+/-20	+/-20	2,236,491 / (2,236,491)	2,396,604 / (2,396,604)
Units in unit trusts:				
Listed unit trusts	+/-20	+/-20	99,749 / (99,749)	127,494 / (127,494)
Unlisted unit trusts	+/-15	+/-15	676,398 / (676,398)	566,174 / (566,174)
Limited partnerships	+/-10	+/-10	405 / (405)	1,703 / (1,703)
Other interest-bearing securities:				
Asset-backed securities	+/-5	+/-5	26,913 / (26,913)	15,968 / (15,968)
Bank loans	+/-10	+/-10	21,161 / (21,161)	25,366 / (25,366)
Commercial paper	+/-5	+/-5	290 / (290)	1,561 / (1,561)
Fixed interest bonds	+/-5	+/-5	281,696 / (281,696)	347,399 / (347,399)
Indexed bonds	+/-5	+/-5	2,437 / (2,437)	3,623 / (3,623)
Mortgage-backed securities	+/-5	+/-5	33,718 / (33,718)	30,426 / (30,426)
Derivatives	+/-10	+/-10	(57,800) / 57,800	(25,561) / 25,561

(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.

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

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

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	> 1 year \$'000
30 June 2022					
Derivative liabilities	805,100	805,100	654,680	9,091	141,329
Payables	212,504	212,504	212,504	-	-
Member benefits	35,791,391	35,791,391	35,791,391	-	-
Total	36,808,995	36,808,995	36,658,575	9,091	141,329
	Carrying amount \$'000	Contractual cash flows \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	> 1 year \$'000
30 June 2021					
Derivative liabilities	398,463	398,463	363,533	1,882	33,048
Payables	291,440	291,440	291,440	-	-
Member benefits	36,623,760	36,623,760	36,623,760	-	-
Total	37,313,663	37,313,663	37,278,733	1,882	33,048

(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:

	2022		2021	
	\$'000	%	\$'000	%
Consumer discretionary	1,349,737	7.78	1,756,134	9.38
Consumer staples	1,035,407	5.97	1,012,958	5.41
Energy	976,789	5.63	689,749	3.69
Financials	2,907,154	16.75	3,243,620	17.33
Health care	1,741,082	10.03	1,789,116	9.56
Industrials	1,688,34	9.73	1,804,208	9.64
Information technology	2,213,261	12.75	2,675,530	14.30
Materials	1,865,197	10.75	1,945,873	10.40
Real estate	1,521,414	8.77	1,767,822	9.45
Communication services	1,044,647	6.01	1,320,075	7.05
Utilities	1,013,746	5.83	708,496	3.79
Total	17,356,780	100.00	18,713,581	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.

	2022		2021	
	\$'000	%	\$'000	%
Australia	16,456,389	49.59	16,704,138	48.24
Canada	653,689	1.97	568,564	1.64
France	536,679	1.62	584,715	1.69
Germany	364,382	1.10	602,590	1.74
Hong Kong	195,961	0.59	215,494	0.62
Japan	1,189,318	3.58	1,458,876	4.21
Netherlands	256,512	0.77	216,321	0.62
Singapore	122,584	0.37	81,389	0.24
Switzerland	330,719	1.00	445,689	1.29
United Kingdom	876,506	2.64	961,207	2.78
United States	9,096,113	27.41	9,476,252	27.37
Other	3,104,671	9.36	3,310,904	9.56
Total	33,183,523	100.00	34,626,139	100.00

(g) Environmental, social and governance ('ESG') risks including climate change

ESG risk is the risk that any environmental, social or governance 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.

The Fund considers climate change as a subset of environmental factors. Risks arising from climate change typically relate to risks relating to the physical impact of climate change or risks relating to the transition to a lower-carbon economy which may involve changes to technology, market, legal and government policies to address mitigation and adaption requirements. The Board considers ESG and climate-related risks when investing on behalf of members in accordance with its ESG Policy.

The Fund considers ESG factors in the following ways:

- Through understanding the impact that climate could have on investment performance by carrying out scenario analysis on an annual basis;
- Through understanding exposure to various ESG related risk, focusing on measuring carbon exposure in listed equities;
- Through understanding how external investment managers integrate ESG factors into their investment decisions and monitoring whether they act in a manner consistent with their stated approach;
- Through requesting its investment manager undertake proxy voting on behalf of the Fund; and
- Through engaging with appointed asset consultant(s) to integrate ESG into their process when researching and monitoring investment managers and carrying out investment due diligence on the Fund's behalf.

