

Actuarial Investigation as at 30 June 2025

Government Employees Superannuation Fund

Gold State Super

Pension Scheme (including Provident Account)

West State Super

28 August 2025

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Key Results and Recommendations

This report on the actuarial investigation as at 30 June 2025 of the Government Employees Superannuation Fund (the Fund), has been prepared for the Government Employees Superannuation Board (GESB).

Whilst this actuarial investigation includes information for the Fund as a whole, the primary focus is on the financial position of the defined benefit schemes: Gold State Super (GSS) and the Pension Scheme (PS), and the adequacy of the reserve held for the minimum benefit guarantee and the self-insured death and disability benefits of West State Super (WSS).

Summary of Financial Results

The net financial position of the defined benefit schemes as at 30 June 2025 is shown in the table below. The financial position for the previous four years is also shown for comparison:

Financial Position as at 30 June	2021 (\$million)	2022 (\$million)	2023 (\$million)	2024 (\$million)	2025 (\$million)
Total net assets	34,527.2	33,161.6	36,039.5	39,611.9	43,806.4
less					
West State Super	18,885.9	17,861.7	19,046.7	20,480.6	22,053.5
GESB Super	6,212.4	6,287.9	7,411.1	8,741.1	10,365.1
Retirement Income	6,016.1	5,908.1	6,243.7	6,808.8	7,638.5
Term Allocated Pension	16.8	14.6	14.0	12.8	11.8
Total Reserves	250.6	230.6	238.3	240.7	252.4
Net assets for defined benefit schemes	3,145.4	2,858.7	3,085.7	3,327.9	3,485.0
Accrued Funded Liabilities					
Gold State Super	2,150.5	2,102.3	2,131.7	2,119.1	1,934.2
Pension Scheme	76.1	69.6	64.3	61.0	54.7
Net financial position	918.8	686.8	889.7	1,147.8	1,496.1
Net financial position as % of funded defined benefit liabilities	41.3%	31.6%	40.5%	52.6%	75.2%

Due to rounding some figures may not add to the totals shown in the table.

The overall financial position of the Fund has improved since the previous actuarial investigation as at 30 June 2024 primarily due to investment returns on the existing surplus assets, and the investment return for the defined benefit schemes of 11.5% for the year being higher than the previously assumed return of 6.0% per annum. Additionally, the change in financial and demographic assumptions on which the liabilities are valued have contributed favourably to the surplus.

The combined funding percentage in respect of the accrued funded liabilities for GSS and the PS has increased from 152.6% at 30 June 2024 to 175.2% of funded liabilities at 30 June 2025.

The table also shows that there can be considerable variation in the net financial position from year to year.

The funding percentage expressed in terms of the accrued liabilities (that is, assets as a percentage of total funded and unfunded liabilities) for GSS is 75.1% (64.7% in 2024), and for the PS is 8.1% (7.2% in 2024).

Our Recommendations

Gold State Super (GSS)

The financial position of GSS has further strengthened since the last actuarial investigation, with Scheme assets exceeding the funded share of accrued liabilities by 75.3%. Under the current investment strategy and contribution rate settings this position is expected to continue to improve, as the number of members continues to reduce and the existing surplus is spread across a smaller number of members.

The weighted average term of the defined benefit liabilities (funded and unfunded) is approximately eight years (an increase from last year due to revised demographic assumptions). However, as the majority of the liability relates to deferred members who could elect to take their benefit at any time, there is a risk that the duration could be much shorter, increasing the liquidity required by the Scheme and the level of recoupments required to be paid by the State Government. Over the remaining life of the Scheme, it is expected that the term of the liabilities will continue to shorten and the proportion of liabilities linked to Perth CPI (rather than salary inflation) will continue to increase.

In the previous actuarial investigation as at 30 June 2024, we recommended that the Board, in conjunction with Treasury, consider:

- reducing the recoupment percentage and employer contribution rate; and
- developing an appropriate and gradual “de-risking” of the investment strategy.

In June 2025, Mercer prepared some additional information to show the likely impact of portability on the expected recoupments required to be paid by the State Government. We concluded that if there was a desire to minimise the impact of portability on the expected level of recoupments, any reduction in recoupment rate should be made at the same time that portability is introduced.

This actuarial investigation report includes updated information regarding the likely impact of portability, and the contribution recommendations are based on the assumption that portability will be introduced from 1 July 2026.

Impact of De-risking

I am satisfied that the current investment strategy remains appropriate, in view of the extremely strong financial position of the Scheme. However, it would be prudent for the Board, in conjunction with Treasury, to continue its regular review of the current prudential guidelines for investments. In particular, consideration could be given to the development of an appropriate de-risking strategy. A gradual “de-risking” of the investment strategy would move the growth allocation to more defensive assets, in order to reduce the expected volatility of investment returns. This could be expected to result in lower investment returns and therefore a higher overall cost to the employers, but with greater predictability.

In this report we have considered (at a high level) the potential impact of de-risking of the investment strategy on the short-term and longer-term employer contribution requirements. We can prepare additional information to assist the Board and Treasury in considering a change in investment strategy if required.

Based on the current investment strategy, the recommended minimum funding level is 125% of accrued funded liabilities.

We do not expect de-risking to have a significant impact on the value of assets required to support the payment of funded liabilities or the short-term contribution requirements. That is, although de-risking would increase the “best estimate” value of liabilities (due to the lower expected investment returns), it would also decrease the recommended buffer to be held to protect against adverse experience (due to the lower expected volatility of returns). In broad terms, these two impacts are expected to approximately offset each other. In the longer term, the required recoupments and employer contribution rates are expected to be higher under a de-risked investment strategy than under the current investment strategy, but still lower than the rates recommended in this report.

However, if there is an appetite to explore de-risking in the near future (say the next three years), we recommend that a minimum funding level of 135% of accrued funded liabilities (an additional margin of 10% of accrued funded liabilities compared with the current recommended minimum) be maintained. This would provide an additional buffer against short-term fluctuations in investment values, as well as any minor variation in the recommended minimum funding level following the implementation of de-risking.

Recommended Contribution Rates

If the Board and Treasury intend to maintain the current investment strategy for at least the next three years, the recoupment percentage could be reduced from 73.6% to 49.3%, and the employer contribution rate from 15% to 5.15% for an initial period of three years commencing 1 July 2026. These reductions would maintain the minimum recommended margin of 25% of accrued funded liabilities.

If the Board or Treasury would like to explore de-risking the investment strategy within the next three years, or a more conservative approach is preferred, we recommend reducing the recoupment percentage from 73.6% to 55.2%, and the employer contribution rate from 15% to 6.51% for an initial period of three years commencing 1 July 2026. These reductions would maintain a margin of 35% of accrued funded liabilities.

In either case:

- the reductions in the recoupment rate would be expected to approximately offset any increase in recoupments required as a result of portability; and
- further reductions could be made over time, if experience is no less favourable than the adverse assumptions adopted for this report.

Maintaining a higher buffer will reduce the risk of future increases in the recoupment percentage being required, but increases the risk that there will be surplus assets remaining in the Scheme following the payment of the final benefits.

We do not recommend maintaining the current recoupment percentage indefinitely (or until the requirement recoupment percentage falls to zero), due to the risk of “over funding”: that is, the Scheme building up more assets than are needed to fully fund benefits. At present there is no clear mechanism by which surplus assets can be returned to Government, meaning that such assets would need to remain in the Scheme at least until the final benefit had been paid.

Reducing the recoupment percentage earlier (but more gradually) would provide the Board and the Treasurer with greater control over the build up of assets, reducing the risk of significant over funding. Earlier reductions to the employer contribution rate are also considered preferable from a fairness perspective: to ensure that funded employers receive a meaningful reduction in contributions prior to members retiring.

We recommend the Board discuss the available options with Treasury.

If the introduction of portability is deferred beyond 30 June 2027, we recommend that the Board discuss with Treasury whether it wishes to continue to defer any reduction in recoupment rates until portability is introduced.

Pension Scheme (PS)

We note that the PS Rules suggest that surplus assets should be used to finance future indexation of the pensions. The Board may wish to explore this option.

We are 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.

We note that expenses incurred by GESB in administering the PS are appropriated from the Consolidated Account each year.

West State Super (WSS)

The WSS Government Guaranteed Payments Reserve (WGGPR) is expected to be sufficient to meet all future payments in respect of the Minimum Benefit Guarantee and the death and disability claims which are not covered by external insurance.

The level of 'top up' payments has increased significantly in the last five years, which is likely due to the recent increases in Superannuation Guarantee (SG) rates (on which members' statutory insurance cover is based). These top up payments are now expected to peak in 2025/26 when the SG rate increases to 12%, reducing thereafter as the number of members eligible for statutory insurance and the average level of statutory insurance continues to decline. It is recommended that GESB continue to monitor the emerging self-insurance claims experience, particularly in relation to 'top up' payments.

I welcome any questions relating to the need for any supplementary information or explanation about this actuarial investigation.

Prepared by:



Esther Conway

Fellow of the Institute of Actuaries of Australia

28 August 2025

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Introduction

Background

This report on the actuarial investigation as at 30 June 2025 of the Government Employees Superannuation Fund (the Fund), has been prepared for the Government Employees Superannuation Board (GESB). The Fund comprises the following superannuation schemes:

- Gold State Super (GSS);
- the Pension Scheme (PS), including the Provident Account;
- West State Super (WSS);
- GESB Super, including Retirement Access; and
- the Retirement Income Schemes (RIS), including both account-based pensions and term allocated pensions.

The Fund is an exempt public sector superannuation scheme for the purposes of the *Superannuation Industry (Supervision) Act 1993*. The Fund is deemed to be a complying superannuation fund for Superannuation Guarantee purposes under the *Superannuation Guarantee (Administration) Act 1992* and for income tax purposes under the *Income Tax Assessment Act 1936*. GSS, PS and WSS are constitutionally protected superannuation schemes (as defined in the Income Tax Assessment legislation), and are therefore not required to pay tax.

Scope and Purpose

The *State Superannuation Act 2000* requires an actuarial investigation into the state and sufficiency of the Fund be carried out at least every three years.

The main purposes of the investigation are to:

- establish the financial state of the Fund;
- assess the adequacy of future member and employer financing;
- assess the adequacy of the proportion of the benefits paid from the Consolidated Account in respect of unfunded benefits; and
- review the reserves held by the Fund in respect of the WSS minimum benefit guarantee and the self-insured death and disability benefits.

Whilst this actuarial investigation includes information for the Fund as a whole, the primary focus is on the financial position of the defined benefit schemes: Gold State Super (GSS) and the Pension Scheme (PS), and the adequacy of the reserve held for the minimum benefit guarantee and the self-insured death and disability benefits of West State Super (WSS).

The scope of this investigation does not include a review of the accumulation schemes (other than the WSS reserve mentioned above) or the adequacy of the operational risk reserve or the general accumulation reserve.

This report considers both the funded and unfunded benefit liabilities. However, it should be noted that Fund assets are only held in respect of funded benefits.

The previous actuarial investigation was conducted by me as at 30 June 2024, and the results are contained in a report dated 15 August 2024.

Overview of Benefits and Funding

This section provides a high level summary of the benefits provided by the schemes and considers the funding framework in place to pay for these benefits. More detail on the design of the defined benefits is provided in Appendix A.

Gold State Super

GSS members receive lump sum defined benefits on retirement, death or disablement. These benefits are fully funded or partly funded, dependent on the status of each participating employer. Funded benefits are provided by employers who make regular contributions to GSS to cover the cost of benefits as they accrue, whereas partly funded benefits are provided by employers who make payments when benefits fall due on a pay-as-you-go basis, in respect of the relevant service. All active members make regular contributions to the Fund.

The cost of any unfunded benefits is charged to the Consolidated Account at the time the benefits are paid, so that the Fund is only required to meet the cost in respect of funded benefits. The recoupment is calculated as a fixed proportion of retirement benefits accrued with employers who provide unfunded benefits. This proportion is called the Recoupment Percentage and is reviewed periodically by the Fund Actuary.

In respect of death or disablement benefits, the funding of accrued (or past service) benefits is treated in the same manner as retirement benefits whereas the benefits relating to future service are unfunded and fully recouped from the Consolidated Account for employees of Treasury funded agencies. However for employees of other agencies, the Fund bears the full cost of all death and disablement claims.

In addition to their normal benefits, GSS members who have transferred from the PS receive a lump sum reflecting the value of their accrued pension benefits as at the date of transfer.

From 1 January 2008, GSS members are able to access 100% of their accrued retirement benefits prior to actual retirement thereby enabling them to participate in the transition to retirement provisions introduced by the Australian Government. The payments of these lump sum benefits (paid after the preservation age) are treated in the same manner as other retirement benefits through the operation of the Recoupment Percentage. However, when the member finally retires, their benefit is reduced by an offset multiple due to the earlier payment of the transition to retirement benefit.

We understand that GESB has discussed various portability options with Treasury and it is expected that the option to permit some or all deferred members to roll over their benefit to another superannuation fund will be introduced from 1 July 2026.

GSS is an untaxed scheme; that is, no contributions or investment earnings tax is payable by the scheme. However, tax is payable by the member on receipt of a benefit.

Pension Scheme

The PS provides pensions to members, commencing on their elected retirement date. The level of a member's pension is determined by a system of units. This system allows members to select the amount of their pension based on the level of their contributions. Employers do not contribute to the Fund but rather pay benefits on a pay-as-you-go basis.

However, members do contribute. Hence, the pensions are partly funded and partly unfunded:

- The **Fund Share** represents the funded, member-financed portion of the benefits;
- The **State Share** represents the unfunded, employer-financed portion of the benefits, as well as the cost of indexing both the Fund Share and State Share after pension payments have begun. The maximum State Share is a pension of 50% of final salary.

The Fund pays benefits to members as they fall due. The cost of any unfunded benefits is subsequently recouped in full from the Consolidated Account, so the PS meets the cost in respect of funded benefits only.

Pensions are indexed half-yearly by the Perth CPI, and all indexation costs are met by appropriations from the Consolidated Account. However, if the Fund has a surplus of assets for the PS, it must be made available to help meet pension indexation costs.

The PS is also an untaxed scheme; that is, no contributions or investment earnings tax is payable by the scheme. However, tax is payable by the member on receipt of a benefit.

West State Super

WSS members receive a lump sum accumulation benefit on retirement. These benefits are fully matched by assets, so there is no recoupment from the Consolidated Account when a member is paid a benefit.

Like the defined benefit schemes, WSS is an untaxed scheme; that is, no contributions or investment earnings tax is payable by the scheme. However, tax is payable by the member on receipt of a benefit.

The benefits provided to WSS members in all circumstances are calculated as:

Employer and member contributions
plus investment earnings (net of investment expenses)
less insurance premiums
less administration expenses
plus an insurance payout in the case of death or disablement.

Members have the choice of several different investment options in which to invest their contributions. No investment guarantee is provided on members' accounts, although a minimum benefit guarantee applies to benefits as at the introduction of investment choice on 1 July 2001.

Until 30 June 2008, WSS self-insured members' death and disablement benefits. From 1 July 2008, insurance has been outsourced to a third party insurer. However, WSS remains responsible for Partial and Permanent Disability (PPD) claims on an ongoing basis and the run-off in respect of pre-existing conditions following the outsourcing decision. In addition, WSS is responsible for any difference between the statutory insurance component (i.e. using the insurance formula which applied prior to 1 July 2008) and the member's actual insurance component.

