



Fire & Emergency Services  
**Superannuation Fund**

Annual Report  
**2017**



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# Statement of Compliance

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**To the Honourable Ben Wyatt MLA**

**Treasurer; Minister for Finance; Energy; Aboriginal Affairs**

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Fire and Emergency Services Superannuation Board for the financial year ended 30 June 2017.

The Annual Report has been prepared in accordance with the provisions of the Financial Management Act 2006 and the *Fire and Emergency Services Superannuation Act 1985*.



**F SCIARRONE**

CHAIRMAN

18 September 2017



**B LONGMAN**

BOARD MEMBER

18 September 2017

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# Chairman's Report

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On behalf of the Board of Trustees of the Fire and Emergency Services Superannuation Fund, it is once again my pleasure to provide you with our report on the major activities and achievements of the Fund for the year ended 30 June 2017.

## Performance and Investments

Despite significant political uncertainty, the performance of share markets was generally strong over the 2016/17 Financial Year with most major global share markets delivering returns in excess of 14% for the year. The strong returns came despite events such as the US Presidential election surprise, several contentious elections in Europe, and the extension of petroleum production cuts; all events which threatened to cause share market weakness.

During the year the Board completed a full review of its investment strategy and advisers. This has resulted in the appointment of new investment managers for over 50% of the Fund's assets.

The Defined Benefit section of the Fund returned 9.2% and the crediting rate for the Smoothed options was 7.5% for accumulation accounts and 8.3% for pension accounts.

## Membership and Assets

- Overall membership of the Fund increased from 2,182 to 2,288 members.
- During the year the Fund paid out \$30.28m in benefits.
- The Fund received \$45.65m in contributions during the year which was an increase of 23.4% on the previous year ensuring that the Fund's cash flow position remained sound.
- The Fund's assets grew from \$582m to \$641m.

## Defined Benefit Scheme

Each year the Board commissions an actuarial review of the defined benefit scheme. I am pleased to report that the review conducted as at 30 June 2017 reported that "the financial position of the Fund was satisfactory", with the Vested Benefits Ratio being 113% (including Supplementary Disablement assets). The Funds target index is 120%.

## Governance and Compliance

Audit reports from the Office of the Auditor General which examine the operational risk areas of the Fund reported no material matters of a high risk nature. Each year, the Board reviews the Fund's internal risk management policies and procedures. There were no significant matters raised as a result of the reviews in the past year.

## Member Services

During the year the Board conducted a member survey in order to ascertain if members were satisfied with the products and services the fund was providing. The results of the survey indicated that 81% of all active members and 96% of pension and retained benefit members surveyed were satisfied with the service the fund was providing.

The Board was pleased with the survey result and will continue to search for ways to improve the products and services being provided to members within the scope of the resources available to the Fund.

## Board and Staff

Once again the Fund's staff (led by Adrian Rutter, Fund Secretary) continue to provide an outstanding level of service to members. The Board would like to take this opportunity to thank all staff for their continued hard work in servicing member, Board and Fund requirements throughout the year.

During the year we welcomed Kelly Wyeth to the Board and have valued his contribution since joining. Kelly replaced Tania Longman who also made a tremendous contribution to the Board while she was a Director. Tania continues to serve members in her role as an Alternate Director.

In conclusion, I would like to acknowledge the continuing strong contribution of my fellow Board members towards ensuring that your benefits are managed in a sound and compliant manner.

I commend the 2017 Annual Report of the Fire and Emergency Services Superannuation Board to all interested parties.



**Frank Sciarrone**  
Chairman

# Executive Summary

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## Performance Highlights

- The Fund's Actuary has reported that the "financial position of the Fund was satisfactory", with the Vested Benefits Ratio being 113%. The Fund's target index is 120%.
- The Fire and Emergency Services Superannuation Board declared smoothed earning rates of 7.5% for accumulation accounts and 8.3% for pension accounts.
- Overall membership of the Fire and Emergency Services Superannuation Fund increased from 2,182 to 2,288 members.
- During the 2016/17 financial year, the Fund paid out \$30.28m in benefits.
- The Fund received \$45.66m in contributions during the year, which was an increase of 23% on the previous year ensuring that the Fund's cash-flow remained sound.
- Due to positive investment market performance, the Fund's assets grew from \$582m to \$641m.

## Operational Structure

The Fire and Emergency Services Superannuation Board delivers services through the following divisions:

- Investments;
- Administration; and
- Risk and Compliance.

## Responsible Minister

The Hon. Benjamin (Ben) Sana Wyatt MLA; Treasurer; Minister for Finance; Energy; Aboriginal Affairs.

## Enabling Legislation

The Fire and Emergency Services Superannuation Board was established under section 4 of the *Fire and Emergency Services Superannuation Act 1985* and is subject to the provisions of *Financial Management Act 2006*.

## Administered Legislation

The administration of the Fire and Emergency Services Superannuation Fund is established under the *Fire and Emergency Services Superannuation Act 1985* and *Fire and Emergency Services (Superannuation Fund) Regulations 1986*.

## Other Key Legislation Impacting on the Fire and Emergency Services Superannuation Board

In the performance of its functions, the Fire and Emergency Services Superannuation Board complies with the following Western Australian legislation:

- Anti-Corruption Commission Act 1988
- Auditor General Act 2006
- Corporations (Western Australia) Act 1990
- Electoral Act 1907
- Equal Opportunity Act 1984
- Financial Management Act 2006
- Fire and Emergency Services Superannuation Act 1985
- Freedom of Information Act 1992
- Industrial Relations Act 1979
- Interpretation Act 1984
- Minimum Conditions of Employment Act 1993
- Occupational Safety and Health Act 1984
- Public Sector Management Act 1994
- Stamp Act 1921
- State Records Act 2000
- State Supply Commission Act 1991
- Trustees Act 1962
- Workers' Compensation and Injury Management Act 1981

In the performance of its functions, the Fire and Emergency Services Superannuation Board also complies with the following Australian Federal legislation:

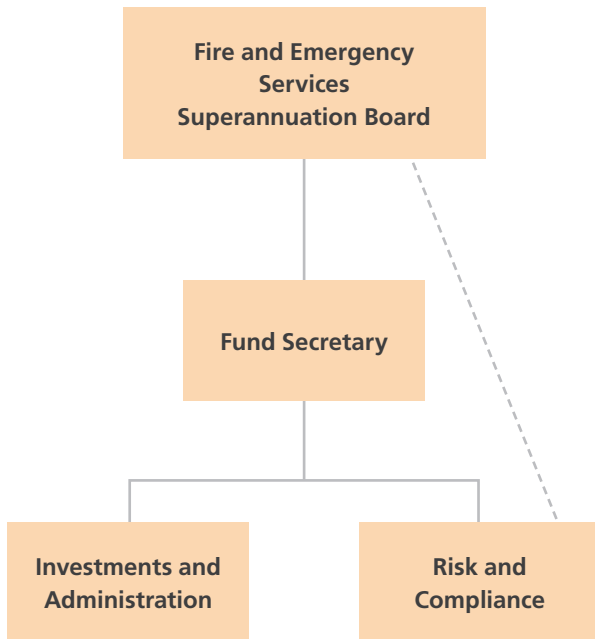
- Anti-Money Laundering and Counter-Terrorism Financing Act 2006
- Australian Prudential Regulation Authority Act 1998
- Corporations Act 2001
- Family Law Act 1975
- Financial Sector (Collection of Data) Act 2001
- Financial Services Reform Act 2001
- Income Tax Assessment Act 1936
- Privacy Act 1988
- Sex Discrimination Act 1984
- Superannuation Contributions Tax (Assessment and Collection) Act 1997
- Superannuation Guarantee (Administration) Act 1992
- Superannuation Guarantee Charge Act 1992
- Superannuation Industry (Supervision) Act 1993
- Superannuation (Resolution of Complaints) Act 1993

# Organisational Structure

## Vision

To help members achieve financial security in retirement.

## Organisational Chart



## The Board

The Fire and Emergency Services Superannuation Board (the Board) consists of six (6) Board members: three (3) are appointed by the Department of Fire and Emergency Services Commissioner and three (3) are elected by members. The Board also has access to a maximum of three (3) Alternate appointed and three (3) Alternate elected members, to stand in for Board members when required.

As a statutory authority, the Board has powers and functions under the *Fire and Emergency Services Superannuation Act 1985* and is accountable to the Minister. The Board has also made an irrevocable election for the Fund to be regulated under the Superannuation Industry (Supervision) Act 1993 to qualify for concessional taxation treatment.

In the course of meeting its responsibilities, the Board must act honestly, fairly and diligently and in the best interests of members.

## Board Profiles

### MR FRANK SCIARRONE (CHAIRMAN)

Mr Sciarrone was appointed to the Board on 4 April 2011 and has been Chairman since 18 August 2013. Mr Sciarrone is currently the Managing Director of Vantage Wealth Management and a member of the Australian Institute of Company Directors, the Financial Planning Association and the Association of Superannuation Funds of Australia Ltd. Mr Sciarrone has 33 years of experience in the wealth management, superannuation and advice industry and his appointment is due to expire on 18 August 2019.

### MR DALE FULCHER

Mr Fulcher was first appointed to the Board on 19 August 2008 and his appointment is due to expire on 18 August 2018. Mr Fulcher is the Emergency Services Levy Funding Co-ordinator with the Department of Fire and Emergency Services.

### MS KAREN LAMONT

Ms Lamont was first appointed to the Board on 18 October 2013 and her appointment is due to expire on 18 August 2019. Ms Lamont is a member of the Australian Human Resources Institute.

### MR GARY CLIFFORD

Mr Clifford has been an elected member of the Board since 19 August 1993 and his current appointment is due to expire on 18 August 2017. Mr Clifford is a retired Station Officer and is a member of the Institute of Fire Engineers.

### MR BRIAN LONGMAN

Mr Longman was first elected to the Board on 19 August 2009 and his current appointment expires on 18 August 2018. Mr Longman is a Station Officer with the Department of Fire and Emergency Services.

### MR KELLY WYETH

Mr Wyeth was first elected to the Board on 19 August 2016 and his current term expires on 18 August 2019. Mr Wyeth is a Station Officer with the Department of Fire and Emergency Services.



## Alternate Board Members

### MR FRANK PASQUALE

Mr Pasquale was first appointed to the role of Alternate Board Member on 27 August 2007 and his current term expires on 18 August 2018. Mr Pasquale is the Executive Director of Corporate Services at the Department of Fire and Emergency Services.

### MS TANIA LONGMAN

Ms Longman was first elected to the Board on 19 August 2014 and her current appointment expires on 18 August 2017. Ms Longman is the Secretary of the Firefighter's Benefit Fund.

## Compensation and Remuneration

Board members are entitled to remuneration determined by the responsible Minister. Remuneration was paid to Board Members as shown in the following table. Superannuation calculated at 9.5% was paid in addition to the figures shown.

## Senior Officers

### MR ADRIAN RUTTER

Mr Rutter joined the management team in 1994 and was appointed Fund Secretary and Chief Finance Officer in May 2001. Mr Rutter is responsible for the day-to-day management of the Fund and reports directly to the Board.

Position	Name	Date of appointment	2016/17 Remuneration
Chairperson	Frank Sciarrone	April 2011	\$21,269
Board Member	Gary Clifford	August 1993	\$13,838
Board Member	Dale Fulcher*	August 2008	Nil
Board Member	Brian Longman*	August 2000	Nil
Board Member	Karen Lamont	October 2013	\$13,838
Board Member	Kelly Wyeth*	August 2016	Nil
Alternate Member	Frank Pasquale*	August 2009	Nil
Alternate Member	Tania Longman	September 2014	\$4,613

*\*As required by government policy, Board Members who are public sector employees were not paid additional remuneration for sitting on this government Board.*

# Significant Issues Impacting the Board

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## Current and emerging issues

The 2017 Federal Government budget announcement outlined a number of key superannuation changes.

1. New measures targeting housing affordability – downsizing the family home and contributing the proceeds into superannuation. The Government will allow a person aged 65 or over to make a non-concessional superannuation contribution of up to \$300,000 from the proceeds of selling their house from 1 July 2018.
2. First home saver scheme – future voluntary superannuation contributions to be made accessible to fund a deposit for a first home. The Government will allow first homebuyers to withdraw future voluntary contributions to superannuation made from 1 July 2017 for a first home deposit, along with associated deemed earnings on those contributions. These withdrawals will be allowed from 1 July 2018 onwards.
3. New complaints handling body for superannuation and financial services – the Government will replace the Superannuation Complaints Tribunal (SCT) the Financial Ombudsmen Service (FOS) and one other external dispute body with the new Australian Financial Complaints Authority (AFCA) with effect from 1 July 2018.
4. Medicare levy to increase – with effect from 1 July 2019 the Government will increase the Medicare levy by half a percentage point from 2% to 2.5% of taxable income. This will impact on the rates at which superannuation funds must withhold Pay As You Go tax from members' benefit payments.

## Economic and social trends

There is an expectation by the members of the Fund that services delivered by the Board will be enhanced to take advantage of technological advances.

## Changes in written law

There were no material changes in any written law that affected the Board during the 2016/17 financial year.

## Likely developments

The *Fire and Emergency Services Superannuation Act 1985* and *Fire and Emergency Services (Superannuation Fund) Regulations 1986* are currently under review.

# Other Disclosures

## Shared Responsibilities with Other Agencies

The Board did not share any responsibilities with other agencies in 2016/17.

## Audit

The Office of the Auditor General audits the Board's Accounts and Performance Indicators under the provisions of the *Financial Management Act 2006*.

## Trustee Indemnity Insurance

The Board Members and employees of the Board are covered by an indemnity insurance policy to cover possible claims made against them as Board Members and employees.

## Compliance with the Electoral Act 1907

In accordance with Section 175ZE of the *Electoral Act 1907* and Treasurer's Instruction 903, the Board is required to disclose details of expenditure incurred during the year in relation to the following items:

Advertising Agencies	Nil
Market Research Organisations	Nil
Polling Organisations	Nil
Direct Mail Organisations	Nil
Media Advertising Organisations	Nil

## Publications

The Board produces various publications to help members understand their options and entitlements, and to encourage consolidation of superannuation accounts into the Fund. The Board's publications include:

- Product Disclosure Statement (Member Booklet);
- Member Newsletters;
- Report to Members;
- Annual Report;
- Annual Member Statements;
- Fire and Emergency Services Superannuation Act and Regulations; and
- Actuarial Statements (summary).

## Freedom of Information (FOI)

Under section 96 of the *Freedom of Information Act 1992*, the Board is required to publish an information statement that provides background on the operations of the Board, describes the documents held and the way in which the public can access information. It is the aim of the Board to make information available promptly and at the least possible cost.