The Fund's approach to incorporating ESG factors into investment decisions is detailed in its ESG Policy.

The ESG Policy is reviewed annually by the Investment Committee and Board.

(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 credit risk, market risk (currency risk, interest rate risk and other price risk) and liquidity risk. Refer to Note 25(c) to 25(e) on how the Fund manages these risks.

Note 26: Scheme financial reporting

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

2021	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											29,281,921
Investment income											
Investment income/(losses) (net of investment expenses)	19,662	530,776	2,692,241	1,045,071	701,942	2,301	-	(22,019)	-	4,969,974	
Superannuation income											
Employer contributions	157,444	237,264	896,434	563,377	-	-	58,367	-	-	1,912,886	
Member contributions	(56)	7,262	166,957	60,659	-	-	-	-	-	234,822	
Government co-contributions	-	-	497	238	-	-	-	-	-	735	
Transfer from other superannuation plans	-	-	298,319	263,173	791,178	-	-	-	(997,126)	355,544	
Income tax on contributions	-	-	-	(88,309)	(75,759)	-	-	-	-	(164,068)	
Lag gain/(loss)	-	-	(513)	(222)	(220)	(1)	-	956	-	-	
Other income											
Death and disability insurance received	-	-	34,270	18,680	-	-	-	-	-	52,950	
Other income	1	173	(165)	10	54	-	-	7,023	-	7,096	
Total income	177,051	775,475	4,088,040	1,862,677	1,417,195	2,300	58,367	(14,040)	(997,126)	7,369,939	
Expenses											
Benefits to members/beneficiaries	(165,614)	(352,014)	(1,297,704)	(369,776)	(687,114)	(1,512)	-	(2,180)	997,126	(1,878,788)	
Insurance premiums charged	-	-	(67,481)	(43,664)	-	-	-	-	-	(111,145)	
Administration expenses	-	(4,928)	(27,442)	(22,132)	(10,610)	(57)	-	22,796	-	(42,373)	
Changes in fair value of loan	-	-	-	-	-	-	1,437	-	-	1,437	
Loan interest expenses	-	-	-	-	-	-	(1,697)	-	-	(1,697)	
Total expenses	(165,614)	(356,942)	(1,392,627)	(435,572)	(697,724)	(1,569)	(260)	20,616	997,126	(2,032,566)	
Change in net assets before income tax	11,437	418,533	2,695,413	1,427,105	719,471	731	58,107	6,576	-	5,337,373	
Income tax (expense)/benefit	-	-	-	(93,619)	1,386	38	-	-	-	(92,195)	
Change in net assets after income tax	11,437	418,533	2,695,413	1,333,486	720,857	769	58,107	6,576	-	5,245,178	
Reclassification of defined benefit assets	(983)	983	-	-	-	-	-	-	-	-	
Net assets available for member benefits at the end of the year											34,527,099

Apportionment of net assets

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

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

Apportionment of investment income

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

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

Reconciliation between scheme financial reporting and Statement of Financial Position

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

	2022 \$'000	2021 \$'000
Defined benefit schemes		
Pension Scheme	91,666	107,448
Gold State Super	2,767,032	3,037,928
Total defined benefit schemes	2,858,698	3,145,376
Defined contribution schemes		
West State Super	17,861,732	18,885,878
GESB Super	6,287,941	6,212,432
Retirement Income - Allocated Pension and Transition to Retirement	5,908,138	6,016,053
Retirement Income - Term Allocated Pension	14,550	16,784
Total defined contribution schemes	30,072,361	31,131,147
Reserves	230,602	250,576
Total net assets available for member benefits as per Scheme Financial Reporting	33,161,661	34,527,099
Adjustments		
Employer-sponsor receivables:		
Pension Scheme	1,354,870	1,328,765
Gold State Super	2,192,250	1,937,305
Net assets available for member benefits as per Statement of Financial Position	36,708,781	37,793,169

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:

	2022 \$'000	2021 \$'000
Change in net assets after income tax as per Scheme Financial Reporting	(1,365,438)	5,245,178
Adjustments		
Superannuation contributions income	(2,770,504)	(2,503,987)
Income tax on contributions	207,146	164,068
Death and disability insurance received	(52,510)	(52,950)
Benefits to members/beneficiaries	2,149,782	1,878,788
Insurance premiums charged	116,743	111,145
Allocation to members' accounts	1,202,218	(3,760,047)
Net result after income tax as per Income Statement	(512,563)	1,082,195

Note 27: Insurance

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

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

West State Super (Prior to 1 July 2008)

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

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

Gold State Super

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

Pension Scheme

Members do not pay a separate insurance fee and there is no reference to separate 'insured' benefits under the *Superannuation and Family Benefits Act 1938*.