Payments required as the result of the minimum benefit guarantee or self-insured death and disability claims are met from the WGGPR.

GESB Super & Retirement Income Schemes (RIS)

GESB Super and RIS are fully funded, taxed accumulation schemes. A review of the operation of these schemes, and the associated reserves, is beyond the scope of this investigation.

Significant events since the investigation date

The investment return on the defined benefit schemes assets for the period from 30 June 2025 to 18 August 2025 was 3.08%, compared to the funding assumption of 0.83% over the same period.

The Perth CPI increase for the quarter 31 March 2025 to 30 June 2025 (published in late July) was 1.90%, compared to the long term funding assumption of 0.62% over the same period.

Overall this experience is expected to have had a slight positive impact on the financial position of the two defined benefit schemes, with the positive impact of higher than assumed investment returns offsetting the negative impact of higher than assumed price inflation. This short-term experience does not affect the recommendations contained in this report.

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Experience of the Defined Benefit Schemes

Membership

The membership data used for this investigation has been supplied by MUFG Pension & Market Services (formerly Link Group), who administers the Schemes on behalf of the Board.

The membership records for GSS and the PS are provided as at 30 April 2025. We have adjusted the data to allow for contributions, benefit accruals and indexation for the period 1 May 2025 to 30 June 2025. For the PS we have assumed no change in membership status or salaries during the two months to 30 June 2025. For GSS, we have made an approximate adjustment to the liabilities to reflect known benefit payments during the two months to 30 June 2025.

We have not independently verified or audited the data provided but have performed a range of broad “reasonableness” checks and tested for consistency with previous records. We are satisfied that the data is sufficiently accurate for the purposes of the actuarial investigation. GESB has ultimate responsibility for the validity, accuracy and comprehensiveness of the membership data.

The following section summarises the membership data of GSS and the PS used for the current and previous investigations:

Gold State Super

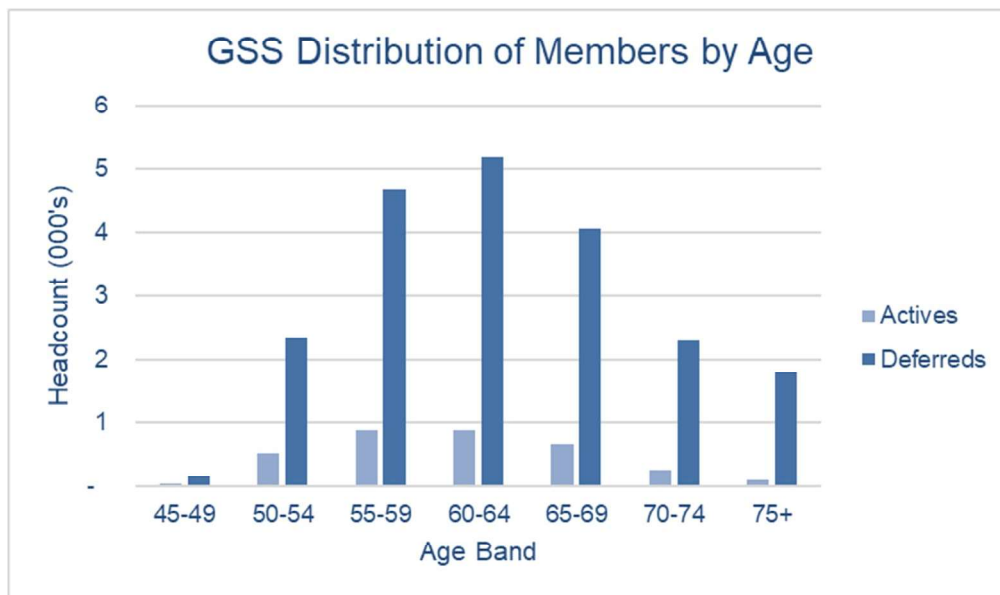
Active Members	Headcount	Average Age	Average Past Membership	Average Salary
As at 30 April 2024	3,719	60.7 years	28.9 years	\$125,149
New members*	2			
Retirements	-136			
Transfers to Deferred in GSS	-275			
As at 30 April 2025	3,310	61.2 years	29.7 years	\$128,539

* Reversal of active to deferred movement.

Deferred Members	Headcount	Average Age
As at 30 April 2024	21,265	62.4 years
New members*	-2	
Transfers from Active	275	
Retirements	-1,051	
As at 30 April 2025	20,487	63.2 years

* Reversal of active to deferred movement.

The chart below shows the age distribution of the current members in GSS at 30 April 2025:



The above graph shows the age distribution of GSS members. This shows a high proportion of members aged over 55, with about 37% of membership being expected to retire in the next six years.

Over 86% of GSS members are deferred, with 88% of these members being over 55. Approximately 64% of the funded accrued liability (and 61% of the total accrued liability) now relates to deferred members, and 61% of the funded accrued liability (and 58% of the total accrued liability) to deferred members over the age of 55. As benefits for deferred members are increased in line with Perth CPI plus 1% per annum until age 55 and Perth CPI plus 2% per annum thereafter (rather than salary growth), this means that the actual Perth CPI experience has a more significant impact on the Scheme’s overall financial position than salary growth.

Pension Scheme

Contributors	Headcount	Average Age	Average Past Membership	Average Salary
As at 30 April 2024	12	67.4 years	42.8 years	\$93,422
Retirements	-4*			
Death/Disablement	0			
As at 30 April 2025	8	70.8 years	43.2 years	\$86,835

*Includes two members who also appeared in pensioner data as at 30 April 2024, and who had not been exited from the contributor system at time of data extract.

Pensioners	Age Retirement	Invalidity	Widowed	Total
As at 30 April 2024	1,511	245	1,755	3,511
Average Age	84.5 years	82.0 years	87.9 years	86.0 years
Average Annual Pension*	\$53,417	\$46,066	\$30,528	\$41,463
Active to Pensioner	2	0	0	2
New Pensioner/Spouse Pensions	0	0	59	59
Deceased	-141	-30	-196	-367
As at 30 April 2025	1,372	215	1,618	3,205
Average Age	84.6 years	82.0 years	88.0 years	86.2 years
Average Annual Pension*	\$55,781	\$47,656	\$31,715	\$43,087
Number of Funded Pensioners** as at 30 April 2024	927	245	1,283	2,455
Number of Funded Pensioners** as at 30 April 2025	864	215	1,190	2,269

*State share

**Number of pensioners whose benefit is partially funded by Fund assets.

The few remaining contributors are all aged over 55, and all will reach their elected retirement date within seven years.

Salary Increases

The average rate of salary increase for active GSS members who remained in the scheme throughout the year was 3.0%. At the previous investigation, it was assumed increases would average 3.5% per annum. The average rate of salary increase over the last three and five years is shown in the table below:

Year	Increase (per annum)
2020-21	1.3%
2021-22	1.1%
2022-23	1.6%
2023-24	5.0%
2024-25	3.0%
Last 3 years	3.2%
Last 5 years	2.4%

The above table indicates that average salary increases during the last three years have been slightly lower than the rate assumed in the previous report.

Perth Consumer Price Index

Given that indexation is applied at different times for each Scheme, the actual experience differs slightly between the two Schemes. The table below shows separately the rate used to index GSS benefits for each financial year (based on the increase for the year to 31 March and applied from 1 July in the following year) and the rate used to index PS pensions for each financial year (based on the increase for the year to the December preceding financial year end).

Financial Year	CPI for GSS Indexation (per annum)	CPI for PS Indexation (per annum)
2020-21	1.0%	-0.1% ¹
2021-22	7.6%	5.7% ²
2022-23	5.8%	8.3%
2023-24	3.4%	3.6%
2024-25	2.8%	2.9%
3 year average	4.0%	4.9%
5 year average	4.1%	4.1%

Source: Australian Bureau of Statistics

¹ Perth CPI change was negative but treated as 0% for indexation of pensions.

² Pension increase awarded in PS for the full year was 5.6% due to adjustment for 2020-21 negative change.

At the previous investigation, it was assumed that Perth CPI increases for GSS indexation would average 3.4% for the first year (based on known indexation) and 2.5% per annum thereafter. For the PS, assumed CPI increases were 3.0% per annum for first year and 2.5% per annum thereafter, taking into account the different timing of indexation and the known experience to the date of the report.

The above table indicates that the change which is linked to Perth CPI was 0.1% lower than assumed¹ in respect of PS and 0.3% higher than assumed in respect of GSS for the 2024-25 year.

Investment Return

The assets of the GSS and the PS currently have a benchmark exposure to equities and medium risk investments of 81%. The actual allocation to these investments as at 30 June 2025 was 78.7%.

The annual investment returns are shown in the table below:

Year	Investment Return (net of fees, per annum)
2020-21	20.7%
2021-22	-5.1%
2022-23	10.2%
2023-24	11.7%
2024-25	11.5%
3 year average	11.1%
5 year average	9.5%

Source: GESB

During the last three years, the average investment return from these assets, of 11.1% per annum compound, has been higher than the assumption adopted at the previous investigation of 6.0% per annum.

¹ 2.9% actual compared with 3.0% assumed for PS and 2.8% actual compared with 2.5% assumed for GSS.

Summary of Scheme Experience

The main financial experience items affecting the Scheme's financial position during the period from 30 June 2024 to 30 June 2025 were as follows:

Item	Assumption	Scheme experience	Comment on effect
Investment returns	6.0% p.a.	11.5%	Positive effect – investments grew at a higher rate than assumed
Salary increases	3.5% p.a.	3.0%	Positive effect – benefit liabilities grew at a lower rate than assumed
Perth CPI increases (GSS)	3.4% for 2024-25* 2.5% for 2025-26 2.5% p.a. thereafter	2.8%	Slight negative effect – benefit liabilities grew at a higher rate than assumed
Pension indexation (PS)	3.0% p.a. for the first year 2.5% p.a. thereafter	2.9%	Slight positive effect – benefit liabilities grew at a lower rate than assumed ²

*Based on known Perth CPI for the year ending March 2024

The positive investment return experienced by the Scheme increased the surplus by approximately \$250 million. The lower than assumed salary increased the surplus by approximately \$4 million which was approximately offset by the CPI increases more than assumed.

In addition to the above experience, the changes in economic and demographic assumptions, as outlined in Section 4, increased the surplus by approximately \$88 million.

² Although the cost of these increases are currently met by additional employer contributions rather than Scheme assets.

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Actuarial Assumptions

The actuarial process includes projections of the Fund's possible future experience on the basis of actuarial assumptions about future experience. These assumptions include investment returns, salary increases, pension increases, rates at which members cease service for different reasons, and various other factors affecting the financial position of the Fund.

It is not expected that these assumptions will be precisely borne out in practice, but rather that in combination they will produce a model of possible future experience that is considered a suitable basis for setting the contribution rate and/or recoupment percentage.

Economic Assumptions

The most significant assumption made in estimating the cost of defined benefits is the difference between:

- the assumed investment earnings; and
- the salary and inflation increases used in the projections of future benefit payments.

This difference is commonly referred to as the "gap".

The key long-term economic assumptions adopted for this investigation are shown in the table below. Assumptions for the previous investigation are also shown for comparative purposes.

Assumption	As at 30 June 2024	As at 30 June 2025
Investment returns (after investment fees)	6.0% p.a.	6.25% p.a.
Salary increases ¹	3.5% p.a.	3.5% p.a.
Perth CPI increases (GSS)	3.4% for the first year ³ , 2.5% p.a. thereafter	2.8% for the first year ⁴ , 2.5% p.a. thereafter
Pension indexation ²	3.0% p.a. for the first year followed by 2.5% p.a. thereafter	3.0% p.a. for the first year followed by 2.5% p.a. thereafter

¹ Inclusive of promotional increases. This high level approximation is considered reasonable given the older membership of both GSS and the PS.

² No allowance for indexation is made in the calculation of funded liabilities, because in general indexation is unfunded and is met from the Consolidated Account. However, if the Fund has a surplus of assets for the PS, it must be made available to help meet pension indexation costs. Allowance for indexation of both funded and unfunded pensions is made in the calculation of unfunded liabilities, and the projected cash flows.

³ Reflecting actual increase in Perth CPI over the year ended March 2024.

⁴ Reflecting actual increase in Perth CPI over the year ended March 2025.

We have increased the investment return assumption from 6% per annum to 6.25% per annum, to reflect changes in expected future investment returns over the likely duration of the liabilities. This assumption reflects advice received from Mercer Investment Consulting regarding the expected returns from various asset classes over the estimated duration of the liabilities. Appendix C provides further details regarding the expected return of each asset class.

Based on Reserve Bank of Australia and Mercer forecasts, we have assumed Perth CPI increases of 3.0% per annum for the first year and 2.5% per annum thereafter. This assumption is the same as the previous investigation assumption.

As in previous investigations, we have adjusted the first year indexation assumption for GSS deferred benefits, to reflect the known Perth CPI increase of 2.8% for the year to March 2025 (which we understand will be applied during the year to 30 June 2026). For the PS, no adjustment was made since Perth CPI experience for the December 2024 to March 2025 quarter was approximately in line with the short term assumption of 3.0% per annum.

The salary increase assumption is based on economic forecasts for future increases in salaries as well as considering the assumptions adopted by the State Government for its superannuation disclosures. The salary increase assumption for GSS members remains at 3.5% per annum with no separate short term assumptions, maintaining the 1% margin above CPI increases in the long term.

In its financial statements, the State Government has allowed for future salary increases to be 4.0% for the first year, 4.0% in the second year and 3.0% per annum thereafter. These rates include a 0.5% allowance for promotional salary increases. Our assumption of 3.5% per annum salary increases differs slightly, but the difference is not considered material for the purpose of this report.

Sensitivities

The future is uncertain and that the actual economic experience is likely to differ from these assumptions. The sensitivity of the Fund's financial position is illustrated by considering a "lower investment return" scenario with the assumed investment return reduced by 1% per annum (i.e. a long-term assumption of 5.25% per annum), whilst keeping all other assumptions unchanged. Under this scenario, a smaller gap between the rate of investment return and the rate salary increases and inflation is assumed. However, it should be recognised that this lower investment return assumption scenario does not represent the boundary of possible future adverse outcomes and the actual return on assets could be lower.

The following table shows the effect of adopting the lower investment return assumptions rather than the main assumptions on the net financial position (i.e. Fund assets less accrued funded liabilities), with the impact of the change as a percentage of assets shown in brackets:

Scenario	Net Financial Position as at 30 June 2025 (\$million)	Change	
		(\$million)	(% of assets)
Main assumptions	1,496.1		
1% lower investment return assumptions	1,352.3	-143.7	-4.1%

It can be seen that if investment returns were 1% per annum lower than assumed, the defined benefit schemes would remain in a strong financial position.

If the salary and CPI assumptions were 1% per annum higher than assumed the impact on the net financial position would be slightly smaller than the impact of investment returns being 1% lower, since the PS does not fund pension increases and is therefore unaffected by changes in salary and CPI assumptions.

Further discussion of the sensitivity of each Scheme to changes in economic assumptions is provided in Sections 7 and 8.