The Board received no FOI applications during the 2016/17 financial year.

## Member Complaints

The Board has procedures in place to deal with any query or complaint a member may raise in relation to their superannuation. All complaints must be in writing and addressed to the Fund Secretary.

There was one formal complaint received during the 2016/17 financial year and this complaint has been resolved to the member's satisfaction.

## External Complaints Tribunal

If a member is not satisfied with the handling of a complaint or the Board's decision, they may be able to make a complaint to the Superannuation Complaints Tribunal.

The Tribunal is an independent body set up by the Federal Government to assist members or beneficiaries to resolve certain types of complaints with fund trustees.

The Tribunal may be able to assist the member to resolve their complaint, but only if the member has made use of the Board's own inquiries and complaints procedures. If the Tribunal accepts the member's complaint, it will attempt to resolve the matter through conciliation, which involves assisting the parties to come to a mutual agreement. If conciliation is unsuccessful, the complaint may be referred to the Tribunal for a determination which is binding.

For more information on the Tribunal and the type of information that must be provided, the Tribunal can be contacted on 1300 884 114 for the cost of a local call anywhere in Australia.

If assistance is required to make a complaint, please contact the Fund Secretary.

## Recordkeeping Plan

The Board's Recordkeeping Plan was approved by the State Records Commission on 17 March 2017.

## Governance Disclosures

At the date of reporting, Vantage Wealth Management is a related party of the Fund as Frank Sciarrone is both a member of the Board and a director of Vantage Wealth Management.

The Fund held an investment portfolio managed by Vantage Wealth Management totalling \$32,149,744 at 30 June 2017. Vantage Wealth Management received management fees of \$103,042 during the 2016/17 financial year.

All transactions with Vantage Wealth Management are conducted on normal commercial terms and conditions.

Apart from the arrangement with Vantage Wealth Management, no other related parties have entered into a contract for services with the Fund.

## Ministerial Directions

No Ministerial directives were received during the financial year.

## Other Financial Disclosures

### 1. Pricing policies of services provided

The Fund charges a fee for administering accounts associated with the accumulation, spouse, retained and pension accounts. These fees are deducted from member accounts, investment returns and Fund assets and are based on the actual costs incurred during the previous financial year.

The costs for administering the defined benefit section of the Fund are factored into the employer's contribution rate.

### 2. Capital Works

No capital works were undertaken during the 2016/17 financial year and no capital works are planned for the next financial year.

### 3. Occupational safety, health and injury management

The Board is committed to occupational, safety, health and injury management. All employees are regularly consulted on occupational safety and health matters.

Indicator	2017	2016
Number of fatalities	Zero (0)	Zero (0)
Lost time injury/disease (LTI/I) incidence rate	Zero (0)	Zero (0)
Lost time injury severity rate	Zero (0)	Zero (0)
Percentage of injured workers returned to work within 28 weeks	Zero (0) workers injured.	Zero (0) workers injured.

## 4. Employment and Industrial Relations

### STAFF PROFILE

Employment Status	2017	2016
Full-time permanent	2	2
Full-time contract	-	-
Part-time measured on a FTE basis	1.6	1.6
Part-time contract	2	2
On secondment	0	0

## 5. Staff development

The Board has a commitment to the development of its employees. Our strategies are to build a highly skilled workforce with the ability to adapt to changing business technology and a changing superannuation environment.

During the 2016/17 financial year, our employees received in-house and on-the-job training while implementing new SuperStream administration requirements.

# Performance Management Framework

The Board has statutory obligations under its enabling legislation to provide superannuation and other benefits (such as retirement products) for members employed by or formerly employed by the Department of Fire and Emergency Services, the United Fire Fighters Union of Western Australia, the Western Australian Volunteer Fire and Rescue Services Association (Inc.) and by the Board.

In meeting these obligations, the Board is required to act in the best interests of members. Its outcome is the 'improved long-term financial security for members'.

The Board's outcome contributes to the government's goal of financial and economic responsibility. The Board also contributes to the government goal of a stronger focus on regional Western Australia because approximately 16% of members are based in regional areas.

## Outcome Based Management Framework

Outcome	Key Effectiveness Indicators	
Improved long-term financial security for members.	➔	1. Member satisfaction with services provided by the Board.
	➔	2. Investment performance against objectives: <ul style="list-style-type: none"> <li>a. Performance of the Defined Benefit section against its investment objective.</li> <li>b. Performance of the Accumulation section options against each investment objective.</li> <li>c. Performance of the Pension section options against each investment objective.</li> </ul>
Service	Key Efficiency Indicator	
Superannuation products and resources: The Board provides members with access to superannuation, retirement products and a range of information resources.	➔	1. Average administration cost per member account.
	➔	2. Investment Management Expense Ratio (investment management costs as a percentage of portfolio mean value invested).

## Changes to Outcome Based Management Framework

The Board's outcome statement, key effectiveness indicators and key efficiency indicators did not change during 2016/17.



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD

#### Report on the Financial Statements

#### **Opinion**

I have audited the financial statements of the Fire and Emergency Services Superannuation Board (FESSB) which comprise the Statement of Financial Position as at 30 June 2017, the Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Fire and Emergency Services Superannuation Board as at 30 June 2017 and the results of its operations, cash flows, changes in equity and changes in member benefits for the year ended 30 June 2017. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

#### **Basis for Opinion**

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of FESSB in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Responsibility of the Board for the Financial Statements**

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

In preparing the financial statements, the Board is responsible for assessing FESSB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of FESSB.

#### **Auditor's Responsibility for the Audit of the Financial Statements**

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

## **Report on Controls**

### ***Opinion***

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

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

In my opinion, in all material respects, the controls exercised by the Fire and Emergency Services Superannuation Board are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2017.

### ***The Board's Responsibilities***

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

**Auditor General's Responsibilities**

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

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

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

**Limitations of Controls**

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

**Report on the Key Performance Indicators****Opinion**

I have undertaken a reasonable assurance engagement on the key performance indicators of the Fire and Emergency Services Superannuation Board for the year ended 30 June 2017. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Fire and Emergency Services Superannuation Board are relevant and appropriate to assist users to assess FESSB's performance and fairly represent indicated performance for the year ended 30 June 2017.

**The Board's Responsibility for the Key Performance Indicators**

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

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

**Auditor General's Responsibility**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess FESSB's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.



I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

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

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

#### **My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators**

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

#### **Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators**


This auditor's report relates to the financial statements and key performance indicators of the Fire and Emergency Services Superannuation Board for the year ended 30 June 2017 included on FESSB's website. FESSB's management is responsible for the integrity of FESSB's website. This audit does not provide assurance on the integrity of FESSB's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

  
COLIN MURPHY  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
20 September 2017

## **FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD**

### **CERTIFICATION OF KEY PERFORMANCE INDICATORS**

In the opinion of the Board, the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Fire and Emergency Services Superannuation Board's performance, and fairly represent the performance of the Fire and Emergency Services Superannuation Board for the financial year ended 30 June 2017.



**F SCIARRONE**  
CHAIRMAN  
18 September 2017



**B LONGMAN**  
BOARD MEMBER  
18 September 2017

# Performance Indicators

## Key Performance Indicators

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

The Performance Highlights section of the Annual Report includes other relevant measures that provide an overview of performance during 2016/17.

## Key Effectiveness Indicators

### 1. Member satisfaction with services provided by the Fire and Emergency Services Superannuation Board

Member satisfaction is an important measure in evaluating the Board's performance in achieving its outcome. With the internal sourcing of member services and administration, this measure enables the Board to ensure the high level of service provided to members is maintained.

Achieving member satisfaction through the provision of value-for-money products and services, engaging members in their superannuation and supporting members in making financial decisions relating to their superannuation illustrates how the Board helps members improve their long-term financial security.

Prior to 2015/16 member satisfaction was measured using members' feedback on specific aspects of the Board's service including communication material, contact with the Board and information on and access to various parts of the website. Measuring overall satisfaction with the services of the Fund was approved for use from 2015/16 by the Under-Treasurer in June 2016.

Overall member satisfaction with the services provided by the Board was at 81% for active members and 96% for pension and retained members who had provided an email address for the 2016/17 financial year, against a target of 80%.

	Target %	Actual %	Actual %
	2016/17	2016/17	2015/16
Active Members who are fairly satisfied or extremely satisfied.	80	81	79
Pension Members who are fairly satisfied or extremely satisfied.	80	96	87

An additional 16% of active members and 2.6% of pension and retained members who had provided an email address reported being neither satisfied nor dissatisfied.

All members who supplied the Fund with an email address were surveyed in June 2017. Two versions of the survey were emailed to members: one survey focused on issues relevant to active members (i.e. members who contribute or whose employer contributed to the Fund at the time of the survey) and one survey focused on issues relevant to pension and retained members (i.e. members who were either drawing a pension from the Fund or whose employer was not contributing to the Fund at the time of the survey).

A total of 1,634 active members and 351 pension/retained members who provided an email address were included in the survey that resulted in a sample size of 409 (25%) active and 159 (45.2%) pension/retained members who responded to the survey. This generated a margin of error of  $\pm 4\%$  for active members and  $\pm 6\%$  for pension/retained members at the 95% confidence level.

## 2. Investment performance against objectives

Measuring investment performance against objectives is an important indicator in evaluating the Board's performance in achieving its outcome of 'improved long-term financial security for members'.

The investment objectives are developed in consultation with the Board's Actuary and Asset Consultant.

### a) Performance of Defined Benefit section against its investment objectives

The assets of the defined benefit section of the Fund were segregated on 1 July 2013.

The primary investment objective of the defined benefit section of the Fund is to achieve investment returns of at least 2.0% per annum (net of tax and fees) above increases in final average salaries (FAS) over a rolling ten year period.

The table below shows the net performance along with the ten year FAS performance target.

Return Objective	Return Achieved % pa	Target Return % pa	Relative Performance % pa
2.0% per annum (net of tax and fees) above increases in final average salaries (FAS) over a rolling ten year period.	4.6	5.8	-1.2

*Note 1: The returns shown are net of tax and fees.*

The effect of the Global Financial Crisis is still evident in the ten year return achieved, with the seven year rolling return being 2.6% per annum above the target return.

The secondary performance objective is to outperform the asset-weighted benchmark over rolling one, three and five year periods. Returns are measured after tax and fees and the asset class benchmarks are developed in consultation with the Actuary and Asset Consultant.

The table below shows the net performance along with one year, three year and five year performance targets.

One Year			Three Years			Five Years		
Net Return %	Target %	Relative Performance %	Net Return %pa	Target %pa	Relative Performance %pa	Net Return %pa	Target %pa	Relative Performance %pa
9.2	7.6	1.6	6.3	6.5	-0.2	9.3	8.4	0.9

*Note: The returns shown are net of tax and fees.*

For the one year period, the Defined Benefit Fund achieved a strong return of 9.2% and outperformed its target over by 1.6%.

An under-weight position in fixed interest and the outperformance of the diversified growth funds were two of the main factors contributing to outperformance over the year.

This effectiveness indicator was introduced in 2016. Previous effectiveness indicators reported on the viability of the Fund and stated performance at a "Fund" level.

## b) Performance of the Accumulation section options against each investment objective

The objective of the Accumulation section is to deliver investment performance in excess of targets over specified rolling periods. More specifically, the objective for the:

- i. Smoothed, Growth and Moderate options is to deliver investment performance in excess of CPI targets over a rolling ten year period.
- ii. Cash, Australian Shares, International Shares and Fixed Interest Options are to deliver investment performance measured against indices over a 12 month period.

The table below shows the net performance along with the specified performance targets.

Investment Option	Investment Objective	Return Achieved %pa	Target Return %pa	Relative Performance %pa
Smoothed Option ("default" option)	To earn at least CPI + 4.0% per annum over a rolling 10 year period.	4.5	6.4	-1.9
Growth Option	To earn at least CPI + 4.0% per annum over a rolling 10 year period.	4.5	6.4	-1.9
Cash Option	To earn at least the benchmark return for Cash (Bloomberg Ausbond Bank Bill Index) over a rolling 12 month period.	2.3	1.5	0.8
Moderate Option	To earn at least CPI + 2.0% per annum over a rolling 10 year period.	4.5	4.4	0.1
Australian Shares Option	To earn at least the benchmark return for Australian Shares (S&P/ ASX 300 Accumulation Index) over a rolling 12 month period.	15.8	13.3	2.5
International Shares Option	To earn at least the benchmark return for Overseas shares (MSCI World ex-Australia Index in \$AUD) over a rolling 12 month period.	14.1	12.8	1.3
Fixed Interest Option	To earn at least the benchmark return for Australian Fixed Interest (Bloomberg AusBond Composite Bond Index) per annum over a rolling 12 month period.	3.5	0.2	3.3

*Note 1: The Investment Objectives are net of tax and fees.*

*Note 2: The returns shown are net of tax and fees.*

The Smoothed and Growth Options ten-year time horizon includes the significant declines in equity markets during the Global Financial crisis in 2008-09. This has impacted the performance of these options against their objectives.

All of the Fund's other Options outperformed their objectives.

This effectiveness indicator was introduced in 2016. Previous effectiveness indicators reported on the viability of the Fund and stated performance at a "Fund" level.

### c) Performance of the Pension section options against each investment objective

The objective for the Pension Section is to deliver investment performance in excess of targets over specified rolling periods. More specifically, the objective for the:

- i. Smoothed, Growth and Moderate options is to deliver investment performance in excess of CPI targets over a rolling ten year period.
- ii. Cash, Australian Shares, International Shares and Fixed Interest Options are to deliver investment performance measured against indices over a 12 month period.

The table below shows the net performance along with the specified performance targets.

Investment Option	Investment Objective	Return Achieved %pa	Target Return %pa	Relative Performance %pa
Smoothed Option ("default" option)	To earn at least CPI + 4.0% per annum over a rolling 10 year period.	5.1	6.4	-1.3
Growth Option	To earn at least CPI + 4.0% per annum over a rolling 10 year period.	5.1	6.4	-1.3
Cash Option	To earn at least the benchmark return for Cash (Bloomberg Ausbond Bank Bill Index) over a rolling 12 month period.	2.7	1.8	0.9
Moderate Option	To earn at least CPI + 2.0% per annum over a rolling 10 year period.	5.2	4.4	0.8
Australian Shares Option	To earn at least the benchmark return for Australian Shares (S&P/ASX 300 Accumulation Index) over a rolling 12 month period.	16.5	13.8	2.7
International Shares Option	To earn at least the benchmark return for Overseas shares (MSCI World ex-Australia Index in \$AUD) over a rolling 12 month period.	16.3	14.7	1.6
Fixed Interest Option	To earn at least the benchmark return for Australian Fixed Interest (Bloomberg AusBond Composite Bond Index) per annum over a rolling 12 month period.	4.1	0.2	3.9

*Note 1: The Investment Objectives are net of fees.*

*Note 2: The returns shown are net of fees.*

The Smoothed and Growth Options ten-year time horizon includes the significant declines in equity markets during the Global Financial crisis in 2008-09. This has impacted these options performance against their objectives.