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

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

Retirement Income Term Allocated Pension

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

Note 28: Commitments and contingent liabilities

Operating lease commitments

The Fund is committed to operating leases on seven motor vehicles. These leases are non-cancellable and have a term ranging between 12 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 2022 includes six car bays payable to a different lessor than the accommodation provider, at \$63,527 'Within 1 year' and \$65,369 'Later than 1 year and not later than 5 years'. In 2021 six car bays were included from a separate lessor at \$60,908 'Within 1 year' and \$125,650 'Later than 1 year and not later than 5 years'.

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

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

	2022 \$'000		2021 \$'000	
Commitments payable	Premises	Vehicles	Premises	Vehicles
Within 1 year	526	22	506	25
Later than 1 year and not later than 5 years	1,567	66	2,089	117
Later than 5 years	-	3	-	18
Total	2,093	91	2,595	160

Other expenditure commitments

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

	2022 \$'000	2021 \$'000
Administration services		
Within 1 year	618	482
Later than 1 year and not later than 5 years	641	990
Total	1,259	1,472

The Fund exercised a five-year extension for the Outsourced Administration arrangement with the Link Group in 2019, ending in financial year 2024. The amount included above under 'Administration Services' is the minimum amount payable under the outsourcing contract. The amount payable in respect of the outsourced services as outlined in the Fund's 2022/23 Statement of Corporate Intent is projected to be \$26.9 million annually, increasing each year in line with Consumer Price Index / Wage Price Index and volume projections.

Contingent liabilities

There are no contingent liabilities that have been incurred by the Fund in relation to 2022 and 2021.

Note 29: Related party transactions

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

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

30 June 2021	Pension Scheme \$'000	Gold State Super \$'000	West State Super \$'000	Parliamentary and Judges Pension \$'000	Corporate \$'000	Total \$'000
WATC loan recoup ¹	-	-	58,367	-	-	58,367
Employer contributions recoup	157,444	191,395	-	-	-	348,839
Administration expense recoup	1,509	4,709	-	494	303	7,015
Leases and shared services expenses	-	-	-	-	(819)	(819)
Total	158,953	196,104	58,367	494	(516)	413,402

¹ The amount recouped from the State Government is the same amount of loan repaid to Western Australian Treasury Corporation ('WATC') during the reporting period. The loan from WATC being fully repaid and discharged in April 2021.

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

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

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

Note 30: Explanatory statement

In accordance with *Treasurer's Instruction 945*, significant variances between budget and actual for 2022 and between the actual results for 2022 and 2021 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	2022 Actual \$'000	2022 Budget \$'000	Variance actual to budget \$'000	%	2021 Actual \$'000	Variance actual to prior year actual \$'000	%
INCOME								
Investment income								
Investment (losses)/income	(i)	(1,683,388)	1,895,143	(3,578,531)	(189)	5,057,019	(6,740,407)	(133)
Less: investment expenses	(ii)	(79,695)	(90,820)	11,125	(12)	(87,045)	7,350	(8)
Net Investment (losses)/income		(1,763,083)	1,804,323	(3,567,406)	(198)	4,969,974	(6,733,057)	(135)
Superannuation income								
Contribution income:								
Member (includes government co-contributions)	(iii)	300,504	177,189	123,315	70	235,557	64,947	28
Employer		2,066,587	1,910,303	156,284	8	1,912,886	153,701	8
Rollover into retirement products	(iv)	792,695	988,721	(196,026)	(20)	573,897	218,798	38
Inward transfer from other funds	(v)	877,392	950,098	(72,706)	(8)	778,773	98,619	13
Group life insurance proceeds		52,510	51,065	1,445	3	52,950	(440)	(1)
Other income	(vi)	6,640	7,595	(955)	(13)	7,096	(456)	(6)
Total superannuation income		4,096,328	4,084,971	11,357	0	3,561,159	535,169	15
Total Income		2,333,245	5,889,294	(3,556,049)	(60)	8,531,133	(6,197,888)	(73)
EXPENSES								
Benefits to members/beneficiaries	(vii)	3,416,456	3,446,628	30,172	1	2,875,914	(540,542)	(19)
Administration expenses	(viii)	39,893	46,818	6,925	15	42,102	2,209	5
Insurance premiums charged to member accounts		116,743	110,483	(6,260)	(6)	111,145	(5,598)	(5)
Depreciation and amortisation	(ix)	65	288	223	77	271	206	76
Changes in loans measured at fair value	(x)	-	-	-	-	(1,437)	(1,437)	100
Loan interest expenses	(xi)	-	-	-	-	1,697	1,697	100
Total Expenses		3,573,157	3,604,217	31,060	1	3,029,692	(543,465)	(18)
NET RESULT BEFORE TAX FOR THE YEAR		(1,239,912)	2,285,077	(3,524,989)	(154)	5,501,441	(6,741,353)	(123)