Demographic Assumptions

The demographic assumptions used in preparing this report are based on a detailed analysis of the GSS and PS membership experience over the period to 30 June 2024. This analysis is set out in our report *GESB – Demographic Experience Investigation 2022-2024* dated 18 June 2025.

The most significant change made was to recognise that in recent years, many members have elected not to be paid their benefit immediately upon retirement, but instead choose to remain as a deferred member (often for several years after retirement). Thus, we have reduced the assumed 'retirement' rates and introduced a new 'withdrawal' decrement. Members who 'withdraw' from the Scheme are assumed to remain as a deferred member until age 70 (on average). This change has increased the expected term of the liabilities from 6 years to 8 years, and reduced the value of liabilities by approximately 5%.

Details of the demographic assumptions are set out in Appendix C.

The next experience investigation is due to be undertaken early in 2028, using membership data over the three-year period to 30 June 2027.

Expenses and Allocation of Contributions

Our understanding of the current arrangements to meet expenses in respect of the defined benefit schemes is that there is an annual appropriation from the Consolidated Account by WA Treasury. This means that for GSS with a recoupment percentage of 73.6% of unfunded benefits, the Fund has been required to finance 26.4% of the defined benefits. The expense arrangements do not generally affect the funding of benefits, but are taken into account in determining the appropriate employer contribution rate for a given recoupment percentage (as discussed in Section 7).

For the PS, the annual dollar based budget for expenses is directly appropriated from the Consolidated Fund by WA Treasury and has therefore been ignored in our funding calculations.

Portability

We understand that GESB has discussed various portability options with Treasury. From 1 July 2024 GSS is included in the Australian Taxation Office (ATO) unclaimed money scheme to reunite unclaimed monies with their beneficiaries.

The option to permit some or all deferred members to roll over their benefit to another superannuation fund (“portability”) is still under discussion but expected to commence from 1 July 2026.

The introduction of portability is not expected to have a material impact on the valuation balance sheet. However, it may have a material impact on the timing of benefits payments (and therefore the timing of the required recoupment payments). In projecting the future financial position of the Scheme, we have assumed that portability will be introduced from 1 July 2026, and made approximate allowance for the impact on the timing of benefit payments, based on analysis previously undertaken for the Scheme.

The assumed impact of portability on projected cashflows in the short to medium term (assuming no change in the current recoupment rate) is included in Appendix C.

However, these assumptions are highly uncertain and the impact of portability on Scheme cashflows could be significantly higher or lower than these assumptions.

5

Financial Position of the Fund

Fund Assets

We have been provided with the unaudited investment values of the units on issue for WSS, GESB Super and the RIS as at 30 June 2025. We have also been provided with the unaudited value of the total assets for the Fund as a whole, which includes these schemes as well as GSS and the PS.

For the purposes of this investigation, we have assumed a Net Asset Value at 30 June 2025 of \$43,806.4m, as shown in the Fund's draft financial statements.

Allocation of assets to schemes

In order to assess the financial position of each scheme it is necessary to allocate the Fund's assets between the various schemes.

The allocation process begins by considering the assets required for the accumulation schemes, allowing for both the value of member balances and the required reserves as determined by the Board. The remaining assets are then available for the defined benefit schemes as shown in the following table:

As at 30 June 2025	Net Value of Assets (\$million)
Fund assets	43,806.4
<i>less</i> Accumulation schemes' member balances	40,069.0
Reserves	252.4
Net assets for accumulation schemes	40,321.4
Net assets for defined benefit schemes	3,485.0

After allowing for the value of member balances in the accumulation schemes and the associated reserves, the remaining assets have been apportioned between GSS and the PS in proportion to each scheme's funded accrued liabilities, as shown below:

As at 30 June 2025	Gold State Super	Pension Scheme	Total
Total accrued funded liabilities ³	\$1,976.2m	\$54.7m	\$2,030.9m
Net assets for defined benefit schemes	\$3,391.2m	\$93.8m	\$3,485.0m
Assets as % of accrued funded liabilities			171.6%

³ Before the approximate adjustment for benefit payments for the two months to 30 June 2025.

For GSS, the funded liabilities shown are calculated according to the established approach of recognising a proportion (currently 26.4%) of any benefit accrued with a PAYG employer, together with the whole of any benefit accrued with a contributing employer.

For the PS, the funded liability is the present value of the Fund Share of the accrued pension.

Due to time constraints, the asset allocation was determined based on the valuation of each scheme's accrued funded liabilities prior to the adjustment for benefit payments during the period 1 May 2025 to 30 June 2025. If the asset allocation were determined based on the adjusted valuations, the allocation to GSS would increase slightly and the allocation to the PS would decrease slightly, but this would not have a material impact on the results or recommendations of this report.

Net Position

The net financial position of the defined benefit schemes as at 30 June 2025 is shown in the table below. The financial position for the previous four years is also shown for comparison:

Financial Position as at 30 June	2021 (\$million)	2022 (\$million)	2023 (\$million)	2024 (\$million)	2025 (\$million)
Total net assets	34,527.2	33,161.6	36,039.5	39,611.9	43,806.4
less					
West State Super	18,885.9	17,861.7	19,046.7	20,480.6	22,053.5
GESB Super	6,212.4	6,287.9	7,411.1	8,741.1	10,365.1
Retirement Income	6,016.1	5,908.1	6,243.7	6,808.8	7,638.5
Term Allocated Pension	16.8	14.6	14.0	12.8	11.8
Total Reserves	250.6	230.6	238.3	240.7	252.4
Net assets for defined benefit schemes	3,145.4	2,858.7	3,085.7	3,327.9	3,485.0
Accrued Funded Liabilities					
Gold State Super	2,150.5	2,102.3	2,131.7	2,119.1	1,934.2
Pension Scheme	76.1	69.6	64.3	61.0	54.7
Net financial position	918.8	686.8	889.7	1,147.8	1,496.1
Net financial position as % of funded defined benefit liabilities	41.3%	31.6%	40.5%	52.6%	75.2%

Due to rounding some figures may not add to the totals shown in the table.

The overall financial position of the Fund has improved since 30 June 2024 primarily due to investment returns on the existing 'surplus' assets, and the investment return for the defined benefit schemes of 11.5% for the year being higher than the previously assumed return of 6.0% per annum. Additionally, the change in financial and demographic assumptions on which the liabilities are valued, have contributed favourably to the surplus. The combined funding percentage in respect of the funded liabilities for GSS and the PS has increased from 152.6% at 30 June 2024 to 175.2% at 30 June 2025.

6

Commentary on Key Risks

Investment Policy

The assets of the defined benefits schemes are managed with a single investment strategy and a common asset allocation within the Fund.

The primary objective of the investment policy is to deliver investment performance in excess of the Average Weekly Earnings (AWE) + 2.5% per annum over rolling five-year periods. Returns are measured after investment management expenses.

The secondary performance objective is to achieve a return in excess of the schemes' asset weighted benchmark return over a rolling three-year period. The asset weighted benchmark return is the weighted average of the benchmark return for each asset class based on the schemes' Strategic Asset Allocation (SAA). The SAA is approved by the Treasurer and asset class benchmarks are determined by the Board.

The actual asset allocation and SAA for the assets supporting the funded defined benefit liabilities are as follows:

Asset Class	Actual Allocation as at 30 June 2025	Strategic Asset Allocation
Australian equities	18.5%	19.0%
Overseas equities	35.8%	36.0%
Private Equity	0.3%	0.0%
Growth	54.6%	55.0%
Property	7.4%	9.0%
Infrastructure	4.6%	5.0%
Medium Risk Alternatives	12.1%	12.0%
Part Growth and Defensive	24.1%	26.0%
Investment Grade Bonds	10.5%	10.0%
Defensive Alternatives	5.0%	5.0%
Cash	5.8%	4.0%
Defensive	21.3%	19.0%
Total	100.0%	100.0%

Source: MUFG

It can be seen that the SAA involves significant exposure to 'growth' (or partially growth) assets such as shares and property. 'Growth' assets are expected to earn higher returns over the long term compared to 'defensive' assets, but also to exhibit more variation in returns from year to year.

Given that it is not known when members will take their benefit with certainty, the exact term of the GSS liabilities is unknown. Although the majority of members are over age 55 and have either retired or are approaching retirement, Scheme experience indicates members will (on average) leave their benefits in the Scheme for several years after retirement. Based on the assumptions adopted for this investigation, the average duration of the liabilities is approximately 8 years. However, as the majority of the liability relates to deferred members who could elect to take their benefit at any time, there is a risk that the duration could be much shorter, increasing the liquidity required by the Scheme and the level of recoupments required to be paid by the State Government. Over the remaining life of the Scheme, it is expected that the term of the liabilities will continue to shorten and the proportion of liabilities linked to Perth CPI (rather than salary inflation) will continue to increase.

The Scheme's investments are expected to provide a high level of liquidity in normal circumstances. Additionally, the very strong financial position gives the Scheme significant capacity to 'ride out' the ups and downs in returns that are expected from investment strategies with substantial exposure to 'growth' assets. We do not envisage any problem for the defined benefit schemes in being able to redeem the necessary assets to meet benefit payments as they arise in the next few years.

However, given the ongoing changes in the GSS membership profile and the significant surplus, it would be prudent for the Board, in conjunction with the Treasurer, to continue its regular review of the current prudential guidelines for investments. In particular, consideration could be given to the development of an appropriate de-risking strategy (that is, modifying the investment objective and moving part or all of the defined benefit assets to a lower risk strategy), which would provide greater certainty regarding future recoupment and employment contribution rates. Because GSS benefits are not linked to investment returns a change in investment strategy would have no impact on the benefits payable to GSS members. However, consideration would need to be given to the rate of interest applied to PS member contribution accounts.

In Section 7 we have considered (at a high level) the potential impact of de-risking of the investment strategy on the short-term financial position and the expected future contribution requirements.

We can prepare additional information to assist the Board and Treasury in considering a change in investment strategy if required. We envisage this would include a more detailed assessment of the potential impact of different investment strategies on the financial position and required future contributions, as well the variability of the financial position and required future contributions.

By contrast with GSS, the PS has a small level of assets as most of the PS's benefits are funded on a pay-as-you-go basis, which results in a very small net cash outflow. Hence, we are satisfied that the investment strategy is appropriate in view of the PS's longer term cash flows and the financial support provided by the Government.

Insurance Arrangements

There are several existing insurance arrangements protecting the Fund from possible adverse experience in respect of deaths, disablements or longevity. These include:

- financial support from the Government in respect of death and disablement claims for GSS members who are employed by Treasury funded agencies;
- financial support from the Government for all pension payments from the PS; and
- a group life insurance policy with a third party covering death and Total and Permanent Disability (TPD) claims for eligible WSS and GESB Super members from 1 July 2008.

However, there are three types of claims where the Fund bears the full risk (i.e. self-insurance):

- death and disablement claims from GSS members who are employed by self-funded agencies where there is no financial support from the Government should a catastrophe or adverse experience occur. Based on the current GSS membership from self-funded agencies, it is expected that there will be 'insurance' payments in respect of future service totalling about \$92,000 for these members during the next 12 months, with a maximum amount 'at risk' of approximately \$27 million (the total additional payments if all GSS members from self-funded agencies had a claim falling due during the next 12 months).
- Partial and Permanent Disability (PPD) claims for WSS members and the run-off in respect of pre-existing conditions, especially for TPD claims.
- Any difference between the statutory insurance component payable to WSS members and the amount of the member's external insurance.

We are satisfied that GSS and WSS have sufficient reserves to meet any insurance payments required. The financial position of GSS and the adequacy of the West State Government Guaranteed Payment Reserve (WGGPR) are discussed further in Sections 7 and 9 respectively.

7

Gold State Super (GSS)

Overview

This report considers the financial position of GSS, in respect of both

- the funded portion of the GSS liabilities; and
- a comprehensive approach including both funded and unfunded benefits, which takes into account all past and future service, as well as future contributions, recoupments and total benefit payments.

The financial position of GSS has improved over the year since the last actuarial investigation due primarily to a higher than assumed investment return of 11.5% during the period, and continues to be in a very strong position. Additionally, the change in financial and demographic assumptions on which the liabilities are valued have contributed favourably to the surplus.

In the previous actuarial investigation as at 30 June 2024, we recommended that the Board consider:

- reducing the recoupment percentage and employer contribution rate; and
- developing an appropriate and gradual “de-risking” of the investment strategy.

In June 2025, Mercer prepared some additional information to show the likely impact of portability on the expected recoupments required to be paid by the State Government. We concluded that if there was a desire to minimise the impact of portability on the expected level of recoupments, any reduction in recoupment rate should be made at the same time that portability is introduced.

This actuarial investigation report includes updated information regarding the likely impact of portability, and the contribution recommendations are based on the assumption that portability will be introduced from 1 July 2026.

This report also considers (at a high level) the potential impact of de-risking of the investment strategy on the future required funding levels and contribution recommendations.

Financial Position for Accrued Funded Liabilities

The financial position of GSS as at 30 June 2025 is shown in the table below. The net asset value that has been used represents a portion of the assets allocated to the defined benefit funds by GESB as discussed in Section 5. The position as at 30 June 2024 is shown for comparison purposes.

The actuarial value of accrued liabilities shown in this table is calculated using the valuation process set out in Appendix B and the actuarial assumptions described in Appendix C.

Financial Position as at	30 June 2024 (\$million)	30 June 2025 (\$million)
Net value of assets	3,234.8	3,391.2
<u>Accrued Funded Liabilities</u>		
Current members	794.7	716.1
Deferred members	1,324.4	1,218.1
Total accrued funded liabilities	2,119.1	1,934.2
Net financial position	1,115.7	1,457.0
Net financial position as % of funded defined benefit liabilities	52.6%	75.3%

The total accrued liabilities (both funded and unfunded) for GSS are \$4,518.4 million. This corresponds to a funding percentage expressed in terms of total accrued liabilities (both funded and unfunded) of 75.1% (64.7% in 2024). This highlights that the assets are significant in comparison to the total accrued liability which is important to note when considering the investment strategy.

The value of vested benefits for GSS members as at 30 June 2025 is shown in Appendix D for AASB1056 purposes.

The weighted average term of defined benefit liabilities (including both funded and unfunded liabilities) for GSS members is 7.7 years (an increase from last year, driven primarily by the change in demographic assumptions).

Financial Position for All Liabilities (Past and Future Service)

The previous section considered accrued funded liabilities only. However, a more comprehensive approach to assessing GSS's long term financial position and required funding rates takes into account the total future benefit liabilities: funded and unfunded, and liabilities relating to future service (as well as those already accrued). This approach also allows for future contributions and future recoupments to be included in the total asset figure.

The following table shows the scheme's valuation balance sheet which treats future contributions and recoupments as an asset and future benefits (based on both past and future service) as a liability. Again, there is an improvement in the net position due to higher than assumed investment returns in the year ended 30 June 2025.