All of the Fund's other Options outperformed their objectives.

This effectiveness indicator was introduced in 2016. Previous effectiveness indicators reported on the viability of the Fund and stated performance at a "Fund" level.

## Key Efficiency Indicators

The Board provides members with access to superannuation, retirement products and a range of information resources.

Value is delivered to members by providing efficient and cost effective superannuation and retirement products and services with above market-average, risk controlled net returns and highly rated member services including member information services.

### 1. Average Administration cost per member account

The cost of administering member accounts is monitored closely. This measure reflects all costs the Board incurs for administering member accounts except investment-related costs.

	2012/13	2013/14	2014/15	2015/16	2016/17
Administration Cost – Target	\$739	\$696	\$794	\$1,056	\$1,043
Administration Cost – Actual	\$837	\$989	\$1,138	\$1,122	\$1,154

This is the average cost per member of administering the Fund. The administration cost is not charged to the member as a fee but is deducted from investment returns before earnings are applied to member accounts.

The higher than expected Administration Cost – Actual against the Target was primarily due to extra consultancy and legal fees as a result of due diligence requirements on new investments.

This indicator was introduced in 2016. The previous efficiency indicator reported on the extent to which the cost of administering the Fund was minimised.

### 2. Investment Management Expense Ratio

The cost of managing the Board's investments is closely monitored. In addition to direct investment management costs incurred by the Board, external specialist investment managers are appointed to invest funds in specific asset classes. Both internal and external management costs are included in determining this indicator to illustrate the full investment costs incurred by the Board.

Investment Management Expense Ratio	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Target 2016/17	Actual 2016/17
Investment management costs as a percentage of portfolio mean value invested.	0.39%	0.45%	0.41%	0.39%	0.37%	0.36%

This efficiency indicator was introduced in 2016.

# Financial Statements

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	2017	2016
		\$	\$
<b>ASSETS</b>			
Cash and cash equivalents	28(b)	40,292,524	6,813,167
Receivables	25	9,212,915	5,207,674
Interest bearing investments	11	50,460,218	30,493,727
Fixed interest securities	12	23,781,759	22,011,702
Securities in listed entities	13	3,304,058	6,250,609
Units in unlisted unit trusts	14	493,806,452	388,828,076
Pooled superannuation trusts	15	-	95,405,505
Investment properties	16	23,325,000	28,800,000
Land and buildings	17	1,700,000	1,750,000
Office and computer equipment and motor vehicle		140,000	190,000
Prepayments		112,241	165,112
Deferred tax assets	24(e)	59,255	61,359
<b>TOTAL ASSETS</b>		<b>646,194,422</b>	<b>585,976,931</b>
<b>LIABILITIES</b>			
Payables	26	434,218	396,847
Provisions	27	145,202	128,276
Current tax liabilities	24(d)	3,104,321	1,908,508
Deferred tax liabilities	24(e)	1,440,937	1,139,223
<b>TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS</b>		<b>5,124,678</b>	<b>3,572,854</b>
<b>NET ASSETS AVAILABLE FOR MEMBER BENEFITS</b>		<b>641,069,744</b>	<b>582,404,077</b>
<b>MEMBER BENEFITS</b>			
Defined contribution member liabilities	5,7	255,628,725	235,942,326
Defined benefit member liabilities	5	332,419,600	315,265,698
<b>TOTAL MEMBER BENEFITS</b>		<b>588,048,325</b>	<b>551,208,024</b>
<b>NET ASSETS</b>		<b>53,021,419</b>	<b>31,196,053</b>
<b>EQUITY</b>			
Operational risk reserve	8	1,776,385	1,726,660
SDB reserve	8	24,388,354	21,292,454
Smoothed option investment fluctuation reserve	8	7,555,658	4,167,238
Defined benefit investment fluctuation reserve	8	8,437,346	3,602,988
Defined benefits that are over/(under) funded		10,863,676	(319,316)
Unallocated surplus/(deficiency)		-	726,029
<b>TOTAL EQUITY</b>		<b>53,021,419</b>	<b>31,196,053</b>

*This Statement should be read in conjunction with the accompanying notes.*



## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017	2016
		\$	\$
<b>SUPERANNUATION ACTIVITIES</b>			
<b>REVENUE</b>			
Interest revenue		2,391,944	2,449,633
Distributions from unit trusts		20,945,659	22,195,803
Net remeasurement changes in fair value	18	27,718,261	(15,382,740)
Net rentals from directly held property	19	2,205,538	2,190,912
Other income		264,974	314,100
<b>TOTAL SUPERANNUATION ACTIVITIES REVENUE</b>		<b>53,526,376</b>	<b>11,767,708</b>
<b>EXPENSES</b>			
Other investment expenses	20	653,143	623,465
Administration expenses	21	2,307,133	2,135,752
Other operating expenses	22	331,798	326,520
<b>TOTAL EXPENSES</b>		<b>3,292,074</b>	<b>3,085,737</b>
<b>NET RESULT FROM SUPERANNUATION ACTIVITIES</b>		<b>50,234,302</b>	<b>8,681,971</b>
Net change in defined benefit member benefits		(13,296,292)	(16,631,067)
Net benefits allocated to defined contribution member accounts		(21,712,674)	(1,452,817)
<b>NET RESULT BEFORE INCOME TAX</b>		<b>15,225,336</b>	<b>(9,401,913)</b>
Income tax expense/(benefit)	24(a)(b)	1,622,748	(548,659)
<b>NET RESULT AFTER INCOME TAX</b>		<b>13,602,588</b>	<b>(8,853,254)</b>

*This Statement should be read in conjunction with the accompanying notes.*

## STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Defined Contribution Member Benefits \$	Defined Benefit Member Benefits \$	Total 2017 \$
<b>YEAR ENDED 30 JUNE 2017</b>				
<b>Opening balance at 1 July 2016</b>		<b>235,942,326</b>	<b>315,265,698</b>	<b>551,208,024</b>
Employer contributions		4,593,837	26,090,286	30,684,123
Member contributions		9,918,747	309,285	10,228,032
Spouse contributions		16,930	-	16,930
Government co-contributions		9,901		9,901
Transfers from other superannuation entities		4,716,740		4,716,740
Transfers from defined benefit to defined contribution		9,252,760	(9,252,760)	-
Income tax on contributions	24(c)	(689,075)	(3,913,543)	(4,602,618)
<b>Net after tax contributions</b>		<b>27,819,840</b>	<b>13,233,268</b>	<b>41,053,108</b>
Transfers to other superannuation entities		(6,428,376)	(825,774)	(7,254,150)
Cash benefit payments	28	(11,191,428)	(1,518,217)	(12,709,645)
Pension payments		(10,316,235)	-	(10,316,235)
Insurance premiums charged to member accounts		(71,582)	(385,188)	(456,770)
Income tax benefit on insurance premiums	24(c)	10,738	57,778	68,516
Insurance premiums charged to defined benefit calculation		-	(2,286,844)	(2,286,844)
Income tax benefit on insurance premiums credited to defined benefit calculation	24(c)	-	416,945	416,945
Death and disability benefits credited to members accounts		1,539,188	-	1,539,188
Reserve transfers to/(from) members:				
Investment reserves		(3,388,420)	(4,834,358)	(8,222,778)
Net benefits allocated to members' accounts comprising:				
Net investment income		21,712,674	-	21,712,674
Net change in defined benefit member benefits		-	13,296,292	13,296,292
<b>Closing Balance at 30 June 2017</b>	<b>5,7</b>	<b>255,628,725</b>	<b>332,419,600</b>	<b>588,048,325</b>

*This Statement should be read in conjunction with the accompanying notes.*

## STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Defined Contribution Member Benefits \$	Defined Benefit Member Benefits \$	Total 2017 \$
<b>YEAR ENDED 30 JUNE 2016</b>				
<b>Opening balance at 1 July 2015</b>		<b>233,543,944</b>	<b>289,398,596</b>	<b>522,942,540</b>
Employer contributions		4,320,113	24,616,083	28,936,196
Member contributions		1,675,031	293,852	1,968,883
Spouse contributions		1,888,770	-	1,888,770
Government co-contributions		23,029	-	23,029
Transfers from other superannuation entities		4,159,137	-	4,159,137
Transfers from defined benefit to defined contribution		8,803,263	(8,803,263)	-
Income tax on contributions	24(c)	(648,017)	(3,692,412)	(4,340,429)
<b>Net after tax contributions</b>		<b>20,221,326</b>	<b>12,414,260</b>	<b>32,635,586</b>
Transfers to other superannuation entities		(3,171,123)	-	(3,171,123)
Cash benefit payments	28	(9,198,457)	(401,504)	(9,599,961)
Pension payments		(8,156,756)	-	(8,156,756)
Insurance premiums charged to member accounts		(72,588)	(345,507)	(418,095)
Income tax benefit on insurance premiums	24(c)	10,888	51,826	62,714
Insurance premiums charged to defined benefit calculation		-	(2,215,147)	(2,215,147)
Income tax benefit on insurance premiums credited to defined benefit calculation	24(c)	-	404,666	404,666
Death and disability benefits credited to members accounts		1,312,275	-	1,312,275
Reserve transfers to/(from) members:				
Investment reserves		-	(672,559)	(672,559)
Operational risk reserves		-	-	-
Net benefits allocated to members' accounts comprising:				
Net investment income		1,452,817	-	1,452,817
Net change in defined benefit member benefits			16,631,067	16,631,067
<b>Closing Balance at 30 June 2016</b>	<b>5,6</b>	<b>235,942,326</b>	<b>315,265,698</b>	<b>551,208,024</b>

*This Statement should be read in conjunction with the accompanying notes.*

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Operational Risk Reserve	Supplementary Disability benefits over/ (under) funded	Smoothed Option Investment Fluctuation Reserve	Defined Benefit Investment Reserve	Defined Benefit over/(under) funded	Unallocated surplus/ (deficiency)	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>YEAR ENDED 30 JUNE 2017</b>							
<b>Opening balance as at 1 July 2016</b>	<b>1,726,660</b>	<b>21,292,454</b>	<b>4,167,238</b>	<b>3,602,988</b>	<b>(319,316)</b>	<b>726,029</b>	<b>31,196,053</b>
Amount allocated from defined contribution members	-	-	3,388,420	-	-	-	3,388,420
Amount allocated from/(to) defined benefit members	-	-	-	4,834,358	-	-	4,834,358
Transfer between reserves	-	-	-	-	726,029	(726,029)	-
Net result	49,725	3,095,900	-	-	10,456,963	-	13,602,588
<b>Closing balance as at 30 June 2017</b>	<b>1,776,385</b>	<b>24,388,354</b>	<b>7,555,658</b>	<b>8,437,346</b>	<b>10,863,676</b>	<b>-</b>	<b>53,021,419</b>
<b>YEAR ENDED 30 JUNE 2016</b>							
<b>Opening balance as at 1 July 2015</b>	<b>1,465,438</b>	<b>19,125,421</b>	<b>4,900,000</b>	<b>6,700,000</b>	<b>10,660,140</b>	<b>(3,474,251)</b>	<b>39,376,748</b>
Amount allocated to defined contribution members	-	-	-	-	-	-	-
Amount allocated to defined benefit members	-	672,559	-	-	-	-	672,559
Operating profit	261,222	1,494,474	(732,762)	(3,097,012)	(10,979,456)	4,200,280	(8,853,254)
<b>Closing balance as at 30 June 2016</b>	<b>1,726,660</b>	<b>21,292,454</b>	<b>4,167,238</b>	<b>3,602,988</b>	<b>(319,316)</b>	<b>726,029</b>	<b>31,196,053</b>

*This Statement should be read in conjunction with the accompanying notes.*

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Interest received		2,243,171	2,718,111
Trust distributions		2,314,268	5,066,235
Rental income		3,739,591	4,039,076
Rental property expenses		(1,451,187)	(1,580,607)
Fee rebates		12,599	80,000
Insurance recoveries		1,539,188	1,312,275
Investment expenses		(103,042)	(104,381)
Administration expenses		(2,472,269)	(2,752,422)
Insurance premiums outwards		(2,743,614)	(2,633,242)
Income tax paid		(290,951)	(579,726)
<b>Net cash inflows from operating activities</b>	<b>29(a)</b>	<b>2,787,754</b>	<b>5,565,319</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		394,572,674	88,996,455
Payments for purchase of investments		(375,287,414)	(106,609,439)
Purchase of office and computer equipment		(20,031)	(2,650)
<b>Net cash inflows/(outflows) from investing activities</b>		<b>19,265,229</b>	<b>(17,615,634)</b>
<b>Cash flows from financing activities</b>			
Employer contributions		30,684,123	28,936,196
Member contributions		10,228,032	1,968,883
Spouse contributions		16,930	1,888,770
Government co-contributions		9,901	23,029
Transfers from other superannuation funds		4,716,740	4,159,138
Transfers to other superannuation funds		(7,254,150)	(3,171,123)
Cash benefit payments		(12,709,645)	(9,599,961)
Pension payments		(10,316,235)	(8,156,756)
Tax paid on contributions		(3,949,322)	(2,495,336)
<b>Net cash inflows from financing activities</b>		<b>11,426,374</b>	<b>13,552,840</b>
<b>Net increase in cash</b>		<b>33,479,357</b>	<b>1,502,525</b>
<b>Cash at beginning of year</b>		<b>6,813,167</b>	<b>5,310,642</b>
<b>Cash at end of the financial year</b>	<b>29(b)</b>	<b>40,292,524</b>	<b>6,813,167</b>

*This Statement should be read in conjunction with the accompanying notes.*

# Notes of the Financial Statements

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## 1. REPORTING ENTITY

The Board's financial statements comprise the financial statements of the Fire and Emergency Services Superannuation Board (Fund). The Fund is a predominately a defined benefit fund and the objective of the Trustees is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. The Fund is domiciled in Australia. The registered office of Fire and Emergency Services Superannuation Fund is:

242 Rokeby Road  
Subiaco WA 6008

The Fund was established under the Fire and Emergency Services Superannuation Act 1985 as amended.

The Fund primarily is involved in providing retirement benefits to its members.

The Trustee of the Fund is Fire and Emergency Services Superannuation Board (RSE No L0001700).