Notes to the Explanatory Statement

(i) Investment (losses)/income

Investment income is \$3.6 billion lower than budget and \$6.7 billion lower than the prior year.

The full year investment performance of the Fund for 2021/22 was -4.8% compared to a budget of 5.5% (2021: 6.5%). The lower than expected investment performance in the 2021/22 financial year and decrease from prior year's performance was largely due to low market performance for the year.

Details of investment income are included in Note 16.

(ii) Investment expenses

Investment expenses were \$11.1 million lower than budget.

Certain investment managers can earn a performance fee based on the performance of the assets they hold. As the difference between the investment manager's performance and the benchmark increases or decreases, so does the amount of their performance fee. With this, investment expenses were significantly lower in the 2021/22 financial year due to negative investment performance for the year.

(iii) Member contributions

Member contributions were \$123 million higher than budget and \$65 million higher than the prior year.

Both variances are due to higher than anticipated member contributions into West State Super ('WSS') and GESB Super in the 2021/22 financial year compared to 2020/21.

(iv) Rollover into retirement products

Total rollover into retirement products were \$196 million lower than budget and \$219 million higher than the prior year.

The decrease to budget is due to a lower than anticipated number of members rolling into retirement products in this financial year. These rollovers did however increase from the prior year.

(v) Inward transfer from other funds

Inward transfers from other funds were \$99 million higher than the prior year.

The increase to prior year is as a result of more members choosing to roll over their other superannuation accounts into GESB.

(vi) Other income

Other income is \$955k lower than budget.

This reduction is predominantly due to Retirement Options Service ('ROS') appointments being lower than anticipated due in most part to COVID restrictions.

(vii) Benefits to members/beneficiaries

Total superannuation benefits were \$540 million higher than prior year. This is a direct result of more members drawing down on their superannuation accounts.

(viii) Administration expenses

Refer to Note 18.

(ix) Depreciation and amortisation

Refer to Note 19.

(x) Changes in loans measured at fair value

No changes in loans measured at fair value in the current year due to the loan from Western Australian Treasury Corporation ('WATC') being fully repaid and discharged in the prior year.

(xi) Loan interest expenses

No loan interest expenses in the current year due to loan from WATC being fully repaid and discharged in the prior year.

Note 31: Summary of actuarial report

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

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

Effective date of the latest actuarial investigation

The effective date of the latest valuation was 30 June 2022.

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 2022 was as stated in the table below:

	2022 \$'000
Total net assets	33,161,661
<i>Less: Net assets for defined contribution schemes</i>	
West State Super	17,861,732
GESB Super	6,287,941
Retirement Income	5,908,138
Term Allocated Pension	14,550
<i>Less: Reserves</i>	230,602
Net assets for defined benefit schemes	2,858,698
<i>Less: Accrued actuarial funded liabilities for defined benefit schemes</i>	
Pension Scheme	69,643
Gold State Super	2,102,267
Net position	686,788

Financial condition of each scheme as at reporting date

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

(i) Pension Scheme

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

(ii) Gold State Super

The Actuary reported that the financial position of Gold State Super has deteriorated over the year since the last actuarial investigation due primarily to a lower than expected investment return of -5.1% during the reporting period, but still remains in a strong position.

Note 32: Supplementary financial information

The write-offs approved by the Board during the current financial year were \$90,460 (2021: \$160,096).

There have been no losses through theft, default and other causes, and no forgiveness of debts or gifts of public property during the financial year.

Note 33: Significant events after balance date

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

Independent audit opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022

Government Employees Superannuation Board (GESB)

To the Parliament of Western Australia

Report on the audit of the financial statements

Opinion

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

- the Statement of Financial Position at 30 June 2022, and the Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves and Statement of Cash Flows for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are:

- based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Government Employees Superannuation Board for the year ended 30 June 2022 and the financial position at the end of that period
- in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for opinion

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

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

Responsibilities of the Board for the financial statements

The Board is responsible for:

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at:

https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

Report on the audit of controls

Opinion

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

In my opinion, in all material respects, the controls exercised by the Government Employees Superannuation Board are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2022.