Actuarial Balance Sheet as at	30 June 2024 (\$million)	30 June 2025 (\$million)
Net value of assets	3,234.8	3,391.2
Value of future member contributions	105.3	75.1
Value of future employer contributions	48.8	35.2
Value of future recoupments	3,098.3	2,732.3
Total assets	6,487.2	6,233.8
Value of past service benefits	4,998.1	4,518.4
Value of future service benefits	355.2	240.3
Total liabilities	5,353.3	4,758.7
Net position	1,133.9	1,475.1

Under this approach, the net financial position is similar to that shown for accrued funded liabilities only, as the value of the unfunded liabilities is exactly offset by the value of future recoupments. The small difference in net position arises from the inclusion of future service liabilities and future member and employer contributions. In particular, the slightly higher net position indicates that the value of future member and employer contributions is expected to be more than sufficient to finance the funded component of future service benefits.

Sensitivity of Results

We have tested the effect of changes to the key assumptions in order to assess their effect on the value of liabilities and the net position.

The liabilities shown above have been calculated using our best estimate assumptions for investment return (6.25% per annum), salary growth (3.5% per annum) and price inflation (2.8% for the first year, 2.5% per annum thereafter). As all of these items are unknown it is almost certain that actual experience will differ from these assumptions.

It is the difference between the investment return rate and salary growth rate and price inflation (commonly referred to as the 'gap') that is crucial rather than the individual assumptions, because the value of the assets move with investment returns while liabilities grow with salaries or inflation linked indexation.

To quantify the sensitivity of the net position to our assumptions, we have calculated the change in liability based on the following scenarios:

- Salary growth and price indexation increases or decreases by 1% per annum;
- Decrease the long term investment return assumption by 1% per annum; and
- A shock scenario, where the value of net assets suddenly reduces by 10%; and
- Decrease in the long term investment return assumption by 1% per annum AND the value of net assets suddenly reduces by 10% ("Adverse assumptions").

All other assumptions, including an employer contribution rate of 15% and a recoupment percentage of 73.6%, are assumed to remain the same.

The effects of these changes are shown below, with the impact of the change as a percentage of assets shown in brackets:

Scenario	Net Position as at 30 June 2025 (\$million)	Change	
		(\$million)	(% of assets)
Main assumptions	1,475.1		
Decrease salary increase and price indexation by 1% p.a.	1,595.0	119.9	3.5%
Increase salary increase and price indexation by 1% p.a.	1,342.6	-132.5	-3.9%
Decrease investment return by 1% p.a.	1,325.2	-149.9	-4.4%
Shock scenario – immediate 10% reduction in net value of assets	1,136.0	-339.1	-10.0%
Adverse assumptions	986.0	-489.1	-14.4%

The GSS is expected to remain in a significant surplus position under the scenarios outlined above.

Scheme Rules

Employer Contribution Rate

Under the Regulations, the rate of employer contributions (ECR, as a percentage of salary) is determined by the formula:

$$\text{ECR} = T \times \text{MCR}$$

Where

MCR is the member contribution rate, and

T is 2.4, or such other rate as is determined by the Treasury with the advice of an actuary.

T is currently 3.0.

The requirement to obtain the advice of an actuary suggests that the employer contribution rate should be adjusted from time to time to reflect the emerging experience of the Scheme and ensure that the relevant employers contribute an appropriate amount towards the funding of benefits.

Recoupment Percentage

The recoupment required in respect of each member is the amount, determined by the Board with the concurrence of the Treasurer, to be equal to so much of the member's benefit as is not attributable to contributions made to the Fund by or in respect of the member.

Again, this suggests that the recoupments would be adjusted from time to time to reflect the experience of the Scheme.

Historically, the employer contribution rate and the recoupment percentage have been adjusted at the same time, using the following equation:

$$\text{Recoupment percentage} = \text{ECR} / (\text{ECR} + 5\%)$$

Prior to 2012 expenses were met via the Fund, and allowed for in the recoupment percentage (and the employer contribution rate). From 2012 expenses commenced being paid directly from the Consolidated Account, and the recoupment percentage was reduced by 1.4% to reflect this change.

That is, the recoupment percentage is now calculated as:

$$\text{Recoupment percentage} = \text{ECR} / (\text{ECR} + 5\%) - \text{Expense Allowance}$$

For this purpose we have assumed an expense allowance of 1.4%, consistent with past calculations.

Although historically the employer contribution rate and recoupment percentage have been linked, this is not a requirement of the Regulations. That is, it would be possible for Treasurer, in conjunction with the Board, to adjust the employer contribution rate and not the recoupment rate, or vice versa.

Other Considerations

Given the very strong financial position, future reductions in the recoupment percentage and employer contribution rates are expected.

In respect of the Government, the timing of these reductions would normally not have a material impact on the total recoupments payable. That is, to the extent that current recoupments are higher than necessary, there will be a corresponding reduction in future recoupments.

However, there is a limit to this, in that the recoupment percentage cannot be reduced below zero. That is, even if Scheme assets are more than sufficient to pay all benefits, there is no mechanism in the Scheme rules for the excess assets to be returned to the Government. Although it may be possible for the Government to access these assets in some way once all benefits have been paid, it would seem preferable to reduce the likelihood of significant surplus assets arising. Reducing the recoupment percentage earlier provides the Government with greater control over the build up of surplus assets, as it reduces the likelihood of the required recoupment percentage falling below zero in the future.

Additionally, in respect of funded employers, the timing of the reductions has a significant impact on the total contributions payable. Employer contributions are paid during the period of each member's employment. As members age and continue to retire, the impact of any reduction in the employer contribution rate will reduce over time.

For these reasons, we believe that earlier reductions in employer contributions and recoupments are preferable to maintaining the current rates with a view to reducing recoupments to zero in the future.

Alternative Employer Contribution and Recoupment Rates

In order to reduce the net position under the main assumptions to zero, the recoupment percentage would need to be reduced to approximately 34.4% (and the employer contribution rate to 2.79%).

A zero net position indicates that assets and future recoupments would be exactly sufficient to finance future benefit payments, if experience was in line with the valuation assumptions. These figures provide an indication of the average future recoupments and employer contributions which will be required if the valuation assumptions are borne out in practice. However, reducing future employer contributions to these levels would leave no buffer against adverse experience and is not recommended.

Understanding the Board's preference to avoid unexpected increases in the recoupment percentage, we recommend that the Board continues to maintain a surplus of assets over accrued funded liabilities for the time being. However, it would be reasonable to reduce the surplus to 25% (compared with the current 75.3% surplus shown in the first table in this Section 7).

We expect that this buffer could be further reduced over time, as the value of liabilities continues to reduce and the potential impact of adverse experience becomes less financially significant to the Government.

The following table shows the impact of reducing the recoupment percentage from 73.6% to 49.3%, and the employer contribution rate from 15% to 5.15% (corresponding to the minimum 25% surplus described above) under the main assumptions and the adverse assumptions described above. This would reduce the total value of future recoupments and employer contributions by \$914 million, with a corresponding reduction in the net position.

It also shows the impact of an alternative scenario, under which the recoupment percentage would reduce from 73.6% to 55.2% and the employer contribution rate would reduce from 15% to 6.51% (which would maintain a 35% surplus). This would reduce the total value of future recoupments and employer contributions by \$692 million, with a corresponding reduction in the net position.

Scenario	Net Position as at	Change	
	30 June 2025 (\$million)	(\$million)	(% of current assets)
Main assumptions (73.6% recoups)	1,475.1		
Main assumptions (55.2% recoups)	783.2	-691.9	-20.4%
Main assumptions (49.3% recoups)	561.4	-913.7	-26.9%
Adverse assumptions (73.6% recoups)	986.0	-489.1	-14.4%
Adverse assumptions (55.2% recoups)	242.1	-1,233.0	-36.4%
Adverse assumptions (49.3% recoups)	3.5	-1,471.6	-43.4%

The GSS is expected to remain in surplus under all of the scenarios outlined above, indicating that further reductions to the recoupment percentage could be made over time, if experience were no less favourable than the adverse assumptions.

Alternative Investment Strategy

Both this report and previous actuarial investigation reports have suggested that the Board, in conjunction with the Treasurer, consider developing an appropriate “de-risking” strategy for Scheme assets. This would involve modifying the investment objective and moving some or all of the assets to a lower risk investment strategy, in order to reduce the volatility of returns. However, such an approach would also reduce expected returns, and increase the expected total future contributions and recoupments required from the employers.

To illustrate the potential impact on the assets required to support the defined benefit liabilities, the following table shows the estimated impact on accrued funded liabilities as at 30 June 2025 and the likely minimum recommended coverage if the expected investment return were reduced from 6.25% per annum to 4.5% per annum⁴.

	Main Assumptions (\$million)	Investment Return 4.5% (\$million)	Change (\$million)
Total accrued funded liabilities	1,934.2	2,185.2	251.0
Minimum recommended coverage %	25%	10%	
Minimum recommended assets	2,417.8	2,403.8	-14.0

The value of the liabilities increases as a result of the lower expected return on assets. However, we would be comfortable with a smaller margin being held because the volatility of the assets would have reduced significantly. The overall impact on the assets required at the valuation date (and therefore the required short-term recoupment and employer contribution rates) is negligible.

It should be noted that the minimum recommended coverage of 10% shown in the table above is indicative only, based on an investment portfolio with very limited exposure to growth assets. We can prepare additional information to assist the Board and the Treasurer in considering a change in investment strategy if required, taking into account the proposed asset allocation and investment objectives. However, in broad terms we do not expect a significant increase in the level of assets required to support the funded liabilities at the time of introducing a de-risking strategy, with any increase in the value of liabilities likely to be approximately offset by a reduction in the required buffer.

To illustrate the potential longer-term impact of a de-risking strategy, we have also considered the future required recoupment percentage (and employer contribution rate) which would be required if the expected investment return were reduced to 4.5% per annum. In order to reduce the net position to zero, the long-term average recoupment percentage required would be approximately 45%, compared with the equivalent recoupment rate of 34.4% calculated under the main assumptions. That is, the long-term expected future recoupments and employer contributions would be higher under a

⁴ Corresponding to the assumed rate of Perth CPI increases plus 2%, the rate of indexation applied to deferred accounts for members over age 55 years.

de-risked strategy than the current strategy, but still lower than the short-term recoupment and employer contribution rates recommended in this report..

However, if the Treasurer wishes to retain the flexibility to implement de-risking in the near future, (say in the next three years) we would recommend an additional buffer be held (that is, above the current minimum recommended margin of 25%), both to protect against adverse experience during the period prior to de-risking, and to allow for any variation in the required level of assets at the time of de-risking.

Portability

As described above, the recoupment and employer contribution recommendations take into account the expected impact of portability being introduced from 1 July 2026.

Although the introduction of portability is not expected to have a material impact on the Scheme's funding position, it may have material impact on the timing of benefit payments and therefore the timing of the recoupments required to be paid from Consolidated Revenue. Understanding that there is a preference for stability in the required level of recoupments, we have previously recommended that any decrease in recoupment rates be implemented in the same financial year as the introduction of portability.

The table below shows the projected recoupments required over the next five years assuming:

1. No portability and no change in recoupment rate;
2. Portability introduced from 1 July 2026 and no change in the recoupment rate;
3. Portability introduced from 1 July 2026 and the recoupment rate is reduced to 49.3% from 1 July 2026; or
4. Portability introduced from 1 July 2026 and the recoupment rate is reduced to 55.2% from 1 July 2026.

Scenario	1.	2.	3.		4.	
Year Ended	No portability (Recoupment rate 73.6%)	Portability (Recoupment rate 73.6%)	Portability & Recoupment rate reduced to 49.3%		Portability & Recoupment rate reduced to 55.2%	
	Recoupments (\$M)	Recoupments (\$M)	Recoupments (\$M)	Recoupment rate	Recoupments (\$M)	Recoupment rate
30 June 2026	-223.4	-223.4	-223.4	73.6%	-223.4	73.6%
30 June 2027	-227.7	-303.5	-203.3	49.3%	-227.6	55.2%
30 June 2028	-228.7	-250.8	-168.0	49.3%	-188.1	55.2%
30 June 2029	-229.0	-244.6	-163.8	49.3%	-183.5	55.2%
30 June 2030	-232.3	-242.0	-131.2	39.9%	-124.6	37.9%

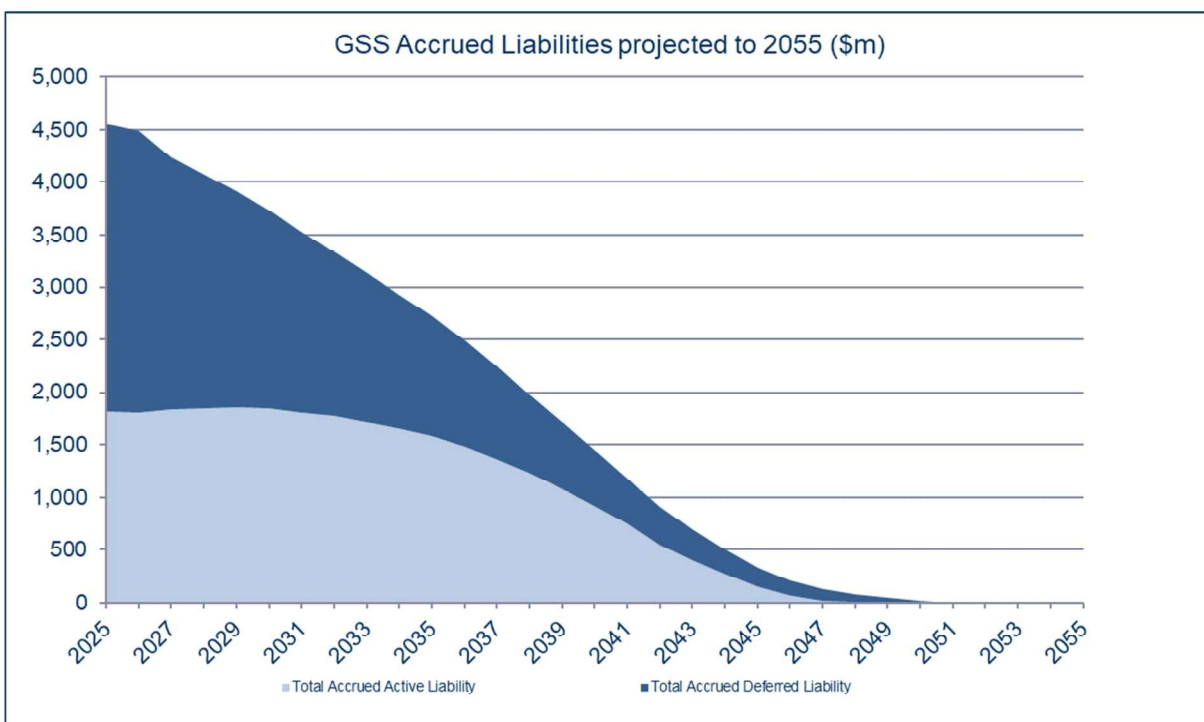
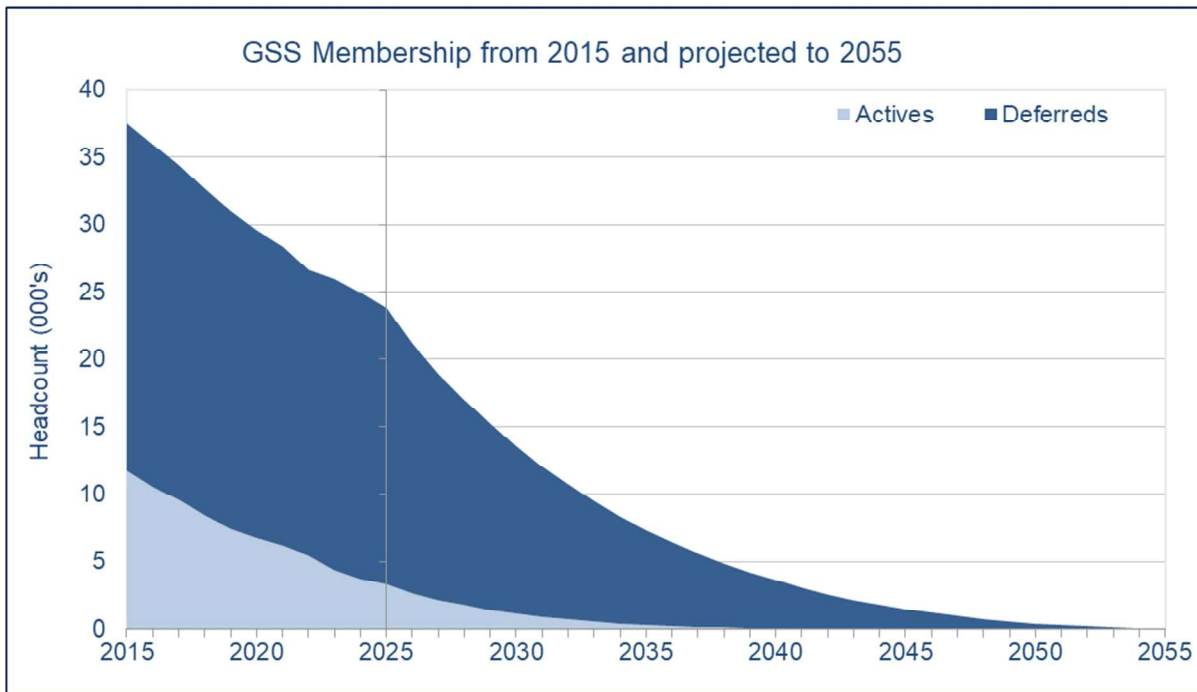
It can be seen that if the recoupment rate is reduced (either to 49.3% or 55.2%), the reduction in recoupment rate is expected to at least offset any short-term increase in recoupments due to the impact of portability.