## 2. BASIS OF PREPARATION

### (a) STATEMENT OF COMPLIANCE

Fire and Emergency Services Superannuation Board is a not-for-profit reporting entity. The financial statements constitute general purpose statements which have been prepared in accordance with Australian Accounting Standards including AASB 1056 *Superannuation Entities*, other applicable Accounting Standards, as applied by the Treasurer's Instructions (TI) and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations ("SIS"). Several of these accounting standards are modified by the TI to vary application, disclosure and wording.

The *Financial Management Act 2006* and the TI are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect, are disclosed in notes to these financial statements.

The financial statements were approved by the Board of the Trustee, Fire and Emergency Services Superannuation Board on 18 September 2017.

### (b) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Australian dollars, which is the functional currency of the Fund.

### (c) USE OF ESTIMATES AND JUDGEMENTS

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only, or in the period and future periods if the revision affects both current and future periods.

There are no significant critical accounting estimates, assumptions and judgements contained in these financial statements other than those used to determine the liability for accrued benefits as detailed in Note 5 and the valuation of investment properties (Note 16) and Land & Buildings (Note 17).

## 2. BASIS OF PREPARATION (continued)

### (d) NEW AND AMENDED STANDARDS ADOPTED DURING THE YEAR

The following new and revised Standards and Interpretations have been adopted in the financial statements. Apart from AASB 1056, their adoption has not had significant financial or disclosure impact on these financial statements but may affect the accounting for future transactions or arrangements.

AASB Amendment / Standard	Title
AASB 1056	Superannuation Entities
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

### (e) ADOPTION OF AASB 1056 SUPERANNUATION ENTITIES ("AASB 1056")

The Australian Accounting Standards Board issued AASB 1056 in June 2014. The new standard replaces AAS 25 *Financial Reporting by Superannuation Plans* ("AAS 25") and is applicable retrospectively from financial period beginning on or after 1 July 2016. The purpose of this new standard is to address deficiencies in AAS 25 and align accounting and financial reporting requirements for superannuation entities with current requirements of Australian Accounting Standards. The Fund has applied the requirements of AASB 1056 for the first time in the current year.

In accordance with the transitional provisions of AASB 1056, the Fund has not presented a statement of financial position as at the beginning of comparative period (1 July 2015). The impact of adopting AASB 1056 has been summarised as follows:

- The Fund has presented 5 primary financial statements (ie. Statement of Financial Position, Income Statement, Statement of Cash Flows, Statement of Changes in Equity and Statement of Changes in Member Benefits) which is a change from the two primary financial statements previously presented;
- All assets and liabilities (with the exception of members' liabilities and tax balances) are now measured at fair value;
- Members' benefits are now presented as liabilities in the Statement of Financial Position rather than equity; and
- Contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses and are now presented in the Statement of Changes in Member Benefits.

As part of the transition to AASB 1056, the Board also had to determine whether the Fund is exposed to material insurance risk in relation to members' insurance benefits. No material risk was identified as the Fund acts in the capacity as an agent and not an insurer.

## 2. BASIS OF PREPARATION (continued)

The adoption of AASB 1056 had the following impact on the financial statements of the Fund for the period ended 30 June 2016:

	30 June 2016 balance as previously reported	Transition adjustment	Restated 30 June 2016
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>Assets</b>			
Change in measurement from net market value to fair value:			
Securities in listed entities	6,219,356	31,253	6,250,609
Investment properties	28,080,000	720,000	28,800,000
Land and buildings	1,706,250	43,750	1,750,000
<b>Liabilities</b>			
Deferred tax liability effect of increase in asset values due to remeasurement to fair value:			
Deferred tax liabilities	1,070,250	68,973	1,139,223
Member benefits recognised as liabilities rather than equity:			
Defined contribution member liabilities	-	235,942,326	235,942,326
Defined benefit member liabilities	-	315,265,698	315,265,698
<b>Equity</b>			
Member benefits recognised as liabilities rather than equity:			
Member benefits	552,357,242	(552,357,242)	-
Other equity movements			
Change in equity due to change in measurement from net market value to fair value			
Unallocated surplus/(deficiency)	-	726,029	726,029
Recognition of reserves			
SDB reserve	-	21,292,454	21,292,454
Smoothed option investment fluctuation reserve	-	4,167,238	4,167,238
Defined benefit investment fluctuation reserve	-	3,602,988	3,602,988
Defined benefits that are over/(under) funded	-	(319,316)	(319,316)
Surplus	27,594,146	(27,594,146)	-
<b>INCOME STATEMENT</b>			
Result before income tax as previously reported	22,614,177	-	22,614,177
Change in measurement from net market value to fair value:			
Net remeasurement changes in fair value		795,003	795,003
Contributions, rollovers and other inward transfers and benefits paid to members are transferred to the statement of changes in member benefits:			
Employer contributions	-	(28,936,196)	(28,936,196)
Member contributions	-	(1,968,883)	(1,968,883)
Spouse contributions	-	(1,888,770)	(1,888,770)
Government co-contributions	-	(23,029)	(23,029)
Transfers from other superannuation entities	-	(4,159,138)	(4,159,138)



## 2. BASIS OF PREPARATION (continued)

	30 June 2016 balance as previously reported	Transition adjustment	Restated 30 June 2016
<b>INCOME STATEMENT</b>			
Death and disability benefits credited to members accounts	-	(1,312,275)	(1,312,275)
Insurance premiums charged to members accounts	-	2,633,242	2,633,242
Transfers to other superannuation funds	-	3,171,123	3,171,123
Cash benefit payments	-	9,599,961	9,599,961
Pension payments	-	8,156,756	8,156,756
<b>Result from operating activities</b>	<b>22,614,177</b>	<b>(13,932,206)</b>	<b>8,681,971</b>
Net change in defined benefit member benefits	-	(16,631,067)	(16,631,067)
Net benefits allocated to defined contribution members	-	(1,452,817)	(1,452,817)
<b>Result before income tax</b>	<b>22,614,177</b>	<b>(32,016,090)</b>	<b>(9,401,913)</b>
Income tax (expense)/benefit	(3,255,417)		(3,255,417)
Tax effect of change in measurement from net market value to fair value		(68,973)	(68,973)
Income tax on contributions transferred to the statement of changes in member benefits		4,340,429	4,340,429
Income tax benefit on insurance premiums transferred to the statement of changes in member benefits		(467,380)	(467,380)
<b>Result after income tax</b>	<b>19,358,760</b>	<b>(28,212,014)</b>	<b>(8,853,254)</b>
<b>STATEMENT OF CHANGES IN MEMBER BENEFITS</b>			
Opening balance	-	522,942,540	522,942,540
<i>Contributions, transfers from other superannuation entities (transferred from income statement)</i>			
Employer contributions	-	28,936,196	28,936,196
Member contributions	-	1,968,883	1,968,883
Spouse contributions	-	1,888,770	1,888,770
Government co-contributions	-	23,029	23,029
Transfers from other superannuation entities	-	4,159,137	4,159,137
Income tax on contributions	-	(4,340,429)	(4,340,429)
<i>Benefits paid to members (transferred from income statement)</i>			
Transfers to other superannuation entities	-	(3,171,123)	(3,171,123)
Benefit payments	-	(9,599,961)	(9,599,961)
Pension payments	-	(8,156,756)	(8,156,756)
Insurance premiums charged to members' accounts	-	(418,095)	(418,095)
Income tax benefit on insurance premiums	-	62,714	62,714
Insurance premiums charged to DB formula	-	(2,215,147)	(2,215,147)
Income tax benefit on insurance premiums to DB formula	-	404,666	404,666
Death and disability benefits credited to members' accounts	-	1,312,275	1,312,275
SDB reserve transferred from members	-	(672,559)	(672,559)
Net investment income to member accounts	-	1,452,817	1,452,817
Net change in defined benefit member benefits	-	16,631,067	16,631,067

## 2. BASIS OF PREPARATION (continued)

	30 June 2016 balance as previously reported	Transition adjustment	Restated 30 June 2016
<b>STATEMENT OF CHANGES IN EQUITY</b>			
Opening balance	-	39,376,748	39,376,748
Amount allocated to defined benefit members	-	672,559	672,559
Operating result	-	(8,853,254)	(8,853,254)
Closing balance	-	31,196,053	31,196,053
<b>STATEMENT OF CASH FLOWS</b>			
Net cash inflows from operating activities	-	5,565,319	5,565,319
Net cash outflows from investing activities	-	(17,615,634)	(17,615,634)
Net cash inflows from financing activities	-	13,552,840	13,552,840
Net increase in cash	-	1,502,525	1,502,525
Cash at beginning of year	-	5,310,642	5,310,642
Cash at end of year	-	6,813,167	6,813,167

Apart from the above, AASB 1056 also introduced the following changes, where no financial impact has been identified for the financial period presented:

- Additional disclosure requirements in relation to defined benefit liabilities valuations which are included in Note 5; and
- Requirement to disaggregate financial information presentation where members from different categories are exposed to different risks and benefits. The Fund has now separately disclosed the defined contribution and defined benefit member liabilities.

## 2. BASIS OF PREPARATION (continued)

### (f) ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 June 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early.

#### **AASB 9 Financial Instruments**

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised requirements on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the requirements on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. The adoption of AASB 9 is not expected to have a material impact on the Fund's financial assets or financial liabilities.

#### **AASB 16 Leases**

AASB 16 removes the lease classification test for lessees and requires all leases (including operating leases) to be brought to account onto the balance sheet. The definition of a lease is also amended and is not the new on/off balance sheet test for lessees.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. The Fund does not expect any impact on its financial statements resulting from the application of AASB 16.

#### **AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses**

AASB 2016-1 relates to amendments to AASB112 and the recognition of deferred tax assets and applies for annual reporting periods beginning on or after 1 January 2017. The Fund does not expect any impact on its financial statements resulting from the application of AASB 2016-1.

#### **AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 107**

AASB 2016-2 relates to amendments to AASB107 and applies for annual reporting periods beginning on or after 1 January 2017. The Fund does not expect any impact on its financial statements resulting from the application of AASB 2016-2.

#### **AASB 2017-1 Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments**

AASB 2017-1 relates to amendments to AASB1, AASB128 and AASB140 and applies for annual reporting periods beginning on or after 1 January 2019. The Fund does not expect any impact on its financial statements resulting from the application of AASB 2017-1.

#### **AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends, distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (a) INVESTMENTS

Investments of the Fund are initially recognised at cost, representing fair value. After initial recognition, investments are measured at fair value.

Fair Values have been determined as follows:

##### **Interest Bearing investments**

Interest bearing investments are carried at face value which represents fair value. Interest accrued on these investments is included as a receivable at balance date in accordance with Note 3(d).

##### **Non-market quoted investments (fixed interest securities)**

Investments for which market quotations are not readily available are valued at fair value determined by the Trustee with reference to recent arm's length transactions, current market value of another instrument substantially the same or discounted cash flows.

##### **Market quoted investments (securities in listed entities)**

The fair value of securities in listed entities for which there is a readily available market quotation is determined as the last quoted sale price at the close of business on reporting date.

##### **Units in unlisted unit trusts and pooled superannuation trusts**

The fair value is based on the redemption price at reporting date quoted by the investment managers which are based on the fair value of the underlying investments. Unit values denominated in foreign currency are translated to Australian dollars at the current exchange rates.

##### **Investment properties**

Investment properties comprise investment interests in land and buildings (including integral plant & equipment). Investment properties are initially recorded at cost of acquisition at the date of acquisition.

The carrying amount of an investment property is the fair value of the property which is determined using the capitalisation of net rental income and the discounted cash flow methods and also having regard to recent market transactions for similar properties in the same location as the Fund's investment property. Generally, the fair value is determined by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Direct operating expenses arising from investment properties are included in Investment expense.

##### **Land & Buildings**

Land & Buildings are initially recorded at cost of acquisition at the date of acquisition.

The carrying amount of the land and buildings is the fair value of the property which is determined using the capitalisation of net rental income and the discounted cash flow methods and also having regard to recent market transactions for similar properties in the same location as the Fund's investment property. The fair value is determined by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

#### (b) CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits

Cash equivalents are short term, highly liquid investments that are readily converted to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (c) FOREIGN CURRENCY

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences are recognised in the income statement.

#### (d) RECEIVABLES

Receivables and payables are carried at nominal amounts accrued or due at reporting date, which approximate fair value.

Accrued interest represents accrued interest revenue from interest bearing investments, government securities, other fixed interest securities, money market securities and derivatives.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) FINANCIAL LIABILITIES

The Fund recognises financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Payables are payable on demand or over short time frames of less than 60 days.

The Fund recognises financial liabilities at fair value as at reporting date with any change in fair values since the beginning of the reporting period included in the income statement.

#### (f) REVENUE RECOGNITION AND MEASUREMENT

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### Net remeasurement changes in fair value

Changes in fair value of investments are recognised as revenue and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value at the prior year end or cost (if the investment was acquired during the year).

##### Interest revenue

Interest revenue is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest revenue includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. If interest is not received at reporting date it is reflected in the Statement of Financial Position as a receivable.

##### Distributions from unit trusts

Distributions from units in unit trusts are recognised on the date the unit value is quoted ex-distribution and the Fund is entitled to receive the distribution. If not received at reporting date, the distribution receivable is reflected in the Statement of Financial Position as a receivable at fair value.

##### Net rentals from directly held property

Rental revenue from investment property is recognised on an accrual basis over the term of the lease and if not received at reporting date is reflected in the Statement of Financial Position as a receivable at fair value. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

##### Death and disability benefits credited to members accounts

Insurance claim amounts are recognised where the insurer has agreed to pay the claims lodged and has transferred the claim amount to the Fund.

#### (g) CONTRIBUTIONS REVENUE AND TRANSFERS FROM OTHER FUNDS

Contributions revenue and transfers from other funds are recognised in the Statement of Changes in Member Benefits when control and benefits of the revenue have been attained (i.e. when they are received) by the Fund and are recorded gross of any tax.

#### (h) BENEFITS

Benefits paid are recognised in the Statement of Changes in Members Benefits when the Fund has received a valid withdrawal notice from the member and it has been approved by the Fund in accordance with the Fund's regulations.

#### (i) INCOME TAX

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act and accordingly the concessional tax rate of 15% has been applied.

##### Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable income for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

#### (j) GOODS AND SERVICES TAX

GST incurred that is not recoverable from the ATO has been recognised as part of the cost of acquisition of the asset or as part of the expense to which it relates.

Receivables and payables are stated with the amount of GST included in the value.

The amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

#### (k) EXCESS CONTRIBUTIONS TAX

The ATO may issue release authorities to members of the Fund relating to the relevant member's excess contributions tax that is payable in respect of the member's concessional and/or non-concessional contributions for a particular year.

The liability for excess contributions tax will be recognised when the relevant release authorities are received from members, as the Trustee considers this is when it can be reliably measured.