The Board's responsibilities

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

Auditor General's responsibilities

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

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

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

Limitations of controls

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

Report on the audit of the key performance indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Government Employees Superannuation Board (GESB) for the year ended 30 June 2022. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Government Employees Superannuation Board are relevant and appropriate to assist users to assess GESB's performance and fairly represent indicated performance for the year ended 30 June 2022.

The Board's responsibilities for the key performance indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal 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 responsibilities

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

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

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

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

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with 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.

Other information

The Board is responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial statements, key performance indicators and my auditor's report.

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

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

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

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

This auditor's report relates to the financial statements, and key performance indicators of the Government Employees Superannuation Board (GESB) for the year ended 30 June 2022 included in the annual report on GESB's website. GESB's management is responsible for the integrity of GESB's website. This audit does not provide assurance on the integrity of GESB's website. The auditor's report refers only to the financial statements, controls and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version.



Caroline Spencer
Auditor General for Western Australia
Perth, Western Australia
5 September 2022

Certification of key performance indicators

In the opinion of the Board, the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of the Government Employees Superannuation Board (GESB), and fairly represent the performance of GESB for the financial year ended 30 June 2022.



J Gaines
Chair

1 September 2022



F Sciarrone
Director

1 September 2022

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 2021/22.

GESB's outcome

GESB has statutory obligations under its enabling legislation to administer superannuation schemes and provide products and services to our members. In doing this, we are obligated to act in the best interests of our members. GESB's outcome, 'improved long term superannuation benefits of our members', contributes to the State Government goal of 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 our outcomes, 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 91% (6-10 out of 10 ratings) for the 2021/22 financial year, against a target of 80%, with 82% of members rating the service as 8-10 out of 10. The main contributor to exceeding target was having service representatives who demonstrated trustworthiness, expertise and knowledge and were able to satisfy member queries at the first point of contact.

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

A quarterly sample of at least 3,000 members, who have contacted GESB, ensures a minimum sample of n=300 respondents is achieved per quarter, assuming a response rate of 10%. This generates a margin of error of $\pm 2.20\%$ on an annual sample of n=2,638 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 2021/22 financial year to ensure they are representative. After weighting, the effective sample size for the year is 1,909.

	Actual 19/20	Actual 20/21	Target 21/22	Actual 21/22
Percentage who are fairly satisfied, satisfied or extremely satisfied	90%	90%	80%	91%

2. Investment performance against objectives

Changes to objectives since last year

There were no changes to investment return objectives in 2021/22. However, some minor changes to Strategic Asset Allocations were made to assist in achieving the investment objectives.

The changes were approved by the Treasurer of Western Australian in August 2021 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 achieve a return of at least the Bloomberg AusBond Bank Bill Index over rolling 12-month periods. Returns are measured after investment fees and before tax.

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

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

Over their respective periods to 30 June 2022, the performance of the Growth plans exceeded their primary investment objectives reflecting strong returns from growth assets over each time horizon. Conservative plans have fallen behind their primary investment objectives, though within tolerance levels expected by the Board, due to the historically low returns from Cash and recent negative returns from Investment Grade Bonds. The Balanced plans (including My West State Super and My GESB Super) performed broadly in line with their investment objectives.

Secondary objectives

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

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

Conservative and Balanced plans (including My West State Super and My GESB Super) lagged their secondary objectives for the three-year period to June 2022, though within tolerance levels expected by the Board. Plan returns were negatively impacted by below benchmark returns from the underlying Defensive Alternatives and Medium Risk Alternatives asset classes. The negative impact more than offset the above benchmark returns from other asset classes including Australian Equities, International Equities and Investment Grade Bonds. Growth plans, which have a higher allocation to Australian and International Equities, performed broadly in line with their secondary objectives.

The tables on the next page show actual investment performance compared to performance targets for each plan.