If the introduction of portability is deferred beyond 30 June 2027, we recommend that the Board discuss with Treasury whether it wishes to continue to defer any reduction in recoupment rates until the introduction of portability, or implement the recommended reductions from 1 July 2026.

Although deferring any reduction in recoupment rates would ensure that there is no expected increase in recoupments during the year of introduction of portability, it would mean that recoupments are higher than necessary during the period prior to the introduction of portability.

Projections

We have projected the estimated membership and total accrued liabilities (funded and unfunded) of GSS for active and deferred members to 2055. The following chart illustrates the actual and projected membership since 2015. These projections indicate that deferred members will continue to make up the majority of GSS members in the future. The total accrued liability in respect of deferred members now represents approximately 60% of the total accrued liability.

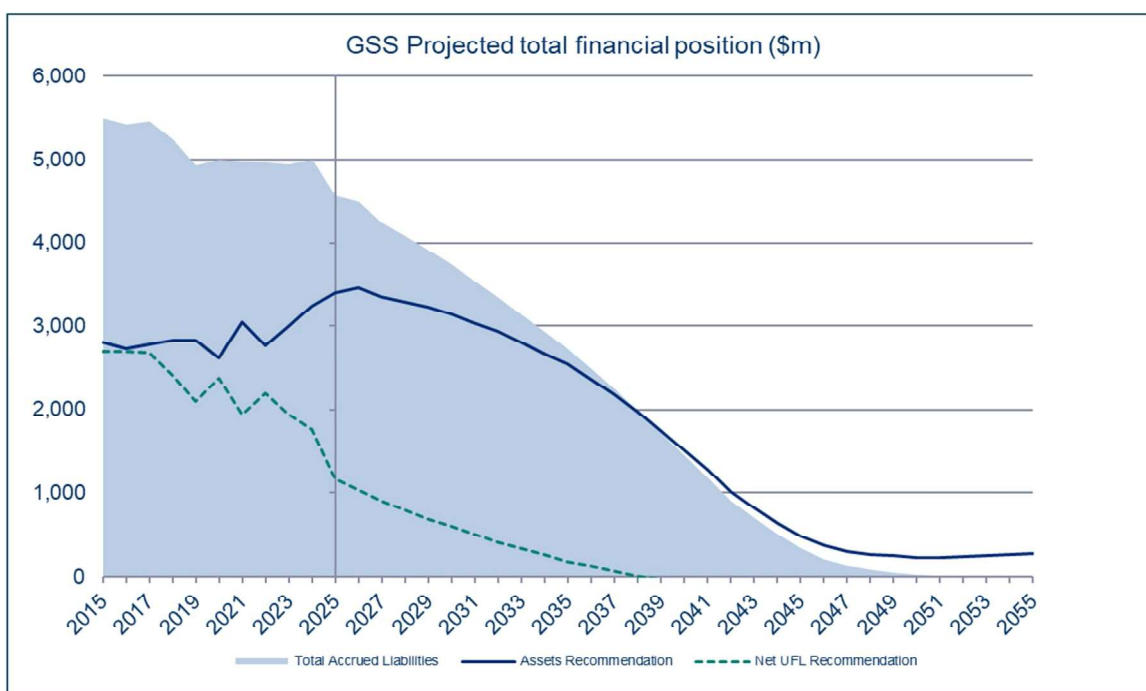


In the graphs below we have projected the financial position of GSS to 2055, including data from the past ten years for comparison. All projections are based on the actuarial assumptions outlined in Section 4 and Appendix C, with approximate adjustment for the potential impact of portability being introduced from 1 July 2026 as described in Appendix C. The graphs differ only in the assumed future employer contribution and recoupment rates.

The graphs show the projected assets, accrued liabilities and net unfunded liability (UFL) each year which represents the difference between the assets and the accrued benefit liabilities (both funded and unfunded), with no allowance for minimum vested benefits.

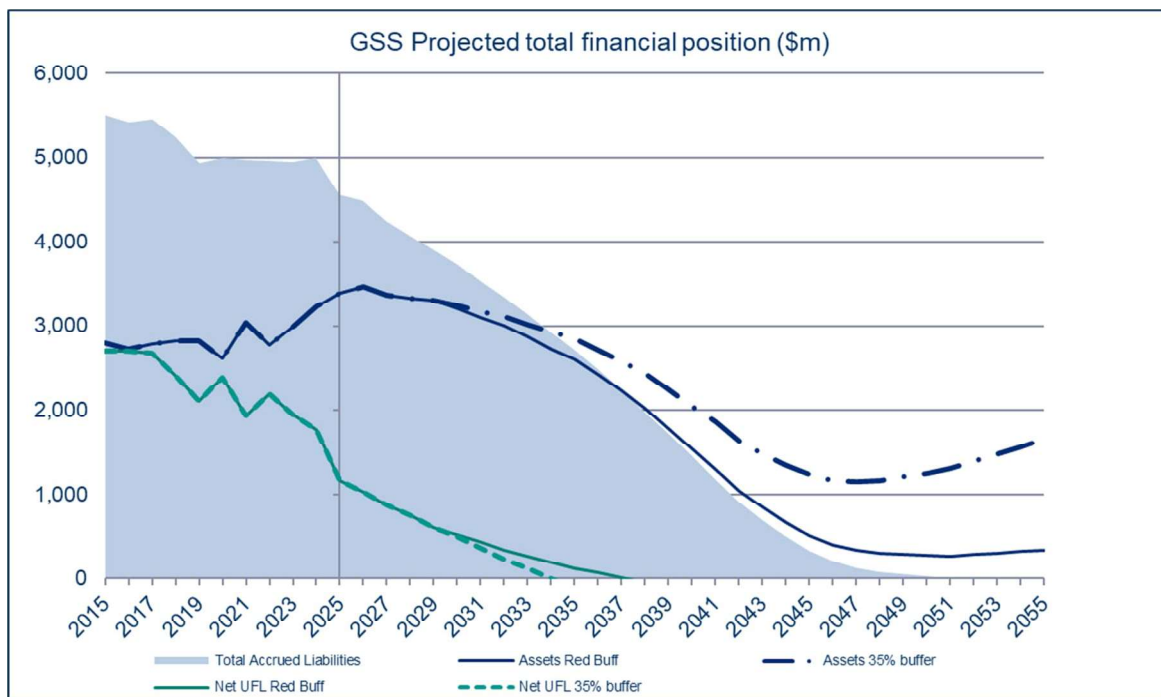
The first graph (below) illustrates the projected financial position if employer contribution and recoupment rates are reduced so as to maintain the minimum recommended surplus of 25% of accrued funded liabilities until 2028. Thereafter it is assumed that the buffer would be gradually reduced to 5% of accrued funded liabilities by 2038. In this scenario recoupments would reduce to 49.3% from 1 July 2026 and reach zero by 2041 (as outlined in the table below) with corresponding reductions in the employer contribution rate.

Year Commencing 1 July	Recoupment Percentage
2025	73.6%
2026	49.3%
2027	49.3%
2028	49.3%
2029-2031	39.9%
2032-2034	29.8%
2035-2037	18.7%
2038-2040	5.9%
2041 onwards	0.0%



The second graph (below) illustrates the projected financial position if employer contribution and recoupment rates are reduced so as to maintain a more conservative buffer of 35% of surplus

indefinitely. The solid lines illustrate the projected position if the buffer is reduced gradually from 35% of accrued funded liabilities until 2028 to 5% of accrued funded liabilities by 2038. The dotted lines illustrate an alternative whereby the buffer is maintained indefinitely at 35% of accrued funded liabilities. In this scenario recoupments would reduce to 55.2% from 1 July 2026 and reach zero by 2041 with corresponding reductions in the employer contribution rate.



This graph illustrates that maintaining a higher buffer for a longer period increases the expected surplus assets remaining in the Scheme following the payment of the final benefit from the Scheme.

We have also projected future cash flows for the recommended future recoupment and employer contribution rates (ie recoupments would reduce to 49.3% from 1 July 2026 and reach zero by 2041 as shown in the table above). The table below shows the expected cash flows from Fund assets (i.e. excluding benefit payments which are funded via recoupments) together with the projected levels of assets, funded liabilities, unfunded liabilities and the net UFL, assuming the recoupment percentage is reduced as shown in the table above (with corresponding reductions in the employer contribution rate). All monetary figures are shown in millions:

Year Ended 30 June	Contributions (excluding recoupments)	Funded Benefit Payments	Investment Earnings	Assets	Funded Liabilities	Unfunded Liabilities	Net UFL
2025 ⁵				3,391.2	1,951.9	2,606.7	1,167.4
2026	25.2	-167.0	207.5	3,456.9	2,560.4	1,925.5	1,029.0
2027	17.2	-313.6	206.8	3,367.3	2,413.5	1,826.0	872.1
2028	14.5	-251.8	203.0	3,333.0	2,318.6	1,759.2	744.8
2029	12.0	-246.6	201.0	3,299.5	2,749.5	1,160.3	610.3
2030	9.1	-296.8	197.2	3,209.0	2,625.3	1,109.4	525.7
2031	7.5	-307.7	191.2	3,100.0	2,478.1	1,054.5	432.6
2032	6.0	-288.0	184.9	3,003.0	2,612.1	730.0	339.1
2033	4.8	-318.7	177.9	2,867.0	2,448.2	688.3	269.5
2034	3.7	-311.2	169.6	2,729.0	2,279.8	643.4	194.1
2035	3.0	-290.7	161.6	2,602.9	2,366.4	354.6	118.1
2036	2.2	-336.5	152.2	2,420.9	2,163.2	327.6	69.9
2037	1.7	-331.9	141.0	2,231.7	1,950.6	296.7	15.6
2038	1.2	-338.6	128.9	2,023.2	1,926.4	53.3	-43.5
2039	0.9	-354.8	115.4	1,784.7	1,673.0	46.3	-65.4
2040	0.7	-345.4	100.8	1,540.8	1,412.9	39.8	-88.1
2041	0.5	-329.7	86.0	1,297.6	1,184.6	0.0	-113.0
2042	0.4	-331.3	70.8	1,037.5	907.9	0.0	-129.6
2043	0.3	-251.7	57.0	843.0	698.1	0.0	-144.9
2044	0.2	-221.8	45.8	667.2	506.5	0.0	-160.7
2045	0.1	-193.9	35.6	509.1	332.7	0.0	-176.4
2046	0.1	-135.8	27.6	400.9	209.5	0.0	-191.4
2047	0.0	-86.8	22.3	336.5	130.6	0.0	-205.9
2048	0.0	-52.0	19.4	303.9	83.4	0.0	-220.5
2049	0.0	-34.6	17.9	287.2	51.9	0.0	-235.3
2050	0.0	-28.9	17.0	275.3	24.6	0.0	-250.7
2051	0.0	-21.0	16.6	270.9	3.8	0.0	-267.1
2052	0.0	-1.7	16.9	286.1	2.1	0.0	-284.0
2053	0.0	-1.0	17.8	302.9	1.2	0.0	-301.7
2054	0.0	-0.7	18.9	321.1	0.6	0.0	-320.5
2055	0.0	-0.4	20.1	340.8	0.2	0.0	-340.6

⁵ Figures differ slightly from those shown above due to allowance for estimated impact of portability.

Recommendations

If the Board and Treasury intend to maintain the current investment strategy for at least the next three years, the recoupment percentage could be reduced from 73.6% to 49.3%, and the employer contribution rate from 15% to 5.15% for an initial period of three years commencing 1 July 2026. These reductions would maintain the minimum recommended margin of 25% of accrued funded liabilities.

If the Board or Treasury would like to explore de-risking in the near future, or a more conservative approach is preferred, we recommend reducing the recoupment percentage from 73.6% to 55.2%, and the employer contribution rate from 15% to 6.51% for an initial period of three years commencing 1 July 2026. These reductions would maintain a margin of 35% of accrued funded liabilities.

In either case:

- the reductions in the recoupment rate would be expected to approximately offset any increase in recoupments required as a result of portability; and
- further reductions could be made over time, if experience is no less favourable than the adverse assumptions adopted for this report.

Maintaining a higher buffer will reduce the risk of future increases in the recoupment percentage being required, but increases the risk that there will be surplus assets remaining in the Scheme following the payment of the final benefits.

We do not recommend maintaining the current recoupment percentage indefinitely (or until the requirement recoupment percentage falls to zero), due to the risk of “over funding”: that is, the Scheme building up more assets than are needed to fully fund benefits. At present there is no clear mechanism by which surplus assets can be returned to Government, meaning that such assets would need to remain in the Scheme at least until the final benefit had been paid.

Reducing the recoupment percentage earlier (but more gradually) would provide the Board and the Government with greater control over the build up of assets, reducing the risk of significant over funding. Earlier reductions to the employer contribution rate are also considered preferable from a fairness perspective, to ensure that funded employers receive a meaningful reduction in contributions prior to members retiring.

We recommend the Board discuss the available options with Treasury.