The excess contributions tax liability recognised by the Fund will be charged to the relevant members' accounts.

#### (l) NO-TFN CONTRIBUTIONS TAX

Where a member does not provide their tax file number to a Fund, the Fund may be required to pay no-TFN contributions tax at a rate of 34% which is in addition to the concessional tax rate of 15% which applies to the Fund's assessable income.

The no-TFN contributions tax liability recognised by the Fund will be charged to the relevant members' accounts. Where a tax offset is obtained by the Fund in relation to members' no-TFN contributions tax, the tax will be included in the relevant members' accounts.

#### (m) FINANCIAL INSTRUMENTS

##### (a) Classification

The Fund's financial assets which include investments in fixed interest securities, securities in listed entities, units in unlisted unit trusts and pooled superannuation trusts are classified as at fair value through profit or loss.

These investments are managed and their performance is evaluated on a fair value basis in accordance with the Fund's investment strategy.

Financial liabilities, which include payables and provisions, are valued as at fair value through profit or loss.

##### (b) Recognition

The Fund recognises financial assets and financial liabilities on the date the Fund becomes a party to the contractual provisions of the instrument. Financial assets are recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or liabilities are recorded in the Income Statement.

##### (c) Measurement

Financial instruments are initially measured at cost, being the fair value of the consideration given. Subsequent to initial recognition all financial instruments are valued at fair value.

##### (d) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Fund transfers substantially all the risks and rewards of ownership of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

## 4. FUNDING ARRANGEMENTS

The funding policy adopted in respect of the Fund is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. As such, in framing employer and member contribution rates, the actuary has considered long-term trends in such factors as Fund membership, salary growth, investment returns and average fair value of Fund's assets.

The employer has contributed to the Fund in 2017 at a standard rate of 11.75% (2016: 11.75%) of the salaries of those permanent employees who elected to be defined benefit members of the Fund. The employer has also made additional contributions at the rate of 1% (2016: 1%) to fund the supplementary disablement benefits. Defined Benefit members of the Fund contributed at a minimum rate of 6.25% of salary for 2017 (2016: 6.25%).

For those members of the Fund who have not elected, or are unable, to become defined benefit members, the employer contributed at the rate of 9.5% salaries for 2017 (2016: 9.5%).

The Fund also received salary sacrifice contributions from members during the year ended 30 June 2017.

Members make additional voluntary contributions at variable rates.

## 5. MEMBER LIABILITIES

### (a) Defined contribution member liabilities

Defined contribution members bear the investment risk relating to the underlying assets of the Fund and crediting rates used to measure the member liabilities. The crediting rates are determined on a monthly basis based on movements in the value of investments during the month. Defined contribution member liabilities are measured as the amount of member account balances as at reporting date. The Fund's management of investment risks is as disclosed in Note 10.

Defined contributions members' liabilities are fully vested as at 30 June 2017 and 30 June 2016.

### (b) Defined benefit member liabilities

Defined benefit member liabilities are measured annually by a qualified actuary. The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued to the reporting date. The amount of accrued benefits are valued using the present value of the expected future benefits arising from membership up to the reporting date. The valuation of accrued benefits is in respect of past service only and there is no account taken of benefits arising from future services. The accrued benefits are not subject to a minimum of the vested benefits.

The valuation of accrued benefits was undertaken by the Fund's appointed actuary as part of a comprehensive actuarial review dated 30 June 2017 (previously 30 June 2016).

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

- The future rate of investment return earned on the Fund's investments would be 6.5% (2016: 6.5%). The future rate of investment return is based on the expected investment return after taking into account the Fund's investment strategy for the assets backing its defined benefit liabilities as at the calculation date.
- The future rate of salary increases would be 1.5% p.a. for the first two years and then 3.5% p.a. thereafter (2016: 3.5% p.a. all years) for basic salary increases plus promotional increases which average an additional 1.5% pa (2016: 1.5%). The assumed annual salary increase has been determined by reference to the Enterprise Bargaining Agreement (EBA) and confirmed with the Employer.

These assumptions are based on the history of Fund's investment returns and history of salary increases. Historically the Fund has achieved a return of 9.3% per annum over the last 5 years and 9.2% over the last year. The employer traditionally has a high degree of control over the salaries and the assumption is consistent with past experience.

The Fund's actuary considers the key risks faced by the Fund and employer are investment risk and higher than expected salary increases. Movements in the main assumptions used to determine the values of accrued benefits are reasonably possible for the 2017 reporting period.

- The future rate of investment return  $\pm 1\%$  (2016:  $\pm 1\%$ ).
- The future rate of salary increases  $\pm 1\%$  (2016:  $\pm 1\%$ ).

## 5. MEMBER LIABILITIES (continued)

### (b) Defined benefit member liabilities (continued)

The impact of the reasonably possible changes in these key assumptions are shown below:

Key Assumptions	Assumed at reporting date	Reasonable Possible Change	(Increase)/Decrease member benefit liability
Future investment return	6.5%	+1%	(14,164,360)
		-1%	16,284,261
Future rate of salary increase	3.5%	+1%	16,432,340
		-1%	(14,550,018)

The Fund's actuary and the Trustee continue to monitor the Fund's funding position on a regular basis and do not have any reason to believe that the Fund will not continue to meet its funding commitments to the defined benefit section.

The liability for accrued benefits at 30 June is as follows:

	2017	2016
	\$	\$
Defined benefit liability for accrued benefits	332,419,600	315,265,698
Defined benefit assets (excluding investment fluctuation reserve)	<b>345,790,539</b>	<b>314,515,543</b>

The actuary stated the Fund was in a satisfactory financial position at 30 June 2017 (2016: satisfactory) measured by the coverage of vested benefits by assets.

The amount of vested benefits attributable to defined benefit members at 30 June 2017 is \$332,524,875 (2016: \$308,667,079).

## 6. GUARANTEED BENEFITS

No guarantees have been made in respect of any part of the liability for accrued benefits.



## 7. VESTED BENEFITS

Vested benefits are benefits that are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership as at the reporting date.

	2017	2016
	\$	\$
<b>Defined Contribution Vested Benefits</b>		
Defined Benefit Members	61,632,681	54,378,941
Defined Contribution Benefit Members	22,014,293	,636,164
Non-Member Spouse Benefits	1,815,626	2,146,891
Spouse Accounts	16,423,637	13,503,698
Allocated Pensioners	81,651,308	74,847,007
Term Allocated Pensioners	645,756	664,611
Retained Benefits	71,445,424	71,765,014
<b>Total defined contribution vested benefits</b>	<b>255,628,725</b>	<b>235,942,326</b>
<b>Defined Benefits Vested Benefits</b>		
Defined benefit members	332,360,341	308,667,079
Supplementary Pension Liabilities	164,534	430,839
<b>Total defined benefit vested benefits</b>	<b>332,524,875</b>	<b>309,097,918</b>
<b>Total Vested benefits</b>	<b>588,153,600</b>	<b>545,040,244</b>

## 8. RESERVES

### Operational Risk Financial Reserve

The Board established the reserve on 1 July 2013 in response to the operational risk financial requirement introduced into the Superannuation Industry (Supervision) Act 1993 from 1 July 2013. The reserve is operated in accordance with the Operational Risk Reserve Policy. The purpose of the reserve is to provide funding for incidents where material losses may arise from operational risk relating to the Fund. The level of the Reserve is determined by the Board based on an assessment of risks faced by the Fund. The Reserve is specifically held in a term deposit set up for the purpose of maintaining the reserve. The interest on the term deposit is reinvested to maintain the reserve at its required level. The reserve is not split between defined benefit and defined contribution sectors of the Fund.

### SDB Reserve

The SDB reserve is held to fund supplementary disablement claims for members. A member is entitled to a supplementary benefit where they are retired for medical reasons and are classified as partially or permanently disabled. The employer contributes 1% of salaries. An actuarial review is completed every 3 years for the SDB Reserve to determine the value. The reserve has been recognised in these financial statements in order to comply with the requirements of AASB1056 based on the valuations provided by the Actuary. This was previously disclosed as unallocated in the Fund's financial statements as there was no requirement to recognise the reserve under AAS 25.

## 8. RESERVES (continued)

### Investment Reserves

The investment reserves includes a Smoothed Option Investment Reserve, held in respect of defined contribution members in the smoothed option (3% of assets in the smoothed option) and an Investment Fluctuation Reserve (IFR) held to smooth out the value of the defined benefit assets against long term values (2.3% of defined benefit assets). These are valued annually by the actuary. The reserve has been recognised in these financial statements in order to comply with the requirements of AASB1056 based on the valuations provided by the Actuary. This was previously disclosed as unallocated in the Fund's financial statements as there was no requirement to recognise the reserve under AAS 25.

The investment reserve is split between defined benefit and defined contribution members as follows:

	2017	2016
	\$	\$
Smoothed Option Investment Reserve (defined contribution)	7,555,658	4,167,238
Defined Benefit Investment Fluctuation Reserve (defined benefit)	8,437,346	3,602,988
<b>Total Investment Reserves</b>	<b>15,993,004</b>	<b>7,770,226</b>

## 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair Value Estimation

The carrying amounts of all the Fund's financial instruments at the reporting date approximated their fair values. The major methods and assumptions used in determining the fair value of financial instruments is disclosed in Note 3(a). The table below shows financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: valuation technique for which the lowest level input that is significant to the fair value measurement is not observable.

30 June 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets at fair value through profit or loss</b>				
<i>(i) Interest bearing securities</i>				
- Interest bearing investments	50,460,218	-	-	50,460,218
- Fixed interest securities	-	23,781,759	-	23,781,759
<i>(ii) Non-interest bearing securities</i>				
- Securities in listed entities	3,304,058	-	-	3,304,058
- Units in unlisted unit trusts	-	493,806,452	-	493,806,452
<i>(iii) Other Assets</i>				
- Investment properties	-	-	23,325,000	23,325,000
- Land & buildings	-	-	1,700,000	1,700,000
	53,764,276	517,588,211	25,025,000	596,377,487

## 9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

30 June 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets at fair value through profit or loss</b>				
<i>(i) Interest bearing securities</i>				
- Interest bearing investments	30,493,727	-	-	30,493,727
- Fixed interest securities	-	22,011,702	-	22,011,702
<i>(ii) Non-interest bearing securities</i>				
- Securities in listed entities	6,250,609	-	-	6,250,609
- Units in unlisted unit trusts	-	388,828,076	-	388,828,076
- Pooled superannuation trusts	-	95,405,505	-	95,405,505
<i>(iii) Other Assets</i>				
- Investment properties	-	-	28,800,000	28,800,000
- Land & buildings	-	-	1,750,000	1,750,000
	36,744,336	506,245,283	30,550,000	573,539,619

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

30 June 2017	Investment properties	Land and Buildings	Total
	\$	\$	\$
<b>Opening Balance</b>	<b>28,800,000</b>	<b>1,750,000</b>	<b>30,550,000</b>
Total gains and losses			
- in profit or loss	(6,793,664)	(60,536)	(6,854,200)
Purchases	1,318,664	10,536	1,329,200
Sales	-	-	-
<b>Closing Balance</b>	<b>23,325,000</b>	<b>1,700,000</b>	<b>25,025,000</b>

## 9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Gains or losses included in the Income Statement are presented in net remeasurement changes in fair value as follows:

Total gains included in the Income Statement for the period	(6,854,200)
Total gains included in the Income Statement for the period for assets held at the end of the reporting period	(6,854,200)

30 June 2016	Investment properties	Land and Buildings	Total
	\$	\$	\$
<b>Opening Balance</b>	<b>29,493,750</b>	<b>1,706,250</b>	<b>31,200,000</b>
Total gains and losses			
- in profit or loss	(987,325)	(320,170)	(1,307,495)
Purchases	293,575	363,920	657,495
Sales	-	-	-
<b>Closing Balance</b>	<b>28,800,000</b>	<b>1,750,000</b>	<b>30,550,000</b>

Gains or losses included in the Income Statement are presented in net remeasurement changes in fair value as follows:

Total gains included in the Income Statement for the period	(1,307,495)
Total gains included in the Income Statement for the period for assets held at the end of the reporting period	(1,307,495)

The table below sets out information about significant unobservable inputs used at 30 June 2017 in measuring financial instruments categorised as Level 2 and Level 3 in the fair value hierarchy.

Type	Level 2 \$'000	Level 3 \$'000	Valuation approach	Key unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Fixed Interest Securities	23,781,759	-	<ul style="list-style-type: none"> <li>Direct sourcing from market participants</li> <li>Average spread over benchmark bonds</li> <li>Matrix yield curve</li> </ul>	N/A	N/A
Units in Unlisted Unit Trusts	449,163,730		Based on redemption price provided by manager	N/A	N/A
Units in Unlisted Unit Trusts	44,642,722	-	Net Asset Value of the Unit Trust	N/A	N/A
Investment Properties	-	23,325,000	Capitalisation of net rental income and the discounted cash flow method with regard to recent market transactions for similar properties	Available sales evidence Leasing market conditions Market rental evidence	The higher the rental income and/or available market sales evidence, the higher the fair value
Land & Buildings	-	1,700,000	Capitalisation of net rental income and the discounted cash flow method with regard to recent market transactions for similar properties	Available sales evidence Leasing market conditions Market rental evidence	The higher the rental income and/or available market sales evidence, the higher the fair value
	<b>517,588,211</b>	<b>25,025,000</b>			

## 9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The table below sets out information about significant unobservable inputs used at 30 June 2016 in measuring financial instruments categorised as Level 2 and Level 3 in the fair value hierarchy.

Type	Level 2 \$'000	Level 3 \$'000	Valuation approach	Key unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Fixed Interest Securities	22,011,702	-	<ul style="list-style-type: none"> <li>Direct sourcing from market participants</li> <li>Average spread over benchmark bonds</li> <li>Matrix yield curve</li> </ul>	N/A	N/A
Units in Unlisted Unit Trusts	348,840,989		Based on redemption price provided by manager	N/A	N/A
Units in Unlisted Unit Trusts	39,987,087	-	Net Asset Value of the Unit Trust	N/A	N/A
Pooled Superannuation Trusts	95,405,505	-	30 June 2016 net asset statement provided by Fund manager	N/A	N/A
Investment Properties	-	28,000,000	Capitalisation of net rental income and the discounted cash flow method with regard to recent market transactions for similar properties	Available sales evidence Leasing market conditions Market rental evidence	The higher the rental income and/or available market sales evidence, the higher the fair value
Land & Buildings	-	1,750,000	Capitalisation of net rental income and the discounted cash flow method with regard to recent market transactions for similar properties	Available sales evidence Leasing market conditions Market rental evidence	The higher the rental income and/or available market sales evidence, the higher the fair value
	<b>506,245,283</b>	<b>30,550,000</b>			

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## 10. FINANCIAL RISK MANAGEMENT

The Fund's assets principally consist of financial instruments which comprise units in pooled superannuation trusts and unlisted trusts, interest bearing investments, fixed interest securities and securities in listed entities. It holds these investment assets in accordance with the Trustee's published investment policy statement.