Performance of West State Super plans

Investment plan	Objective	Net plan return % p.a. ¹	Target % p.a. ¹	Relative performance % p.a.
Cash plan	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the Bloomberg AusBond Bank Bill Index over rolling 12-month periods 	0.23	0.10	0.13
Conservative plan	<ul style="list-style-type: none"> Achieve a return after investment fees of at least CPI +2.0% p.a. over rolling five-year periods 	2.84	4.64	(1.80)
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	1.13	1.38	(0.25)
My West State Super plan	<ul style="list-style-type: none"> Achieve a return after investment fees of at least CPI +3.0% p.a. over rolling seven-year periods 	5.24	5.31	(0.07)
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	3.20	3.48	(0.28)
Growth plan	<ul style="list-style-type: none"> Achieve a return after investment fees of at least CPI +4.0% p.a. over rolling ten-year periods 	8.35	6.31	2.04
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	3.90	3.96	(0.06)

¹ The first objective for all plans is the primary and where applicable, the second is the secondary. All plan returns are reported net of investment fees and costs when compared against a net investment return target for CPI plus objectives, a gross investment return target for secondary objectives and the Cash plan primary objective. This includes all of the investment costs and any additional underlying costs relating to the investment. Net returns are the returns that members receive and are based on final audited numbers.

Performance of GESB Super plans

Investment plan	Objective	Net plan return % p.a. ²	Target % p.a. ²	Relative performance % p.a.
Cash plan	<ul style="list-style-type: none"> Achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12-month periods 	0.23	0.10	0.13
Conservative plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +2.0% p.a. over rolling five-year periods 	3.08	4.64	(1.56)
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	1.47	1.69	(0.22)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +2.5% p.a. over rolling six-year periods 	4.94	5.02	(0.08)
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	2.47	2.70	(0.23)
My GESB Super plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +3.0% p.a. over rolling seven-year periods 	5.26	5.31	(0.05)
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	3.72	3.86	(0.14)
Growth plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +4.0% p.a. over rolling ten-year periods 	8.25	6.31	1.94
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	4.52	4.58	(0.06)

² The first objective for all plans is the primary and where applicable, the second is the secondary. All plan returns are reported net of investment fees and costs and applicable taxes when compared against a net investment return target for CPI plus objectives and net of investment fees and costs only when compared against a gross investment return target for secondary objectives and the Cash plan primary objective. This includes all of the investment costs and any additional underlying costs relating to the investment. Net returns are the returns that members receive and are based on final audited numbers.

Performance of Retirement Products

Allocated Pension

Investment plan	Objective	Net plan return % p.a. ³	Target % p.a. ³	Relative performance % p.a.
Cash plan	<ul style="list-style-type: none"> Achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12-month periods 	0.23	0.10	0.13
Conservative plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +2.0% p.a. over rolling five-year periods 	2.92	4.64	(1.72)
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	1.07	1.31	(0.24)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +3.0% p.a. over rolling seven-year periods 	5.43	5.31	0.12
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	3.02	3.27	(0.25)
Growth plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +4.0% p.a. over rolling ten-year periods 	8.56	6.31	2.25
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	3.78	3.75	0.03

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

Transition to Retirement Pension

Investment plan	Objective	Net plan return % p.a. ⁴	Target % p.a. ⁴	Relative performance % p.a.
Cash plan	<ul style="list-style-type: none"> Achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12-month periods 	0.23	0.10	0.13
Conservative plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +2.0% p.a. over rolling five-year periods 	2.72	4.64	(1.92)
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	1.06	1.31	(0.25)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +3.0% p.a. over rolling seven-year periods 	N/A	5.31	N/A
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	3.02	3.27	(0.25)
Growth plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +4.0% p.a. over rolling ten-year periods 	N/A	6.31	N/A
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	3.82	3.75	0.07

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

Retirement Income – Term Allocated Pension

Investment plan	Objective	Net plan return % p.a. ⁵	Target % p.a. ⁵	Relative performance % p.a.
Cash plan	<ul style="list-style-type: none"> Achieve a return after investment fees and before tax of at least the Bloomberg AusBond Bank Bill Index over rolling 12-month periods 	0.22	0.10	0.12
Conservative plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +2.0% p.a. over rolling five-year periods 	2.92	4.64	(1.72)
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	1.08	1.31	(0.23)
Balanced plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +3.0% p.a. over rolling seven-year periods 	5.45	5.31	0.14
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	3.03	3.27	(0.24)
Growth plan	<ul style="list-style-type: none"> Achieve a return after investment fees and tax of at least CPI +4.0% p.a. over rolling ten-year periods 	8.44	6.31	2.13
	<ul style="list-style-type: none"> Achieve a return after investment fees of at least the asset weighted benchmark return over rolling three-year periods 	3.76	3.75	0.01

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

Gold State Super, Pension and Provident Account Schemes

Investment plan	Objective	Net plan return % p.a. ⁶	Target % p.a. ⁶	Relative performance % p.a.
Gold State, Pension and Provident Account	<ul style="list-style-type: none"> Achieve a return after fees of at least AWE +2.5% p.a. over rolling five-year periods 	5.64	5.19	0.45
	<ul style="list-style-type: none"> Achieve a return after fees of at least the asset weighted benchmark return over rolling three-year periods 	3.88	4.14	(0.26)

⁶ The first objective for all plans is the primary and the second is the secondary. All scheme returns are reported net of investment fees and costs when compared against a net investment return target for AWE plus objectives and a gross investment return target for secondary objectives. This includes all of the investment costs and any additional underlying costs relating to the investment. Net returns are the returns received by the schemes and are based on final audited numbers.