If the introduction of portability is deferred beyond 30 June 2027, we recommend that the Board discuss with Treasury whether it wishes to continue to defer any reduction in recoupment rates until portability is introduced.

8

Pension Scheme (PS)

Overview

This section considers both the member-financed (funded) and the pay-as-you-go (or unfunded) portions of the PS liabilities.

The financial position of the PS has improved over the year since the last actuarial investigation primarily due to the higher than assumed investment return for the year. Additionally, the change in financial and demographic assumptions on which the liabilities are valued, have contributed favourably to the surplus.

Financial Position for Accrued Funded Liabilities

The financial position of the PS as at 30 June 2025 is shown in the table below. The net asset value that has been used represents a portion of the assets allocated to the defined benefit funds by GESB as discussed in Section 5. The position as at 30 June 2025 is shown for comparison purposes.

The actuarial value of accrued liabilities shown in this table are calculated using the valuation process set out in Appendix B and the actuarial assumptions described in Section 4 and Appendix C, but with no allowance for future pension indexation (as this is currently financed by employer contributions).

Financial Position as at	30 June 2024 (\$million)	30 June 2025 (\$million)
Net value of assets	93.1	93.8
<u>Accrued Funded Liabilities</u>		
Current contributors	1.6	0.8
Retirement pensioners	37.5	34.3
Invalidity pensioners	10.8	9.5
Widowed pensioners	11.1	10.1
Total accrued funded liabilities	61.0	54.7
Net financial position	32.1	39.1
Net financial position as % of funded defined benefit liabilities	52.6%	71.6%

The value of the accrued funded liabilities as at 30 June 2025 would be \$12 million higher if allowance was included for future pension indexation on the funded benefits, reducing the surplus from \$39.1 (71.6% of accrued funded liabilities) million to \$27.1 million (40.6% of accrued funded liabilities).

The total accrued liabilities (both funded and unfunded) for the PS are \$1,151.9 million. This corresponds to a funding percentage expressed in terms of total accrued liabilities (both funded and unfunded) of 8.1% (7.2% in 2024). This highlights that the assets are not significant in comparison to the total accrued liability.

Sensitivity of Results

Given the insignificant role of the PS assets, we have considered sensitivity of results in terms of the change in funded liability arising from a 20% change in the pensioner mortality rates as well as a 1% per annum increase or decrease in the discount rate (linked to the investment return assumption). We have also considered decreasing the long term investment return assumption by 1% AND the value of net assets suddenly reduces by 10% (“Adverse assumptions”). The effects of these changes are shown below:

Scenario	Funded Liability as at 30 June 2025 (\$million)	Change		Net financial position as % of funded defined benefit liabilities
		(\$million)	(% of assets)	
Main assumptions	54.7			71.6%
Increase investment return by 1% p.a.	51.2	-3.5	-3.7%	83.4%
Decrease investment return by 1% p.a.	58.7	4.0	4.3%	60.0%
Increase pensioner mortality rate by 20%	51.9	-2.8	-3.0%	80.9%
Decrease pensioner mortality rate by 20%	58.2	3.5	3.7%	61.3%
Adverse assumptions	58.7	4.0	4.3%	44.0%

In all the scenarios outlined above the PS is expected to remain in surplus.

The other significant assumption in respect of the PS is the rate of future pension increases. Currently, the full cost of pension increases is met via employer contributions and therefore does not impact the financial position. If the cost were to be met from fund assets the sensitivity to a 1% per annum increase in the assumed rate of future pension increases is approximately the same as a 1% per annum decrease in the investment return assumption.

Financial Position for All Liabilities (Past and Future Service)

The previous section considered funded liabilities only. However, a more comprehensive approach to assessing the PS’s long term financial position takes into account all past and future service by members. This approach also allows for future contributions, future benefit payments and future employer-sponsor payments. We have also allowed for indexation of pensions.

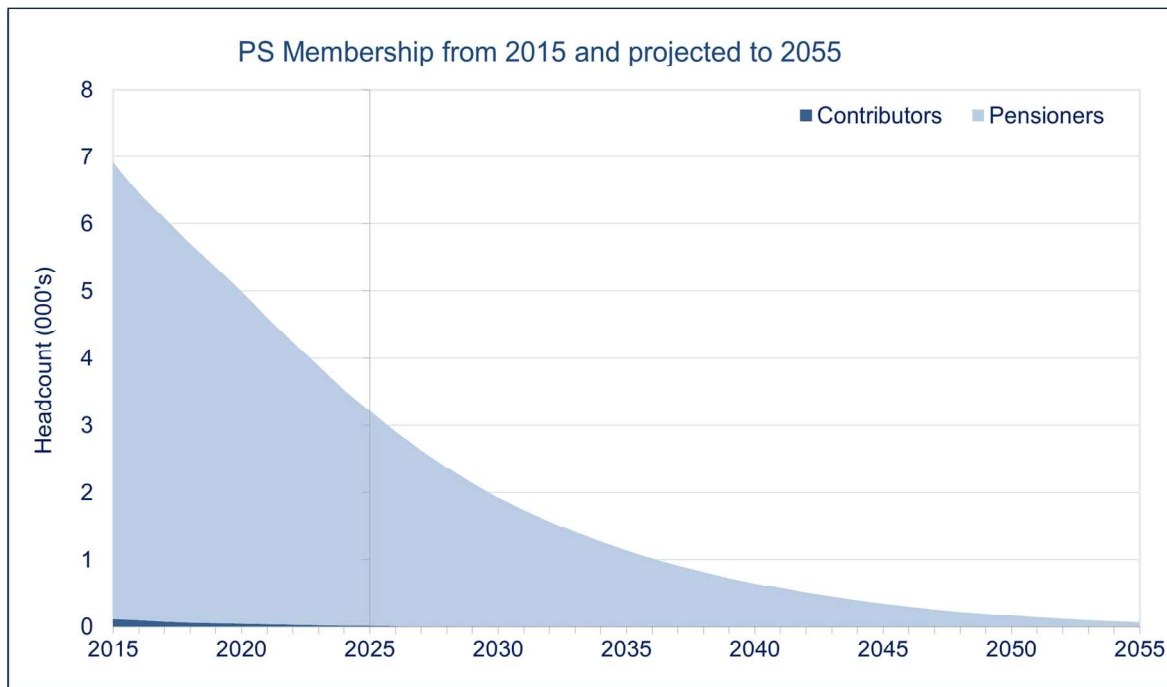
The following table shows the scheme’s valuation balance sheet which treats future contributions and recoupments as an asset and future benefits (based on both past and future service) as a liability. The future employer-sponsor payment includes the value of indexation of Funded and Unfunded benefits although in practice the fund assets may pay for some indexation of pensions in the future.

Actuarial Balance Sheet as at	30 June 2025 (\$million)
Net value of assets	93.8
Value of future member contributions	0.1
Value of future employer-sponsor payments	1,097.1
Total assets	1,191.0
Value of past service benefits	1,151.8
Value of future service benefits	0.1
Total liabilities	1,151.9
Net position	39.1
Net financial position as % of all defined benefit liabilities	3.4%

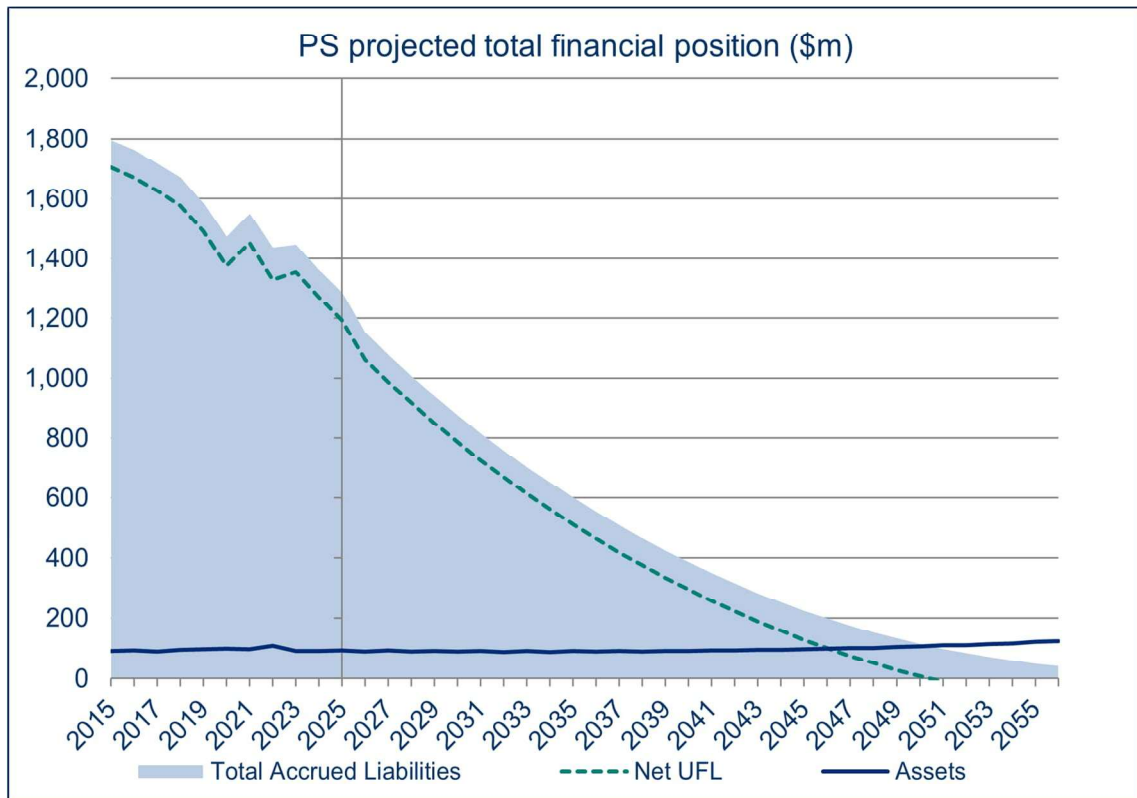
The Board may wish to explore possible methods by which some of the assets could be used to finance future indexation of the pensions.

Projections

The data shows an ongoing reduction in the membership of the PS, as would be expected for closed funds. The number of active members is now very small relative to the number of pensioners, as shown in the next chart:



We have projected the financial position of the PS to 2055, including data from the past ten years for comparison. All projections are based on the actuarial assumptions outlined in Appendix C. The following graph shows the projected financial position of the PS taking into account both funded and unfunded benefits, and assuming that indexation of the funded share of benefits will be met from scheme assets.



As expected, there is a steady decline in the accrued liability as the number of pensioners declines. The liabilities at 2025 have decreased more than expected compared to those at 2024 primarily due to the change in financial and demographic assumptions.

We have also projected future cash flows. The table below shows the expected net cash flows together with the projected levels of assets, funded liabilities, unfunded liabilities and the net UFL. All monetary figures are shown in millions.

Year Ended 30 June	Net cash flows ¹	Investment Earnings	Assets	Funded Liabilities ²	Unfunded Liabilities ³	Net UFL
2025			93.8	54.7	1,097.1	1,058.0
2026	-6.5	5.7	92.3	51.5	1,026.3	985.5
2027	-6.4	5.6	93.0	48.4	958.6	914.0
2028	-6.3	5.6	91.6	45.4	894.3	848.1
2029	-6.1	5.5	92.4	42.5	833.4	783.5
2030	-5.9	5.6	91.3	39.6	775.7	724.0
2031	-5.8	5.5	92.1	37.0	720.7	665.6
2032	-5.6	5.6	91.3	34.3	668.6	611.6
2033	-5.5	5.5	92.1	31.8	618.8	558.5
2034	-5.3	5.6	91.6	29.4	571.4	509.2
2035	-5.1	5.6	92.6	27.0	526.3	460.7
2036	-4.9	5.6	92.3	24.8	483.3	415.8
2037	-4.7	5.6	93.5	22.7	442.4	371.6
2038	-4.5	5.7	93.5	20.7	403.6	330.8
2039	-4.3	5.7	94.9	18.8	366.8	290.7
2040	-4.1	5.8	95.2	17.0	332.1	253.9
2041	-3.9	5.8	96.8	15.3	299.3	217.8
2042	-3.7	5.9	97.4	13.7	268.6	184.9
2043	-3.5	6.0	99.3	12.2	239.9	152.8
2044	-3.3	6.1	100.2	10.8	213.2	123.8
2045	-3.0	6.2	102.5	9.6	188.4	95.5
2046	-2.8	6.3	103.7	8.4	165.6	70.3
2047	-2.6	6.4	106.3	7.4	144.7	45.8
2048	-2.4	6.6	107.9	6.4	125.7	24.2
2049	-2.2	6.7	110.8	5.5	108.5	3.2
2050	-2.0	6.9	112.8	4.8	93.0	-15.0
2051	-1.8	7.0	116.0	4.1	79.2	-32.7
2052	-1.6	7.2	118.4	3.5	66.9	-48.0
2053	-1.4	7.4	122.0	2.9	56.2	-62.9
2054	-1.3	7.6	124.7	2.4	46.9	-75.4
2055	-1.1	7.8	128.7	2.0	38.7	-88.0

¹ Net cash flows comprise all contributions and recoupments less benefit payments. For this purpose it has been assumed that indexation of the funded share of benefits will be met from scheme assets rather than recoupments.

² Excluding value of future indexation.

³ Including value of future indexation of funded and unfunded liabilities.

9

West State Super (WSS)

Overview

West State Super (WSS) was closed to new members on 15 April 2007 except for a special class of GSS members who continue to have the right to open a WSS account. New employees join GESB Super.

In addition to the Operational Risk Reserve and the Accumulation General Reserve which are held for all accumulation schemes, GESB holds a separate WSS Government Guaranteed Payments Reserve (WGGPR) to meet the cost of amounts payable as a result of the minimum benefit guarantee and the self-insured death and disability benefits of WSS. It is expected that WGGPR will be sufficient to meet future payments which are required to be made from this reserve.

The level of 'top up' payments has increased significantly in the last five years, which is likely due to the recent increases in Superannuation Guarantee (SG) rates (on which members' statutory insurance cover is based). These top up payments are now expected to peak in 2025/26 when the SG rate increases to 12.0%, reducing thereafter as the number of members eligible for statutory insurance and the average level of statutory insurance continues to decline.

It is recommended that GESB continue to monitor the emerging self-insurance 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.

Current Financial Position

The financial position of WSS as at 30 June 2025 is shown in the table below with the position as at 30 June 2024 included for comparison purposes:

Financial Position as at	30 June 2024 (\$million)	30 June 2025 (\$million)
Net value of assets*	20,521.5	22,095.6
Member balances	20,480.6	22,053.5
WGGPR	40.9	42.1
Total liabilities	20,521.5	22,095.6
Net financial position	Nil	Nil

*Excluding Operational Risk Reserve and Accumulation General Reserve

The Vested Benefits of the WSS as at 30 June 2025 are shown in the table below. The position as at 30 June 2024 is shown for comparison. These figures are required for reporting purposes only.

Vested Benefit Position as at	30 June 2024 (\$million)	30 June 2025 (\$million)
Net value of assets	20,521.5	22,095.6
Member balances	20,480.6	22,053.5
Minimum Benefit Guarantee*	3.9	3.5
Total liabilities	20,484.5	22,057.0
Excess/(Deficit)	37.0	38.6

* If WSS had wound up on 30 June 2025, it would have had to pay guarantees to all members in full. This would have resulted in payments totalling \$3.5 million in addition to the member balances.