The allocation of assets between the various types of financial instruments is determined by the Trustee who manages the Fund's portfolio of assets to achieve the Fund's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Fund on at least a quarterly basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, and the Fund's objectives, policies and processes for measuring and managing risk.

The Trustee of the Fund has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Trustee is responsible for developing and monitoring the Fund's risk management policies, including those related to its investment activities. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

In managing and monitoring the risks the Trustee on a quarterly basis monitors compliance with the Fund's investment policy statement. The Fund's investment consultant is contracted to monitor and report on the Fund's investments against relevant benchmarks on a quarterly basis and provides occasional recommendations in relation to the review or retention of investments. The Trustee appoints the Investment Consultant to complete independent reviews of the Fund's investments when it considers it necessary.

The Fund's Trustee oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

### FAIR VALUE ESTIMATION

The assets and liabilities of the Fund are recognised at fair value as at reporting date. Changes in fair value are recognised through the Income Statement.

### MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

### CURRENCY RISK

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

The Fund invests in Australian domiciled investments where the underlying investments may include overseas equities. These investments are all denominated in Australian dollars. The investment managers are charged with recognising changes in market conditions and adjusting their investment strategies in accordance with market conditions.

## 10. FINANCIAL RISK MANAGEMENT (continued)

### INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest-bearing financial assets and interest bearing financial liabilities mature or re-price due to market changes. As a result, the Fund is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Fund are invested in cash management trusts. Investments in debt securities are fixed rate instruments with various terms to maturity. The Fund also invests in Australian domiciled unit trusts where the underlying investments are in fixed interest securities. The investment managers are charged with recognising changes in market conditions and adjusting their investment strategies in accordance with market conditions. The Fund has adopted an investment strategy that includes diversification across investments, markets and geographic regions.

At the reporting date, the interest rate profile of the Fund's interest-bearing financial instruments was:

	Fair Value	Fair Value
	2017	2016
	\$	\$
<b>Interest bearing financial instruments</b>		
Cash and Term deposits	90,752,742	37,306,895
Fixed interest securities	23,781,759	22,011,701
	114,534,501	59,318,596

### *Sensitivity analysis*

The Fund accounts for fixed interest securities at fair value as determined by the investment manager through the Income Statement.

The investment manager advised that the fair value of the fixed interest securities owned by the Fund are not significantly affected by movements in interest rates as they are "floating rate notes" whose coupon is re-set every three months in line with prevailing market interest rates. Their value is determined primarily by the credit margins of the underlying securities together with other market factors such as liquidity. Should there be a positive or negative movement in interest rates for the interest bearing financial instruments by 75 basis points the net result after tax and net assets available for member benefits would have increased/decreased by \$730,157 (2016: \$378,156).

### OTHER PRICE RISK

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are valued at fair value with changes in fair value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

### *Sensitivity analysis*

The Trustee has determined that the standard deviation of the rate of return for each asset class will provide a reasonably possible change in the prices of the investments that comprise each asset class. The five year average standard deviation of rates of return for each asset class has been determined by the Fund based on the relevant indices' for that investment option. The following table illustrates the effect on result after tax and net assets available for member benefits from possible changes in market price risk.

## 10. FINANCIAL RISK MANAGEMENT (continued)

2017

Investment	Sensitivity variable	Standard Deviation	Result after tax	Net assets available for member benefits
			\$	\$
Interest bearing investments	Average 5 year standard deviation	0.15%	±75,690	±75,690
Fixed interest securities	Average 5 year standard deviation	3.08%	±732,478	±732,478
Securities in listed entities	Average 5 year standard deviation	3.08%	±101,765	±101,765
Units in unlisted unit trusts	Average 5 year standard deviation	5.19%	±25,645,455	±25,645,455
Investment properties	Average 5 year standard deviation	1.96%	±457,170	±457,170
Land and buildings	Average 5 year standard deviation	1.96%	±33,320	±33,320
<b>Total</b>			<b>±27,045,878</b>	<b>±27,045,878</b>

2016

Investment	Sensitivity variable	Standard Deviation	Result after tax	Net assets available for member benefits
			\$	\$
Interest bearing investments	Average 5 year standard deviation	0.3%	±79,290	±79,290
Fixed interest securities	Average 5 year standard deviation	4.14%	±911,284	±911,284
Securities in listed entities	Average 5 year standard deviation	4.14%	±258,775	±258,775
Units in unlisted unit trusts	Average 5 year standard deviation	8.88%	±34,508,543	±34,508,543
Pooled superannuation trusts	Average 5 year standard deviation	8.17%	±7,790,434	±7,790,434
Investment properties	Average 5 year standard deviation	3.48%	±1,003,533	±1,003,533
Land and buildings	Average 5 year standard deviation	3.48%	±60,979	±60,979
<b>Total</b>			<b>±44,612,838</b>	<b>±44,612,838</b>

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Fund's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment option's expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.



## 10. FINANCIAL RISK MANAGEMENT (continued)

### CREDIT RISK

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The fair of financial assets, included in the Statement of Financial Position represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by the Trustee by quarterly reporting from its investment manager.

Credit risk arising on investments is mitigated by investing primarily in rated instruments or instruments issued by rated counterparties of credit ratings of at least 'AA' or better as determined by Standard and Poor's. Credit risk associated with receivables is considered minimal.

The Fund does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The table below shows the maximum exposure to credit risk at the reporting date. It is the opinion of the Trustee that the carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date. There were no significant concentrations of credit risk to counterparties.

	2017	2016
	\$	\$
Cash and cash equivalents	40,292,524	6,813,168
Interest bearing investments	50,460,218	30,493,727
Fixed interest securities	23,781,759	22,011,701
Securities in listed entities	3,304,058	6,219,356
Units in unlisted unit trusts	493,806,452	388,828,076
Pooled superannuation trusts	-	95,405,505
Distributions receivable	7,426,279	4,573,719
Other receivables	169,901	252,767
Accrued interest	430,235	281,462
Deposit in investment (refer Note 34)	1,186,500	-
	620,857,926	554,879,481

## 10. FINANCIAL RISK MANAGEMENT (continued)

### LIQUIDITY RISK

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity position is monitored on a daily basis. The Fund's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, Fund expenses plus investing activities.

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2017	Less than 3 months	3 Months to 1 year	Total Contractual Cash Flows	Carrying Amount (Asset)/Liabilities
	\$	\$	\$	\$
Payables	434,218	-	434,218	434,218
Provisions	145,202	-	145,202	145,202
Current tax liabilities	2,246,979	857,342	3,104,321	3,104,321
Vested benefits	588,153,600	-	588,153,600	588,153,600
<b>Total</b>	<b>590,979,999</b>	<b>857,342</b>	<b>591,837,341</b>	<b>591,837,341</b>

30 June 2016	Less than 3 months	3 Months to 1 year	Total Contractual Cash Flows	Carrying Amount (Asset)/Liabilities
	\$	\$	\$	\$
Payables	396,847	-	396,847	396,847
Provisions	128,276	-	128,276	128,276
Current tax liabilities	1,459,142	449,366	1,908,508	1,908,508
Vested benefits	545,040,244	-	545,040,244	545,040,244
<b>Total</b>	<b>547,024,509</b>	<b>449,366</b>	<b>547,473,875</b>	<b>547,473,875</b>

Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at year-end. This is the earliest date on which the Fund can be required to pay members' vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

## 11. INTEREST BEARING INVESTMENTS

	2017	2016
	\$	\$
Adelaide Bank Term Deposit	9,000,000	8,000,000
ANZ Bank Term Deposit	3,500,000	5,000,000
Auswide Term Deposit	2,000,000	-
Bank of Queensland Term Deposits	2,180,218	1,300,000
Beyond Bank Term Deposits	11,590,000	-
Macquarie Bank Term Deposits	2,000,000	2,000,000
ME Bank Term Deposits	3,590,000	-
National Australia Bank Term Deposits	16,600,000	11,080,000
Suncorp Metway Term Deposit	-	3,113,727
	50,460,218	30,493,727

## 12. FIXED INTEREST SECURITIES

	2017	2016
	\$	\$
ANZ Floating Rate Sub Debt (Jun 19)	1,520,250	1,489,890
Bank of Queensland Sub Debt (Mar 17)	-	1,016,860
Bank of Queensland Sub Debt (May 21)	1,060,880	512,625
Bendigo Bank Floating Rate Note (Jan 19)	1,537,455	1,014,690
Commonwealth Bank Floating Rate Sub Debt (5 Nov 19)	1,021,350	998,170
Credit Union Australia Floating Rate Note (Dec 17)	501,075	499,325
Credit Union Australia Floating Rate Note (Feb 18)	-	996,640
Credit Union Australia Floating Rate Note (Apr 19)	1,014,680	1,009,840
Credit Union Australia Floating Rate Note (Mar 20)	500,180	-
Goldman Sachs Floating Rate Note (Sep 21)	505,440	495,900
Heritage Building Society Sub Debt (Jun 20)	496,220	495,185
Heritage Building Society Sub Debt (May 20)	501,875	-
Interstar Millenium Trust 2006-1 A (Jun 19)	-	629,188
Liberty Financial Fixed Rate Bond (Apr 18)	1,008,250	1,008,250
Macquarie Bank Floating Rate Note (May 20)	504,485	498,080
Members Equity Floating Rate Sub Debt (Aug 19)	1,524,210	982,890
National Australia Bank Floating Rate Sub Debt (Mar 20)	1,012,170	986,830
National Australia Bank Floating Rate Sub Debt (Sep 21)	1,029,340	
Newcastle Permanent Building Society Floating Rate Note (Apr 20)	503,495	500,335
Newcastle Permanent Building Society Floating Rate Note (Jan 22)	1,010,480	-
Rabobank Floating Rate Sub Debt (Jul 20)	1,029,020	502,810
Seek FRN (Apr 22)	1,011,370	-
Superannuation Members Home Loans 2012-1 B (Dec 18)	342,885	502,200
Superannuation Members Home Loans 2014-1 AB (May 19)	-	987,100
Suncorp Floating Rate Note (Oct 20)	1,016,880	1,007,900
Torrens Trust 2013-1 AB (Apr 19)	616,950	867,073
Triton 2014-1 AB (Sep 19)	935,649	984,950
Westpac Floating Rate Sub Debt (Mar 19)	2,030,280	2,003,880
Widebay Sub Debt (Jun 19)	1,546,590	1,018,600
Widebay Sub Debt (Jun 21)	-	1,002,490
	23,781,759	22,011,701

### 13. SECURITIES IN LISTED ENTITIES

	2017	2016
	\$	\$
ANZ Subordinated Notes	-	1,011,000
Australian Unity Subordinated Notes	1,150,208	315,000
Heritage Retail Bonds	-	1,196,000
Multiplex SITES Trust	879,253	813,271
NAB Subordinated Notes	-	917,681
Westpac Subordinated Notes II	460,125	932,123
Suncorp Subordinated Notes	814,472	1,065,534
	3,304,058	6,250,609

### 14. UNITS IN UNLISTED UNIT TRUSTS

	2017	2016
	\$	\$
Acure Industrial Trust No 1	4,286,598	3,714,505
AMP Capital Diversified Fund	19,430,060	18,486,395
Ascot Capital Facilimate Pacific Hotel	4,544,590	4,479,300
Ascot Capital Facilimate Pacific Suites Canberra	13,719,386	15,000,000
Ausbil Australian Active Equity Fund	36,642,692	27,535,500
Blackrock Scientific Div Growth Fund	45,954,977	116,548,510
Centaur Property Real Estate Debt Fund 2	2,160,228	299,926
Colonial Wholesale Cash Fund	38,081,964	-
Fremantle Esplanade Hotel Trust	14,781,699	14,578,389
GQG Partners Global Equity Fund	32,793,000	-
Kapstream Wholesale Absolute Return Fund	30,632,155	29,628,206
Magellan Global Fund	33,388,758	5,174,153
Maple Brown Abbott Global Listed Infrastructure Fund	23,011,238	-
PrimeWest Retail Trust	5,731,079	4,929,398
QIC Australian Fixed Interest Fund	58,886,965	-
Schroder Australian Equity Fund	38,683,471	10,889,206
Schroder Balanced Fund	-	119,829,210
Schroder Real Return Std Class	36,503,581	16,472,601
Super Loans Trust	118,644	262,777
Vinva Australian Equities Fund	48,589,399	-
Warrington 66 Kings Park Road SC Trust	665,968	-
Warrington Property Value Add Trust 1	5,200,000	1,000,000
	493,806,452	388,828,076

## 15. POOLED SUPERANNUATION TRUSTS

	2017	2016
	\$	\$
Maple Brown Abbott Pooled Superannuation Trust	-	95,405,505

## 16. INVESTMENT PROPERTIES

	2017	2016
	\$	\$
Howe Street	5,700,000	8,050,000
Kings Park Road	17,625,000	20,750,000
	23,325,000	28,800,000
<b>Movement in investment properties</b>		
Opening balance as at 1 July	28,800,000	29,493,750
Additions	1,318,664	293,575
Movement in fair value	(6,793,664)	(987,325)
	23,325,000	28,800,000

The fair value of the Fund's Kings Park Road has been determined by the Board using the average of two valuations as at 30 June 2017, one carried out by Savills Valuations Pty Ltd and the other by Herron Todd White, both independent valuers not related to the Fund. The valuations were both prepared in accordance with Australian Property Institutes valuation standards and the API guidelines. Fair values were determined using the capitalisation of net rental income and the discounted cash flow method with regard to recent market transactions for similar properties in the same location as the Fund's investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The fair value of the Howe Street property has been arrived at on the basis of a valuation as at 30 June 2017 carried out by Herron Todd White (2016: Savills Valuations Pty Ltd), independent valuers not related to the Fund. The valuation was prepared in accordance with Australian Property Institutes valuation standards and the API guidelines. Fair values were determined using the capitalisation of net income and the discounted cash flow method with regard to recent market transactions for similar properties in the same location as the Fund's investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year other than the change of valuer.