Key efficiency indicators

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

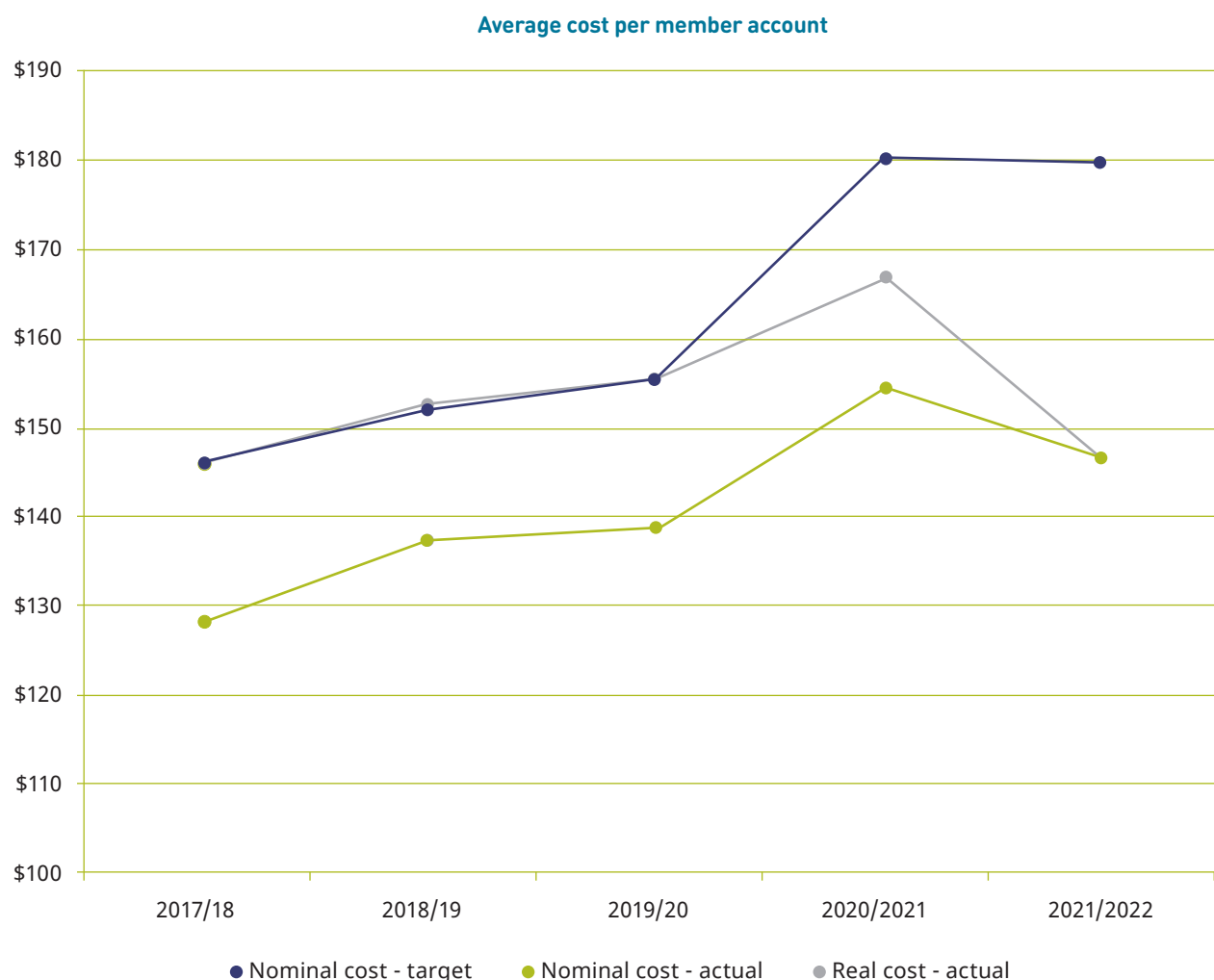
1. Average administration cost per member account

The average cost per member of administering the schemes has decreased by 12.3% in real terms and 5.8% in nominal terms compared to the previous year and was 18.7% below target. Cost per member has decreased in 2021/22 compared to 2020/21 due in part to a decision to pay an insurance premium of \$2m to AIA to cover claims resulting from Total and Permanent Disability (TPD) definition changes in 2020/21, whereas this was only \$550k in 2021/22. Another factor is less than planned expenditure on projects during 2021/22. Refer to Note 18 within the Financial Statements for more details on Administration Expenses.