As at 30 June 2025, the net value of assets exceeded vested benefits by \$38.6 million.

West State Government Guaranteed Payments Reserve

The WGGPR was funded via the merger of the WSS Insurance Reserve and the WSS MBG Reserve, each of which were funded from Government contributions drawn from the Consolidated Account. The *Treasurer's Guidelines for Government Employees Superannuation Fund Reserves and Allocation of Costs (April 2025)* provide that unless otherwise agreed between the Treasurer and the Board, the WGGPR may only be used to meet WSS MBG and self insurance payments.

The adequacy of each component of the WGGPR is examined below.

Minimum Benefit Guarantee (MBG)

When WSS began offering investment choice on 1 July 2001, it provided a guarantee to existing members at that date that their benefit payable at any time in the future would not be less than the figure at 30 June 2001 increased with the Perth CPI plus 2% per annum.

The guarantee has had a limited effect on "active" members, because these members' ongoing contributions increase their balance, but not their guarantee. Consequently, the guarantee is likely to apply to very few active members in the future.

Even for "deferred" members, where no contributions were being made to increase their balance, for most members the increase in their account balance since 2001 has been well in excess of the increase in the guarantee.

However, the guarantee continues to be of relevance for those members who have a relatively small account balance. For those members, the impact of fees and charges may mean that their account balance is reducing, or increasing by less than the increase in the guarantee (which is not affected by fees and charges).

A cost to WSS is only incurred if members withdraw their money and, at that time, the guarantee exceeds their normal balance. The cost so far has been as follows:

Year Ended 30 June	Annual Cost (\$million)	Cumulative Cost (\$million)
2003	4.1	6.3
2004	2.3	8.8
2005	0.7	9.5
2006	0.2	9.7
2007	0.1	9.8
2008	0.2	10.0
2009	0.9	10.9
2010	0.7	11.6
2011	0.7	12.3
2012	1.1	13.4
2013	0.5	13.9
2014	0.3	14.2
2015	3.3	17.5
2016	2.2	19.7
2017	1.0	20.7
2018	1.3	21.1
2019	0.4	22.4
2020	0.9	23.3
2021	1.6	24.9
2022	0.3	25.2
2023	1.0	26.3
2024	0.4	26.6
2025	0.3	27.0

As described above, the majority of payments made as a result of the MBG are made to members with small account balances. For example, members with account balances of less than \$3,000 make up 78% of accounts currently affected by the MBG, amounting to 54% of the \$3.5 million which would have been payable if WSS were wound up as at 30 June 2025. The average top up required as at that date would have been \$1,292.

If we consider all accounts for which there is a MBG liability, the average change in account balance during the year was an increase of \$126. That is, even during a year of relatively strong investment performance (with the default My West State Super investment option earning 10.39%), the growth due to investment earnings was largely offset by deductions for fees and charges.

To give an idea of the maximum amount payable in relation to the MBG, we have assumed that:

- For members with an account balance of less than \$3,000, the full value of the MBG will be payable. That is, we assume that these accounts will reduce to zero over time due to the impact of fees and charges;
- For members with an account balance of more than \$3,000, we assume a 10% fall in account balances. That is, to allow for the impact of a shock to investment markets.

Under the above scenario, the amount payable as at 30 June 2025 would be approximately \$6 million. The equivalent figure at 30 June 2024 was \$8 million.

This represents the current value of MBG payments which would fall due in the future under a specific set of assumptions about future investment returns. Thus it is an alternative scenario to the \$3.5 million payment that would have been due if WSS had wound up on 30 June 2025. The above scenario is not considered likely as:

- We understand that in recent years GESB has made efforts to close out small accounts, in part to avoid these account balances reducing to zero. We assume that those efforts will continue;
- We understand that GESB is now able to transfer “inactive low balance accounts” (as defined in the relevant legislation) to the Australian Taxation Office; and
- Although a 10% fall in investment markets is possible, it is unlikely that a large number of members would exit the scheme immediately following such a fall.

Therefore, we would regard \$6 million as a conservative estimate of the amount which may be required to meet future payments required under the MBG provisions.

WSS Self Insurance

Until 30 June 2008, WSS self-insured all death and disablement benefits. From 1 July 2008, these have been outsourced to a third party insurer. However, WSS remains responsible for PPD claims on an ongoing basis and the run-off in respect of pre-existing conditions following the outsourcing decision. In addition, in the event of death or TPD WSS is responsible for any difference between the member’s “statutory” insured component and the amount insured via AIA (subject to the member meeting certain conditions). These payments are referred to below as “top-up” payments.

The following table shows the claims paid from the insurance reserve since insurance was outsourced:

Year Ended 30 June	PPD (\$million)	Death and TPD (\$million)	Total (\$million)
2009	0.641	1.494	2.134
2010	0.836	1.284	2.121
2011	0.296	1.386	1.683
2012	0.343	1.156	1.498
2013	0.106	0.263	0.368
2014	0.286	0.509	0.795
2015	0.429	0.378	0.807
2016	0.488	0.266	0.754
2017	0.069	0.508	0.577
2018	0.123	0.384	0.507
2019	0.108	0.746	0.854
2020	0.025	0.062	0.087
2021	0.492*	0.094	0.586
2022	0.040	0.310	0.350
2023	0.091	0.651	0.742
2024	0.042	0.922	0.964
2025	0.080	0.216	0.296

*Includes 7 previously outstanding payments (and interest on delayed payments) which were processed as part of a cleansing project.

Excluding the significant payments which occurred during 2021 as part of a cleansing project, annual payments in respect of PPD over the last five years have averaged approximately \$60,000.

The level of self-insured death and TPD claims is more significant, although highly variable, with the amount of claims in respect of “top-up” payments increasing in recent years. Over the last three years the average annual amount payable in respect of “top-up” payments was \$489,000 while the average annual amount attributable to pre-existing conditions was \$107,000.

The level of top-up claims is expected to peak in 2025/26, once SG rates reach 12%. Thereafter the level of top up claims is expected to decline, because:

- on average, the level of statutory insurance is expected to decline more rapidly than the level of external insurance (although these rates vary according to the member's age and future salary increases); and
- the number of members eligible for statutory insurance will continue to decrease, as members exit the Scheme, attain age 60, or opt out of insurance coverage.

At 30 June 2024 we estimated the present value of future self insurance claims as \$8 million, although there were significant uncertainties and approximations in this estimate. Having regard to the claims incurred during the year this is still a reasonable high level estimate. However, noting the uncertainty in this estimate and the likely volatility in the claims experience (given the relatively small number of expected 'top up' claims) we recommend allowing for a margin of at least 100% of the above amount (i.e. \$16 million in total).

If GESB would like to have a better understanding of the potential risks associated with the "top-up" self-insurance payments we recommend some further analysis. Our 2019 report outlines the data that would be required for such analysis.

WSS Government Guaranteed Payments Reserve

Based on the above analysis, the minimum level of WGGPR would be:

Minimum Benefit Guarantee	\$6 million
<u>Self-Insurance payments</u>	<u>\$16 million</u>
Total	\$22 million

Thus, the current reserve of \$42.1 million in WGGPR is expected to be more than sufficient.

The scope of this report is limited to assessing the adequacy of the WGGPR. However, given the expected surplus position, the Board may wish to discuss with Treasury how any surplus assets in the WGGPR might be used in future.

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Actuary's Certification

Professional Standards and Scope

This report satisfies the requirements of Professional Standard No. 400 of the Institute of Actuaries of Australia. Professional Standard No. 400 relates to the preparation of reports commenting on the financial condition of defined benefit superannuation funds.

Use of Report

This investigation report should not be relied upon for any other purpose or by any party other than the Government Employees Superannuation Board. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts.

The advice contained in this report is given in the context of Australian law and practice. No allowance has been made for taxation, accountancy or other requirements in any other country.

Actuarial Uncertainty and Assumptions

An actuarial investigation provides a snapshot of a scheme's financial condition at a particular point in time, and projections of a scheme's estimated future financial position based on certain assumptions. It does not provide certainty in relation to a scheme's future financial condition or its ability to pay benefits in the future.

Future funding and actual costs relating to a scheme are primarily driven by the scheme's benefit design, the actual rate of salary inflation and any discretions exercised by the trustee of the scheme or the employer-sponsor. The scheme's actuary does not directly control or influence any of these factors in the context of an actuarial investigation.

A scheme's future financial position and the estimated long term costs depend on a number of factors, including the amount of benefits the scheme pays, the cause and timing of member withdrawals, plan expenses, the level of taxation and the amount earned on any assets invested to pay the benefits. These amounts and others are uncertain and unknowable at the valuation date, but are predicted to fall within a reasonable range of possibilities.

To prepare this report, actuarial assumptions are used to select a single scenario from the range of possibilities. However, the future is uncertain and a scheme's actual experience will differ from those assumptions. These differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. For this reason, this report also shows the impact on the results of certain changes in assumptions.

Actuarial assumptions may also be changed from one valuation to the next because of mandated requirements, scheme experience, changes in expectations about the future and other factors. We did not perform, and thus do not present, an analysis of the potential range of future possibilities and scenarios.

Because actual scheme experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit related issues should be made only after careful consideration of alternative future financial conditions and scenarios, and not solely on the basis of a set of results.

Prepared by:



Esther Conway

Fellow of the Institute of Actuaries of Australia

28 August 2025

I have reviewed this report under Mercer's professional Peer Review Policy. I am satisfied that it complies with the applicable professional standards and uses assumptions and methods that are suitable for the purpose.



Angela Hartl

Fellow of the Institute of Actuaries of Australia

Appendix A

Summary of Benefits

A summary of the main benefit provisions in respect of defined benefit members is set out below. For definitive statements, reference should be made to the *State Superannuation Act 2000*, the *State Superannuation Regulations 2001*, and other formal documents governing the Fund.

Gold State Super Benefits

GSS is a Defined Benefit scheme with benefits expressed as a multiple of salary.

Members' Contributions (% of salary)	Members may contribute to the scheme at rates of 3%, 4%, 5%, 6% and 7% of salary, although the average rate cannot exceed 5%.												
Final Average Salary (FAS)	Average salary over the two years prior to retirement.												
Normal Retirement Age	A member may retire at any time after age 55.												
Normal Retirement Benefit	The retirement benefit is based on a percentage of FAS for each year of membership according to the member's contribution rate. These are as follows: <table border="1" data-bbox="478 1153 1356 1243"> <thead> <tr> <th>Member Contribution Rate</th> <th>3%</th> <th>4%</th> <th>5%</th> <th>6%</th> <th>7%</th> </tr> </thead> <tbody> <tr> <td>Retirement Percentage (pa)</td> <td>12%</td> <td>16%</td> <td>20%</td> <td>24%</td> <td>28%</td> </tr> </tbody> </table>	Member Contribution Rate	3%	4%	5%	6%	7%	Retirement Percentage (pa)	12%	16%	20%	24%	28%
Member Contribution Rate	3%	4%	5%	6%	7%								
Retirement Percentage (pa)	12%	16%	20%	24%	28%								
Death Benefit	Upon the death of a member, the standard benefit payable is equal to the benefit the member would have received at age 60 had they remained in service to this age and continued to contribute at their average contribution rate. Limited benefits apply to members who choose not to undergo a medical examination, or where the death benefit is a result of a condition for which a limitation was imposed on their standard cover.												
Total and Permanent Disability Benefit	On total disablement, the benefit payable is equal to the death benefit.												
Partial Disability Benefit	On partial disablement, a reduced benefit is payable according to the assessed proportionate reduction in earning capacity.												
Resignation Benefit	Upon resignation of the member, the accrued retirement benefit is preserved in the scheme until age 55. This benefit is then increased at the rate of the Perth CPI plus 1% p.a. until age 55. After age 55, it is increased at the rate of the Perth CPI + 2% p.a..												

Transferred Benefits

Special benefits apply to members who transfer to Gold State Super from the Pension Scheme. These benefits are divided into two parts, being:

- (b) a Fund Share, being the return of a member's contributions to the Pension Scheme, increased by the Perth CPI plus 2% (this is met by the Fund); and
- (c) a State Share, being 12% of Final Salary for each year of Pension Scheme membership (assuming an average contribution rate of 5% of salary).

For Funded employers, the cost of the employer-financed benefit (i.e. the second part above) 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 the Perth CPI plus 1% p.a. until age 55, after which it increased by the Perth CPI plus 2% p.a.. As these increases are expected to be lower than the expected investment return, this arrangement is a potential source of surplus to the Scheme.

For an Unfunded Employer the cost is met at the time the benefit actually falls due to be paid. The Recoupment Percentage does not apply to this benefit.

Recoupment Percentage

Funded employers contribute into the Scheme on an ongoing basis whereas unfunded employers do not. Irrespective of the employer, all members contribute. The Scheme meets the full cost of benefits when they fall due in respect of funded benefits. When unfunded benefits fall due the Scheme meets the full cost of these benefits but recoups the unfunded portion from the Consolidated Fund.

This recoupment payment is calculated by applying the Recoupment Percentage to the contributory service component of the benefit payment.

In respect of a 5% contributor, the recent rates of employer contribution and recoupment (including allowance for expenses) have been as follows:

Year Ended 30 June	Employer Contribution (% of Salaries)	CRF Proportion of Contributory Service Entitlement
1992	12.00	70.59%
1993	12.00	70.59%
1994	12.33	72.42%
1995	12.67	74.42%
1996	13.00	76.42%
1997-2009	12.00	70.59%
2010	13.50	72.97%
2011-2012	15.00	75.00%

A proportionately adjusted employer contribution rate applies where members contribute at 3%, 4%, 6% or 7% of salary.

Since 2012-13, the recoupment rate has been reduced to 73.6% and all expenses are met separately.

Pension Scheme Benefits

This is a unit-based Scheme under which members purchase units of Pension. The benefit payable is determined according to the units purchased, length of service and final salary.

Members are required to nominate their retirement age, either 60 or 65.

Contributions	Members acquire units, the price of which depends on the member's age at the time and their nominated retirement age. The number of units which may be purchased can be varied. However, there is only a limited opportunity to purchase previously foregone units.
Determination	Members, who have elected to retire at age 65, may after attaining age 60 elect to "determine" their Pension. By doing so, their Pension is effectively determined as if they had retired at that date and no further contributions are required (except for units for which 26 fortnightly contributions have not been paid). For Pension Scheme purposes the member is then considered to have retired.
Normal Retirement Age	A member may retire at any time after age 55.
Normal Retirement Benefit	Members may retire from age 55 onwards, and the pension at this age is approximately 45% of salary at the date of retirement. The maximum pension is approximately 61% of salary at retirement provided retirement occurs at the nominated retirement age and provided the service requirements are met. These depend on the member's service history.
Commutation	On retirement, members can elect to commute part of their pension, namely the Fund Share or member-financed component.
Invalidity	In the event of invalidity of the member, a Pension is payable equal to the Pension the member would have received had the nominated retirement date been brought forward to the time of invalidity.
Resignation Benefit	Upon resignation of the member, the benefit payable is equal to a return of the member's contributions with compound interest at a specified rate. In addition, a "top-up" benefit is payable as if the contributor had been a member of WSS since 1 July 1992.
Spouse Pension	Upon the death of a pensioner a Pension is payable to a surviving spouse, equal to $\frac{2}{3}$ of the Pension the pensioner had been receiving. Upon the death of a member before retirement age, the member's surviving spouse would receive $\frac{2}{3}$ of the Pension the member would have received had the nominated retirement date been brought forward to the date of death.
Indexation	Pensions are indexed at April and October each year, in line with increases in the Consumer Price Index Perth.
Child Allowance	A child's allowance is paid upon the death of a contributor or pensioner, to each dependent child under the age of 16 or student child under the age of 25 years.
Minimum Benefit	Benefits payable from the Scheme to members are subject to a minimum of the benefit which would have been payable to the member from the West State Super Scheme, had the member been a member of that Scheme since its commencement.