## 17. LAND AND BUILDINGS

	2017	2016
	\$	\$
Rokeby Road, Subiaco	1,700,000	1,750,000
<b>Movement in land and buildings:</b>		
Opening balance as at 1 July	1,750,000	1,706,250
Additions	10,536	363,920
Movement in fair value	(60,536)	(320,170)
	1,700,000	1,750,000

The fair value of the Fund's land and buildings has been arrived at on the basis of a valuation as at 30 June 2017 carried by Herron Todd White (2016: Savills Valuations Pty Ltd), independent valuers not related to the Fund. The valuation is prepared in accordance with Australian Property Institutes valuation standards and the API guidelines. Fair values were determined using the capitalisation of net income and the discounted cash flow method with regard to recent market transactions for similar properties in the same location as the Fund's investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year other than the change of valuer.

## 18. REMEASUREMENT CHANGES IN FAIR VALUES

	2017	2016
	\$	\$
<b>REMEASUREMENT OF CHANGES IN FAIR VALUE OF INVESTMENTS</b>		
<b>Investments realised during the period</b>		
Fixed interest securities	22,431	(35,200)
Securities in listed entities	(55,707)	-
Units in unlisted unit trusts	22,315,268	(112,841)
Pooled superannuation trusts	12,196,460	-
Total realised gains/(losses)	34,478,452	(148,041)
<b>Investments held at reporting date</b>		
Fixed interest securities	332,063	(156,729)
Securities in listed entities	92,953	(134,342)
Units in unlisted unit trusts	(331,007)	(13,814,998)
Pooled superannuation trusts	-	178,865
Investment properties	(6,793,664)	(987,325)
Total unrealised gains/(losses)	(6,699,655)	(14,914,529)
Net remeasurement changes in fair value of investments	27,778,797	(15,062,570)
<b>REMEASUREMENT OF CHANGES IN FAIR VALUE OF LAND AND BUILDINGS</b>		
<b>Land and buildings held at reporting date</b>		
Land and Buildings	(60,536)	(320,170)
Net remeasurement changes in fair value	27,718,261	(15,382,740)

## 19. NET RENTALS FROM DIRECTLY HELD PROPERTY

	2017	2016
	\$	\$
Rent received	3,656,725	3,771,520
Less investment property expenses	(1,451,187)	(1,580,608)
	2,205,538	2,190,912



## 20. INVESTMENT EXPENSES

	2017	2016
	\$	\$
Investment manager fees	653,143	623,464
Net remeasurement changes in fair value	653,143	623,464

## 21. ADMINISTRATION EXPENSES

	2017	2016
	\$	\$
Accounting and tax agent fees	74,203	89,902
APRA fees	55,831	59,910
Change in value of office and computer equipment	59,495	34,150
Conference & seminars	36,739	47,647
Consulting fees	548,291	461,195
Data processing expenses	745,245	801,286
Fringe benefits tax	14,389	13,149
Insurance other	5,249	2,938
Journals & publications	2,455	2,000
Legal fees	105,131	35,726
Miscellaneous costs	16,768	18,917
Motor vehicle expenses	7,668	6,509
Office expenses	4,757	5,538
Postage & couriers	9,522	9,480
Printing & stationery	46,639	37,465
Salaries	418,243	360,562
Subscriptions & licenses	37,159	15,373
Superannuation	50,586	78,955
Telephone	3,275	4,251
Travel & accommodation	34,131	27,175
Trustee Indemnity Insurance	31,357	23,624
	2,307,133	2,135,752

## 22. OTHER OPERATING EXPENSES

	2017	2016
	\$	\$
Actuarial fees	88,620	46,952
Audit fees – external	136,950	131,935
Audit fees – internal	41,298	80,231
Board fees & allowances	53,558	62,517
Trustee elections	11,372	4,885
	331,798	326,520

## 23. INSURANCE ACTIVITIES

The Plan provides death and disability benefits to its members. The Fund has a group policy in place with a third party insurance company to insure these death and disability benefits for the members of the Fund.

The Fund collects premiums from defined contribution members and the defined benefit members on behalf of the insurance company. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets.

Defined contribution members insurance premiums are all deducted from the member's accounts.

Defined benefit members income protection is deducted from members accounts as this is optional coverage for members, but death and disablement coverage is included in the defined benefit formula calculation.

The insurance premiums charged to members' accounts are recognised in the Statement of Changes in Member Benefits. Insurance premiums that are not deducted from members accounts but instead recovered through the defined benefit formula calculation are recognised separately in the Statement of Changes in Member Benefits:

The Trustee determined that the Fund is not exposed to material insurance risk because:

- members (or their beneficiaries) will only receive insurance benefits if the external insurer pays the claim
- insurance premiums are only paid through the Fund for administrative reasons, and
- insurance premiums are effectively set directly by reference to premiums set by an external insurer.

## 24. TAXATION

	2017	2016
	\$	\$
<b>(a) Major components of tax expense</b>		
Current income tax		
- Current tax charge	1,502,507	248,233
- Adjustment to current tax for prior period	(183,578)	227,931
Deferred income tax		
- Movement in temporary differences	303,819	(1,024,823)
Income tax expense/(benefit)	1,622,748	(548,659)
<b>(b) Numerical reconciliation between income tax expense and result before income tax</b>		
Result before income tax	15,225,336	(9,401,913)
Tax applicable at the rate of 15% (2016: 15%)	2,283,800	(1,410,287)
Tax effect of income/(losses) that are not assessable/(deductible) in determining taxable income		
- Investment income	(1,685,810)	(53,070)
- Discount capital gains	(836,080)	614,187
- Non assessable pension income	(783,237)	(301,384)
Tax effect of other adjustments		
- Imputation & foreign tax credits	(2,423,692)	(2,338,619)
- Net change in defined benefit member benefits	1,713,959	2,223,088
- Net benefits allocated to defined contribution member accounts	3,256,901	217,923
- Net result from insurance activities	280,485	271,572
- Over provision prior periods	(183,578)	227,931
Income tax expense/(benefit)	1,622,748	(548,659)
<b>(c) Recognised in the Statement of Changes in Member Benefits</b>		
Contributions, transfers in and insurance premiums recognised in the Statement of Changes in Member Benefits	44,451,300	35,655,048
Tax applicable at the rate of 15% (2016: 15%)	6,667,695	5,348,257
Tax effect of income/(losses) that are not assessable/(deductible) in determining taxable income		
- Member contributions & transfers In	(2,245,742)	(1,205,973)
- Insurance proceeds	(230,878)	(196,841)
- Self insurance deduction	(73,918)	(72,394)
Income tax expense	4,117,157	3,873,049
<b>Split in members benefits as follows:</b>		
Contributions tax expense	4,602,618	4,340,429
Benefit on insurance premiums credited to members accounts	(68,516)	(62,714)
Benefit on insurance premiums credited to DB formula	(416,945)	(404,666)
Income tax expense	4,117,157	3,873,049

## 24. TAXATION (continued)

	2017	2016
	\$	\$
<b>(d) Current tax liabilities</b>		
<b>Provision for current income tax</b>		
Balance at beginning of year	1,908,508	634,356
Income tax paid – current period	(2,598,342)	(2,495,337)
Income tax paid – prior periods	(1,641,933)	(579,724)
Current years income tax expense	5,702,663	4,403,845
Over provision prior year	(266,575)	(54,632)
	<u>3,104,321</u>	<u>1,908,508</u>
Unrealised gains on investments	3,104,321	1,908,508
<b>(e) Deferred tax assets and liabilities</b>		
<b>Deferred tax asset</b>		
Accrued expenses	59,255	61,359
<b>Deferred tax liabilities</b>		
Unrealised gains on investments	<u>1,440,937</u>	<u>1,139,223</u>

### Taxable and deductible temporary differences arise from the following:

	Opening balance	Charged to income	Closing balance
	\$	\$	\$
<b>30 June 2017</b>			
Gross deferred tax assets:			
Accrued expenses	61,359	(2,104)	59,255
Gross deferred tax liabilities:			
Unrealised gains on investments	1,139,223	301,714	1,440,937
Net deferred tax liabilities	<u>1,077,864</u>	<u>303,818</u>	<u>1,381,682</u>
<b>30 June 2016</b>			
Gross deferred tax assets:			
Accrued expenses	55,401	5,958	61,359
Gross deferred tax liabilities:			
Unrealised gains on investments	2,158,088	(1,018,865)	1,139,223
Net deferred tax liabilities	<u>2,102,687</u>	<u>(1,024,823)</u>	<u>1,077,864</u>

There were no unrecognised deferred tax assets at 30 June 2017 (2016: nil).

## 25. RECEIVABLES

	2017	2016
	\$	\$
Investment income receivables	7,856,514	4,954,907
Other receivables	169,901	252,767
Deposit on unsettled investment <sup>Note 1</sup>	1,186,500	-
	9,212,915	5,207,674

Note 1: The amount relates to a deposit made before 30 June 2017 in relation to an infrastructure investment which was settled on 21 July 2017. Refer to Note 35.

## 26. PAYABLES

	2017	2016
	\$	\$
Accounting fees	39,435	67,998
Actuarial fees	33,000	33,000
APRA fees	55,823	59,992
Audit fees	136,950	119,790
GST payable	18,314	4,128
PAYG withholding tax	26,186	37,021
Sundry creditors	124,510	74,918
	434,218	396,847

## 27. PROVISIONS

	2017	2016
	\$	\$
<b>Employee Benefits:</b>		
Annual leave payable	55,845	50,695
Long service leave payable	89,357	77,581
	145,202	128,276

## 28. CASH BENEFITS PAID

	2017	2016
	\$	\$
Retirement & resignation	10,278,568	4,306,875
Disablement	-	3,220,838
Death	877,160	1,158,009
Financial hardship/Early release	36,478	-
Spouse	1,515,000	908,514
Excess contributions	2,439	5,725
	12,709,645	9,599,961

## 29. CASH FLOW INFORMATION

	2017	2016
	\$	\$
<b>(a) Reconciliation of cash flows from operating activities to result after tax</b>		
Result after tax	13,602,588	(8,853,254)
Net change in defined benefit member benefits	13,296,292	16,631,067
Net benefits allocated to defined contribution member accounts	21,712,674	1,452,817
Net changes in fair value of investments	(27,718,261)	15,382,740
Distributions reinvested	(15,878,557)	(17,840,185)
Fee rebates reinvested	(252,375)	(234,100)
Investment expenses	550,101	519,084
(Increase)/Decrease in receivables	(2,818,741)	(1,795,031)
(Increase)/Decrease in deferred tax assets	2,104	(5,958)
(Increase)/Decrease in prepayments	52,870	(5,870)
Increase/(Decrease) in creditors and accruals	37,371	52,387
Increase/(Decrease) in employee entitlements	16,926	6,336
Increase/(Decrease) in current tax liabilities	(116,953)	1,274,152
Increase/(Decrease) in deferred tax liabilities	301,715	(1,018,866)
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,787,754</b>	<b>5,565,319</b>
<b>(b) Reconciliation of Cash</b>		
Cash at the end of the financial year as shown in the Statement of Cashflows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents	40,292,524	6,813,167

### 30. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Fund has determined that key management personnel include board members and other senior officers of the Fund.

Total compensation for key management personnel, comprising board members and other senior officers for the reporting period are presented within the following bands:

	2017	2016
Compensation of board members of the Fund		
\$0 - \$9,999	1	1
\$10,000 - \$19,999	2	3
\$20,000 - \$29,999	1	1
Compensation of other senior officers:		
\$210,000 - \$219,999	1	-
\$220,000 - \$229,999	-	1

	2017	2016
	\$	\$
Short term employee benefits	252,044	247,100
Post employment benefits	25,584	51,546
Other long term benefits	3,147	(6,313)
Termination benefits		
Total compensation of key management personnel	\$280,775	\$292,333

### 31. RELATED PARTIES

The Trustee of the Fund throughout the year was Fire and Emergency Services Superannuation Board.

The members of the Board at 30 June 2017 and during the year then ended were:

#### Directors

Frank Sciarrone  
 Gary Clifford  
 Dale Fulcher  
 Brian Longman  
 Karen Lamont  
 Tania Longman (Resigned 18 August 2016)  
 Kelly Wyeth (Appointed 19 August 2016)

#### Alternate Directors

Frank Pasquale  
 Dwayne Watkins (Resigned 27 September 2016)  
 Alan Kruger (Resigned 18 August 2016)  
 Tim Lester (Resigned 18 August 2016)  
 Tania Longman (Appointed 19 August 2016)

#### Related Party Transactions

There are 7 (2016: 9) members of the Board who were also members of the Fund. These members contribute to the Fund on the same terms and conditions as other members and are subject to the same terms and conditions as other Fund members.

During the year there were \$37,899 in retirement benefits paid to Board members or their relatives who were members of the Fund (2016: \$27,391).

Vantage Wealth Management is a related party of the Fund as Frank Sciarrone is both a member of the Board and a director of Vantage Wealth Management. Vantage Wealth Management received management fees of \$103,042 during the financial year (2016: \$104,381).

The Fund held an investment portfolio managed by Vantage Wealth Management totalling \$32,513,328 at 30 June 2017 (2016: \$30,536,689).

All transactions with Vantage Wealth Management are conducted on normal commercial terms.

## 31. RELATED PARTIES (continued)

Apart from the details already disclosed, no related parties have entered into a contract for services with the Fund since the end of the previous financial year and there were no contracts involving related parties existing at year end.

### Sponsoring Employers

The following employers are sponsoring employers of the Fund:

Department of Fire and Emergency Services of Western Australia, United Firefighters Union of Australian West Australian Branch, Western Australian Volunteer Fire and Rescue Service Association (Inc); and Fire and Emergency Services Superannuation Board.

Contributions made to the Fund by these employers are disclosed in the Statement of Changes in Member Benefits. Contributions are made in accordance with the recommendations of the Fund's actuary.