Cost per member account is lower than budgeted for both Accumulation and Defined Benefit Schemes predominantly due to lower than budget administration expenses in the year. This was primarily driven by lower than planned spend on projects and other administration expenses (memberships, contracts and clearing house costs) in 2021/22. Again, please refer to Note 18 of the Financial Statements for more detail.

	2017/18	2018/19	2019/20	2020/21	2021/22
Nominal cost – target	\$145.79	\$151.87	\$155.24	\$180.96	\$180.65
Nominal cost – actual	\$127.82	\$136.37	\$138.84	\$155.87	\$146.87
Real cost – actual	\$145.48 ⁷	\$152.77 ⁷	\$155.38 ⁷	\$167.40 ⁷	\$146.87 ⁷

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



2. Investment Management Expense Ratio (investment management costs as a percentage of portfolio mean value invested)

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

The investment management expense ratio (IMER) for 2021/22 was 0.29%, compared to the target IMER of 0.31%. The main contributor to the difference was lower than budgeted performance fees paid to investment managers. This equated to 0.022% against a budget of 0.04%. A reduction in performance fees payable to investment managers from 2020/21 to 2021/2022 directly attributed to the 0.05% reduction in the actual IMER.

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

Investment management expense ratio	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21	Target 2021/22	Actual 2021/22
Investment management expense ratio – investment management costs as a percentage of portfolio mean value invested	0.48	0.32	0.33	0.34	0.31	0.29

Appendix 1

Government goals

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

Sustainable finances

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

Appendix 2

Governing Legislation

During 2021/22, GESB operated under the following State governing legislation:

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

State legislation impacting on activities

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

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

Significant Commonwealth legislation that directly or indirectly impact GESB

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

¹ The provisions of the *Superannuation and Family Benefits Act 1938* are deemed to continue under Section 26 of the *State Superannuation (Transitional and Consequential Provisions) Act 2000*.

² While not required to comply with this legislation, as a matter of best practice GESB has implemented a Privacy Policy and procedures that adopt the guiding principles of the *Privacy Act 1988*.

Appendix 3

The Budget estimate 2022/23 reflects the Statement of changes in net assets and the Statement of net assets set out in GESB's 2022/23 Statement of Corporate Intent. Budget estimates conform with AASB 1056.

Budget estimate 2022/23

Statement of changes in net assets

	Budget 2023
For the financial year ending 30th June 2023	\$'000
Net assets available to pay benefits at the beginning of the financial year	37,111,203
Revenue	
Investment revenue	
Realised income	639,334
Realised changes in net market value of investment assets	639,334
Unrealised changes in net market value of investment assets	852,445
Income from investment	2,131,114
Superannuation revenue	
Contributions	
Member	214,948
Employer	1,882,800
Rollover into retirement products	917,599
Inward transfers	915,890
Member insurance benefits received	51,442
Other income	7,358
	3,990,036
Total revenue	6,121,150
Expenses	
Superannuation benefit payments	3,245,206
Administration expenses	47,523
Group life insurance premiums	110,865
Investment expenses	84,087
Changes in net market value of other assets	288
Total expenses	3,487,968
Changes in net assets before income tax	2,633,181
Income tax expense	(225,140)
Changes in net assets after income tax	2,408,041
Net assets available to pay benefits at the end of the financial year	39,519,244

Statement of net assets

For the financial year ending 30th June 2023	Budget 2023 \$'000
Assets	
Cash and cash equivalents	5,059
Investments	39,571,959
Plant and equipment	169
Intangible assets	560
Receivables	17,628
Prepayments	823
Deferred tax assets	5,609
Total assets	39,601,807
Liabilities	
Contributions paid in advance	1,952
Unpaid and accrued liabilities	231
Payables	26,836
Provision for employee entitlements	1,231
Provision for post employment liabilities	548
Interest bearing loans and borrowings	-
Current tax liabilities	51,765
Total liabilities	82,563
Net assets available to pay benefits	39,519,244

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