Appendix B

Valuation Methodology

The actuarial valuation process has a number of stages as follows:

Stage 1

Initially, it is necessary to make a number of economic and demographic assumptions about the future. The economic assumptions take into account the current and likely future macroeconomic conditions while the demographic assumptions are based on the recent experience of similar public sector superannuation funds and, in particular, the recent experience of the Fund.

The economic assumptions have changed for this actuarial investigation. The demographic assumptions are based on a detailed analysis of the GSS and PS membership experience over the period to 30 June 2024 set out in report *GESB – Demographic Experience Investigation 2022-2024* dated 18 June 2025.

The complete actuarial basis is set out in Appendix C.

We also make assumptions regarding other items such as expenses and self-insured benefits payable on death and disablement.

Stage 2

Using these assumptions, the annual contribution and benefit cash flows into and out of the Fund are projected until the last current member or pensioner leaves the Fund.

Stage 3

These projected cash flows are then discounted to obtain present values at the valuation date.

Stage 4

The present values of the liabilities represent “best estimates” using the economic and demographic assumptions. However, it is also recognised that the Fund faces the possibility of cash flows arising from other requirements and/or future experience that may be adverse when compared to the “best estimates”. These future events may cause a financial strain on the Fund and it is therefore prudent to establish reserves within the Fund.

Actuarial Value of Accrued Liabilities

A similar process to the first three stages outlined above is used to calculate the actuarial value of accrued liabilities which is the total accrued funded superannuation liability of the Fund in respect of service up to the valuation date.

For GSS active members, the accrued liabilities on all forms of exit are based on the member's accrued multiple and final average salary at the valuation date.

For PS contributors, the accrued pension is based on the member's current unit entitlement and contributions paid to the date of exit as a proportion of total expected contributions.

In respect of GSS deferred members, PS determined pensioners and pensioners; the liability represents the fully accrued benefit. The liability for pensioners in the Pension Scheme also allows for reversionary pensions paid to spouses on the death of a member.

The method of apportionment of benefits between past and future membership satisfies the requirements of Professional Standard No. 402 of the Institute of Actuaries of Australia and is acceptable for the purposes of Australian Accounting Standard AASB 1056.

Vested Benefits

In this report we have also calculated the vested benefits of the Fund. This has been done on a notional 'leaving service' basis, assuming all members leave service on the valuation date and subsequently become entitled to their benefits immediately. In practice benefits would be discounted if paid before age 55, but the impact is not expected to be material.

The vested benefit figure shown in Appendix D is required for the purposes of accounting reporting only.

Appendix C

Details of Actuarial Assumptions

Economic Assumptions

The key economic assumptions adopted are shown in the table below. Assumptions for the previous investigation are also shown for comparative purposes.

Assumption (per annum)	As at 30 June 2024	As at 30 June 2025
Investment returns (after investment fees)	6.0% p.a.	6.25% p.a.
Salary increases	3.5% p.a.	3.5% p.a.
Perth CPI increases	3.4% for the first year, followed by 2.5% p.a. thereafter	2.8% for the first year, followed by 2.5% p.a. thereafter
Pension indexation	3.0% for the first year followed by 2.5% p.a. thereafter	3.0% for the first year followed by 2.5% p.a. thereafter

Setting the investment return

In order to set the discount rate, we first estimated the return from each of the major asset classes over the longer term.

Using economic forecasts, historical relationships between inflation and investment returns, historical performance of the asset classes, and the linkage between the returns from different asset classes we determined pre-tax and pre-management fee long term returns for each asset class as follows:

Estimated return by asset class	
Australian equities	7.0%
Overseas equities	6.7%
Private Equity	9.4%
Property	7.8%
Infrastructure	7.9%
Medium Risk Alternatives	7.1%
Investment Grade Bonds Global	4.9%
Defensive Alternatives	4.9%
Cash	3.5%

The expected long term return is then adjusted to reflect any expected short to medium term variations, taking into account current market conditions and the expected duration of liabilities. The

estimated returns shown above are the long-term assumptions, and do not take into account the shorter term market adjustment.

Taxation

It is assumed that investment and contribution income of GSS and the PS remains exempt from income tax. Allowance is made in the assumed investment return for the inability of the schemes to claim any imputation credits.

No allowance has been made for:

- Superannuation surcharge, as members' benefits are reduced by a surcharge offset amount.
- Excess contributions tax, as this is payable by the member.
- Division 293 tax on contributions for those with incomes above the threshold, as this is payable by the member.

Superannuation Guarantee

Superannuation Guarantee legislation requires employers to provide a minimum level of superannuation benefits for their employees. Except in the analysis of the WGGPR adequacy, no allowance has been made for future increases in the Superannuation Guarantee rate, as these are not expected to have a material impact on the benefits paid from the defined benefit schemes.

Demographic Assumptions

New Members

No allowance has been made for new defined benefit members. Both GSS and the PS are closed to new members.

Rates of Resignation and Retirement

Gold State Super

Age	Resignation/Withdrawal*		Retirement		Exit from Deferred	
	Male	Female	Male	Female	Male	Female
30	-	-	-	-	1.0%	1.0%
35	-	-	-	-	1.0%	1.0%
40	1.0%	1.0%	-	-	1.0%	1.0%
45	2.0%	2.0%	-	-	1.0%	1.0%
50	3.0%	3.0%	-	-	1.0%	1.0%
55	10.0%	5.0%	1.0%	1.0%	6.0%	4.0%
60	15.0%	15.0%	6.0%	5.0%	10.0%	8.0%
65	20.0%	15.0%	6.0%	5.0%	10.0%	8.0%
70	20.0%	15.0%	10.0%	10.0%	10.0%	8.0%
75	-	-	100.0%	100.0%	10.0%	8.0%
80	-	-	-	-	100.0%	100.0%

*Withdrawal refers to members who cease contributory service after age 55 but choose to leave their benefit in the Scheme.

All members who resign or withdraw prior to age 70 are assumed to defer their benefit until age 70. Members who retire or withdraw after age 70 are assumed to be paid their benefit immediately.

Pension Scheme

Members are assumed to retire at the retirement age indicated in the membership data, or immediately, if over retirement age. No resignation or withdrawal is assumed.

Rates of Death and Disability

Age	Death		Disability	
	Male	Female	Male	Female
30	0.02%	0.01%	0.20%	0.10%
35	0.02%	0.01%	0.20%	0.10%
40	0.03%	0.02%	0.20%	0.10%
45	0.05%	0.03%	0.20%	0.10%
50	0.07%	0.04%	0.20%	0.14%
55	0.11%	0.06%	0.31%	0.28%
60	0.16%	0.09%	0.18%	0.24%
65	0.24%	0.14%	-	-
70	-	-	-	-

Pensioner Mortality Rates

Age	Retiree		Widow(er)		Invalid	
	Male	Female	Male	Female	Male	Female
55	0.204%	0.137%	0.386%	0.233%	0.429%	0.259%
60	0.279%	0.204%	0.587%	0.337%	0.652%	0.374%
65	0.431%	0.300%	0.870%	0.509%	0.967%	0.566%
70	0.699%	0.502%	1.392%	0.860%	1.547%	0.956%
75	1.337%	0.957%	2.368%	1.508%	2.631%	1.676%
80	2.832%	2.037%	4.225%	2.844%	4.694%	3.160%
85	6.151%	4.765%	7.809%	5.651%	8.677%	6.279%
90	12.266%	10.409%	13.674%	10.987%	15.193%	12.208%

The mortality rates shown above are before any mortality improvements have been applied. Mortality improvements apply from 1 January 2020 for retiree and spouse pensioners.

Future Mortality Improvements

Allowance is made for assumed future improvements (i.e. reductions) in pensioner mortality.

Improvements in mortality have been updated to reflect the average of the 25-year and 125-year mortality improvement factors derived by the Australian Government Actuary and published in the Australian Life Tables 2015-17.

Age	Mortality Improvement	
	Male	Female
55	1.73%	1.64%
60	1.96%	1.82%
65	2.16%	1.94%
70	2.14%	1.88%
75	1.96%	1.79%
80	1.65%	1.56%
85	1.14%	1.14%
90	0.67%	0.67%
95	0.41%	0.33%
100	0.13%	0.08%
105	0.02%	0.00%

Proportion with Eligible Spouse

Age	Male	Female
50	77.4%	73.7%
60	79.2%	70.1%
70	73.5%	49.9%
80	67.7%	29.6%
90	33.9%	14.8%

Age Difference between Member and Spouse

It is assumed that male members are three years older than their spouse, and that female members are three years younger than their spouse.

Portability

The assumed impact of portability on projected cashflows in the short to medium term (assuming no change in the current recoupment rate) is summarised in the table below:

Year Ended	No portability		Portability		(Increase) / Decrease	
	Recoupments (\$M)	Funded Benefits (\$M)	Recoupments (\$M)	Funded Benefits (\$M)	Recoupments (\$M)	Funded Benefits (\$M)
30 June 2026	-223.4	-167.0	-223.4	-167.0	0	0
30 June 2027	-227.7	-179.2	-303.5	-237.7	-75.8	-58.5
30 June 2028	-228.7	-172.1	-250.8	-189.1	-22.1	-17.0
30 June 2029	-229.0	-173.1	-244.6	-185.4	-15.6	-12.3
30 June 2030	-232.3	-171.7	-242.0	-179.4	-9.7	-7.7
30 June 2031	-235.6	-187.3	-240.5	-191.0	-4.9	-3.7
30 June 2032	-226.4	-178.0	-226.5	-178.1	-0.1	-0.1
30 June 2033	-231.4	-179.1	-227.9	-176.3	3.5	2.8

These impacts are based on data previously provided by GESB regarding the number of members who are likely to be eligible for portability in future (but are not currently eligible), and an assumption that 20% of members who become eligible for portability will elect to transfer their benefit during the year ending 30 June 2027. In subsequent years it is assumed that 10% of members who are eligible for portability will elect to transfer their benefit. The overall impact is an increase in benefit payments (and therefore recoupments) in the short term. This is greatest during the first year of portability, and decreases in magnitude subsequent years. From the year ending 30 June 2033 and onwards, there is a decrease in benefit payments (and therefore recoupments).

Appendix D

AASB1056 Accrued Benefits Information

The following information is provided to assist the Fund to prepare financial reports and disclosure information as required by the Australian Accounting Standard AASB1056 “Superannuation Entities”.

As at 30 June 2025	Gold State Super (\$'000s)	Pension Scheme (\$'000s)	Total Defined Benefit (\$'000s)
Net assets	3,391,151	93,886	3,485,037
Liability for accrued benefits*			
Funded	1,934,227	54,712	1,988,939
Unfunded	2,584,148	1,097,050	3,681,198
Total	4,518,375	1,151,762	5,670,137
Employer-sponsor receivable			
Current	223,375	134,736	358,111
Non-current	903,849	923,140	1,826,989
Total	1,127,224	1,057,876	2,185,100
Liability for vested benefits			
Funded	2,210,197	54,712	2,264,909
Unfunded	2,963,746	1,097,050	4,060,796
Total	5,173,943	1,151,762	6,325,705

* The liability for accrued benefits has been calculated without applying a minimum of vested benefits

AASB1056 specifies that defined benefit member liabilities are to be measured as the amount of investments needed to yield cash flows sufficient to meet accrued benefits as at the date when they are expected to fall due. Accrued benefits are defined as the benefits the Fund is obliged to pay in the future as a result of membership to the end of the reporting period.

AASB1056 also defines vested benefits as the value of benefits to which members or their beneficiaries would be entitled on voluntary withdrawal from the Fund, or on becoming entitled to a pension or deferred benefit, as at the reporting date.

The above figures are based on membership records as at 30 April 2025 and reported benefit payments (and recoupments) during the period 1 May 2025 to 30 June 2025. We have adjusted the data to allow for additional benefit accruals and indexation for the period 1 May 2025 to 30 June 2025. For Gold State Super we have also made an approximate adjustment for lump sum benefit payments for the period 1 May 2025 to 30 June 2025. For the Pension Scheme we have assumed no change in membership status or salaries during the two months to 30 June 2025.

The assumed investment return has been determined by reference to the investments held by the Fund in respect of the funded defined benefit liabilities.

Benefits payable in the future from the Fund in respect of current accrued membership are projected forward allowing for future salary increases, pension increases and indexation of deferred accounts, and are then discounted back to the reporting date at the assumed investment earning rate.

Assumptions regarding the future increases in accrued benefits, and the timing of when benefits will be paid, are those adopted for the actuarial investigation as at 30 June 2025. Further details can be found in Appendix C.

In the above table, allowance for future pension increases in respect of both the funded and unfunded portion of the Pension Scheme's liabilities is included in the unfunded accrued benefits amount. The vested benefits for active members in the Pension Scheme have been assumed to equal to the accrued benefits.

Defined benefit assets have been apportioned between Gold State Super and the Pension Scheme in proportion with the funded accrued benefit liabilities, before adjustment for lump sum benefit payments during the period 1 May 2025 to 30 June 2025.

The defined benefit member liabilities change each 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 sensitivity of the liability for accrued benefits to "reasonably possible changes" in the assumed investment earning rate, salary increase rate and the Perth CPI increase rate is demonstrated in the table below:

Key Assumption	Assumed at 30 June 2024	Reasonably Possible Change	Increase/(Decrease) in Accrued Benefits (\$'000s)
Investment return	6.25% p.a.	+1.0% p.a.	(366,455)
		-1.0% p.a.	413,964
Salary increase	3.5% p.a.	+1.0% p.a.	56,762
		-1.0% p.a.	(53,297)
Gold State			
Perth CPI increase*	2.8% for the first year, 2.5% p.a. thereafter	+1.0% p.a.	318,532
	Pension Scheme		
	3.0% for the first year, 2.5% p.a. thereafter	-1.0% p.a.	(288,929)

* Different short term assumptions have been applied to Gold State and the Pension Scheme to reflect the timing of indexation of benefits and known CPI experience to March 2025.

The weighted average term of the defined benefit liabilities (funded and unfunded) is shown in the table below:

As at 30 June 2025	Gold State Super	Pension Scheme
Term of liability	7.7 years	7.2 years

Mercer Consulting (Australia) Pty Ltd

ABN 55 153 168 140

AFS Licence # 411770

Collins Square

727 Collins Street

Melbourne, VIC Australia 3008

GPO Box 9946 Melbourne VIC 3001

www.mercer.com.au