## 32. EXPLANATORY STATEMENT

### (a) Comparison 2017 results to 2016 results

	Actual	Actual	Variance
	2017	2016	
	\$	\$	\$
<b>SUPERANNUATION ACTIVITIES REVENUE</b>			
Interest revenue	2,391,944	2,449,633	(57,689)
Distributions from unit trusts	20,945,659	22,195,803	(1,250,144)
Net remeasurement changes in fair value	27,718,261	(15,382,740)	43,101,001
Net rentals from directly held property	2,205,538	2,190,912	14,626
Other income	264,974	314,100	(49,126)
<b>TOTAL REVENUE</b>	<b>53,526,376</b>	<b>11,767,708</b>	<b>41,758,668</b>
<b>EXPENSES</b>			
Investment expenses	653,143	623,465	29,678
Administration expenses	2,307,133	2,135,752	171,381
Other operating expenses	331,798	326,520	5,278
<b>TOTAL EXPENSES</b>	<b>3,292,074</b>	<b>3,085,737</b>	<b>206,337</b>
<b>RESULT FROM SUPERANNUATION ACTIVITIES</b>	<b>50,234,302</b>	<b>8,681,971</b>	<b>41,552,331</b>
Net change in DB member benefits	(13,296,292)	(16,631,067)	3,334,775
Net benefits allocated to DC members	(21,712,674)	(1,452,817)	(20,259,857)
<b>RESULT BEFORE INCOME TAX</b>	<b>15,225,336</b>	<b>(9,401,913)</b>	<b>24,627,249</b>
Income tax expense/(benefit)	1,622,748	(548,659)	2,171,407
<b>RESULT AFTER INCOME TAX</b>	<b>13,602,588</b>	<b>(8,853,254)</b>	<b>22,455,842</b>



## 32. EXPLANATORY STATEMENT (continued)

	Actual	Actual	Variance
	2017	2016	
	\$	\$	\$
<b>MOVEMENT IN MEMBERS BENEFITS</b>			
Contributions & transfers in	45,655,726	36,976,016	8,679,710
Tax on contributions	(4,602,618)	(4,340,429)	(262,189)
Benefits paid	(30,280,030)	(20,927,840)	(9,352,190)
Insurance premiums charged to members	(456,770)	(418,095)	(38,675)
Income tax benefit on insurance premiums	68,516	62,714	5,802
Insurance premiums charged to DB formula	(2,286,844)	(2,215,147)	(71,697)
Income tax benefit on insurance premiums charged to DB formula	416,945	404,666	12,279
Death and disability benefits credited to members accounts	1,539,188	1,312,275	226,913
Reserve transfers to/(from) members	(8,222,778)	(672,559)	(7,550,219)
Net benefits allocated to members' accounts	21,712,674	1,452,817	20,259,857
Net change in defined member benefits	13,296,292	16,631,067	(3,334,775)
<b>TOTAL MOVEMENT IN MEMBERS BENEFITS</b>	<b>36,840,301</b>	<b>28,265,485</b>	<b>8,574,816</b>

### EXPLANATION OF SIGNIFICANT VARIANCES

The following notes apply only where a variance from prior year's actual is greater than 10%, are material and/or deemed significant in the context of the operations of the Fund.

#### Distributions from unit trusts

Trust distributions were lower than the previous year due to less distributions being declared in the current year compared to the prior year. Distributions vary from year to year, and are dependent on the performance of the underlying unit trusts. The Fund is unable to control the trust distributions received from investment managers and they are determined solely by the investment manager based on their individual returns for the year.

#### Net remeasurement changes in fair value

Investment values vary from year to year depending on the performance of investment markets. In the current year the return was 9% compared to the prior year return of 2.4% resulting in higher changes in fair value for the year, when compared to the prior year.

#### Income tax expense

Income tax expense was higher in the current year mainly due the increase in investment revenue.

#### Contributions & transfers in

The increase in contributions for the 2016-17 financial year was primarily due to a large increase in member voluntary contributions due to the Federal Government reducing the contributions cap effective from 1 July 2017.

#### Benefits paid

The increase in benefit payments during the 2016-17 financial year was due to two factors:

1. There were 9 roll-overs out of the Fund that were greater than \$300,000 in 2016-17, compared to only 2 the previous year; and
2. Due to the changes in the contributions cap effective from 1 July 2017, members were cashing some of their superannuation and re-contributing the money as a member voluntary contribution.

## 32. EXPLANATORY STATEMENT (continued)

### (b) Comparison Actual to Estimates

	Actual	Budget	Variance
	2017	2017	
	\$	\$	\$
<b>SUPERANNUATION ACTIVITIES REVENUE</b>			
Interest revenue	2,391,944	2,000,000	391,944
Distributions from unit trust	20,945,659	24,000,000	(3,051,341)
Net remeasurement changes in fair value	27,718,261	23,000,000	4,718,261
Net rentals from directly held property	2,205,538	2,000,000	205,538
Other income	264,974	300,000	(35,026)
<b>TOTAL REVENUE</b>	<b>53,526,376</b>	<b>51,300,000</b>	<b>2,226,376</b>
<b>EXPENSES</b>			
Investment expenses	653,143	700,000	(46,857)
Administration expenses	2,307,133	2,004,000	303,133
Other operating expenses	331,798	335,000	(3,202)
<b>TOTAL EXPENSES</b>	<b>3,292,074</b>	<b>3,039,000</b>	<b>253,074</b>
<b>RESULT FROM SUPERANNUATION ACTIVITIES</b>	<b>50,234,302</b>	<b>48,261,000</b>	<b>1,973,302</b>
Net change in DB member benefits	(13,296,292)	-	(13,296,292)
Net benefits allocated to DC members	(21,712,674)	-	(21,712,674)
<b>RESULT BEFORE INCOME TAX</b>	<b>15,225,336</b>	<b>48,261,000</b>	<b>(33,035,664)</b>
Income tax expense/(benefit)	1,622,748	(30,000)	1,652,748
<b>RESULT AFTER INCOME TAX</b>	<b>13,602,588</b>	<b>48,291,000</b>	<b>(34,688,412)</b>
<b>MOVEMENT IN MEMBERS BENEFITS</b>			
Contributions & transfers in	45,655,726	38,000,000	7,655,726
Contributions tax	(4,602,618)	(4,030,000)	(572,618)
Benefits paid	(30,280,030)	(21,510,000)	(8,770,030)
Insurance premiums charged to members	(456,770)	(480,000)	23,230
Income tax benefit on insurance premiums	68,516	-	68,516
Insurance premiums charged to DB formula	(2,286,844)	(2,220,000)	(66,844)
Income tax benefit on insurance premiums charged to DB formula	416,945	-	416,945
Death and disability benefits credited to members accounts	1,539,188	1,010,000	529,188
Reserve transfers to/(from) members	(8,222,778)	-	(8,222,778)
Net benefits allocated to members' accounts	21,712,674	-	21,712,674
Net change in defined member benefits	13,296,292	-	13,296,292
<b>TOTAL MOVEMENT IN MEMBERS BENEFITS</b>	<b>36,840,301</b>	<b>10,770,000</b>	<b>26,070,301</b>

## 32. EXPLANATORY STATEMENT (continued)

### EXPLANATION OF SIGNIFICANT VARIANCES

The following notes apply only where a variance from budget is greater than 10%, are material and/or deemed significant in the context of the operations of the Fund.

#### Interest revenue

Interest was higher than anticipated in the current year due to the higher cash balance as a result of the move to additional cash balances in the year.

#### Distributions from unit trusts

Trust distributions were less than budgeted due to low distributions being declared by the investment managers than what was anticipated. Distributions vary from year to year, and are dependent on the performance and the composition of earnings in the unit trusts.

#### Net remeasurement changes in fair value

In the current year the Fund's investments grew more than what the budget anticipated, again this is based entirely on investment managers performance and is a result of the better market conditions providing higher investment returns.

#### Administration expenses

The administration expenses are higher than estimated due to consulting and data processing fees being higher than was anticipated.

#### Income tax expense

Income tax expense was higher than anticipated due to higher investment revenue for the year compared to budgets.

#### Contributions & transfers in

The increase in contributions for the 2016-17 financial year was primarily due to a large increase in member voluntary contributions due to the Federal Government reducing the contributions cap effective from 1 July 2017.

#### Benefits paid

The increase in benefit payments during the 2016-17 financial year was due to two factors:

3. There were 9 roll-overs out of the Fund that were greater than \$300,000 in 2016-17, compared to only 2 the previous year; and
4. Due to the changes in the contributions cap effective from 1 July 2017, members were cashing some of their superannuation and re-contributing the money as a member voluntary contribution.

## 33. AUDITOR'S REMUNERATION

	2017	2016
	\$	\$
Amounts paid or due and payable to Auditor General for the following services:		
• Auditing the accounts, controls, financial statements and key performance indicators	124,500	108,900
• Other services	-	-
Amounts paid or due and payable to Ernst & Young for the following services:		
• Audit services – internal	41,298	80,231
• Other services	-	-
	165,798	189,131

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## 34. COMMITMENTS

As at 30 June 2017, the Fund had commitments of \$6,000,000 (2016: \$6,700,000) in respect of uncalled capital payments relating to investments. The uncalled commitments relate to the Fund's private equity investments, property and infrastructure investments. Time bands cannot be placed on those commitments, as it is difficult to predict the exact timing and pace of capital calls for any commitment based investment. The Fund has appropriate liquidity planning in place to ensure a suitable allocation of resources will be available to cover these future commitments of capital.

## 35. INFRASTRUCTURE INVESTMENT DEPOSIT

On 3 April 2017 the Fund paid a tender deposit and associated legal costs towards the purchase of the former Woodside Hospital Site in East Fremantle.

The tender offer was submitted on 15 March 2017 to the Minister for Health by the joint venture between Hall & Prior Health & Aged Care Group (Hall & Prior) and the Fund's special purpose investment vehicle Fresh Fields Projects (WA) No. 1 Pty Ltd, established in July 2017. The joint venture was established for the purpose of acquiring the site to develop a world-class aged care facility servicing the community of Fremantle.

Hall & Prior and the Fund have entered a binding heads of agreement (HOA) to fund the acquisition and proposed aged care development.

The details of the Tender Offer included the following:

- Purchase price: \$13 million
- Settlement: 60 days from execution of contract

Settlement of the offer occurred on 21 July 2017 and the total amount paid at settlement was \$14,612,516.

## 36. SUBSEQUENT EVENTS

Other than as detailed in Note 35, there have been no events subsequent to reporting date which would have a material effect on the Fund's financial statements at 30 June 2017.

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## FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD

### CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the Fire and Emergency Services Superannuation Board (the Fund) have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records, to present fairly the financial transactions for the financial year ended 30 June 2017, and the financial position as at 30 June 2017.

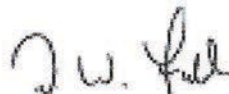
At the date of signing, we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



**F SCIARRONE**

Chairman

18 September 2017



**D FULCHER**

Board Member

18 September 2017



**A RUTTER**

Fund Secretary/Chief Finance Officer

18 September 2017

# Actuarial Opinion

This summary has been prepared as at 30 June 2017 for the purposes of Australian Accounting Standard AASB1056, for the Fire and Emergency Services Superannuation Board. The results in this summary should not be used for any purpose other than the preparation of financial statements in accordance with AASB1056.

Note that these results are prepared using the method and assumptions of the actuarial review as at 30 June 2017.

## Results - Defined Benefit Member Liabilities (Defined Benefits DB and Supplementary Disability benefits SDB)

Accrued benefits (DB and SDB)*	\$ 332,419,600
Vested benefits (DB and SDB)	\$ 332,524,875

\* *Accrued benefits does not apply a vested benefits underpin*

## Statement of Financial Position

	2017	2016
<b>NET ASSETS AVAILABLE FOR MEMBER BENEFITS</b>	\$641,069,744	\$582,404,077
<b>MEMBERS BENEFITS</b>		
Defined contribution member liabilities	\$255,628,725	\$235,942,326
Defined benefit member liabilities (DB and SDB)	\$332,419,600	\$315,265,698
<b>TOTAL MEMBER LIABILITIES</b>	<b>\$588,048,325</b>	<b>\$551,208,024</b>
<b>NET ASSETS</b>	<b>\$53,021,419</b>	<b>\$31,196,053</b>
<b>EQUITY</b>		
Operational risk reserve	\$1,776,385	\$1,726,660
Smoothed option investment fluctuation reserve	\$7,555,658	\$4,167,238
Defined benefit investment fluctuation reserve	\$8,437,346	\$3,602,988
Supplementary disability benefits that are over/(under) funded	\$24,388,354	\$21,292,454
Defined benefits that are over/(under) funded	\$10,863,676	-\$319,316
Unallocated surplus/(deficiency)	\$0	\$726,029
<b>TOTAL EQUITY</b>	<b>\$53,021,419</b>	<b>\$31,196,053</b>

## Statement of Changes in Member Benefits

	2017	2016
DB and SDB member liabilities (BOY)	\$315,265,698	\$290,202,808
Actual benefit payments	-\$11,596,111	-\$9,204,767
Interest cost	\$20,115,397	\$18,564,028
Addition accrual for 1 year	\$18,312,953	\$17,689,838
Experience including change in assumptions	-\$9,678,337	-\$1,986,209
<b>DB and SDB member liabilities (EOY)</b>	<b>\$332,419,600</b>	<b>\$315,265,698</b>

### Statement of Changes In Equity

	Operational risk reserve	Smoothed option investment fluctuation reserve	Defined benefit investment fluctuation reserve	Supplementary Disability benefits over/(under) funded	Defined benefit over/(under) funded	Unallocated surplus/ (deficiency)	Total equity
Opening balance as at 1 July 2016	\$1,726,660	\$4,167,238	\$3,602,988	\$21,292,454	-\$319,316	\$726,029	\$31,196,053
Amount allocated from/(to) defined contribution members	\$0	\$3,388,420	\$0	\$0	\$0	\$0	\$3,388,420
Amount allocated from/(to) defined benefit members	\$0	\$0	\$4,834,358	\$0	\$726,029	-\$726,029	\$4,834,358
Operating profit / Experience	\$49,725	\$0	\$0	\$3,095,900	\$10,456,963	\$0	\$13,602,588
<b>Closing Balance as at 30 June 2017</b>	<b>\$1,776,385</b>	<b>\$7,555,658</b>	<b>\$8,437,346</b>	<b>\$24,388,354</b>	<b>\$10,863,676</b>	<b>\$0</b>	<b>\$53,021,419</b>

#### Note 5: Member Liabilities

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued to the reporting date. The amount of accrued benefits are valued using the present value of the expected future benefits arising from membership up to the reporting date. The valuation of accrued benefits is in respect of past service only and there is no account taken of benefits arising from future services. The accrued benefits are not subject to a minimum of the vested benefits.

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

The future rate of investment return earned on the Fund's investments would be 6.5% pa (2016: 6.5%). The future rate of investment return is based on the expected investment return after taking into account the Fund's investment strategy for the assets backing its defined benefit liabilities as at the calculation date.

The future rate of salary increases would be 1.5% pa for the first two years and then 3.5% pa thereafter (2016: 3.5% pa all years) for basic salary increases plus promotional increases which average an additional 1.5% pa (2016: 1.5%). The assumed annual salary increase has been determined by reference to the Enterprise Bargaining Agreement (EBA) and confirmed with the Employer.

These assumptions are based on the history of Fund's investment returns and history of salary increases. Historically the Fund has achieved a return of 9.3% per annum over the last 5 years and 9.2% over the last year. The employer traditionally has a high degree of control over the salaries and the assumption is consistent with past experience.

Key Assumptions	Base Case	Sensitivity Change	Accrued Benefits	Change	Change %
Discount Rate /Investment Return	6.50%	+1% per annum	\$318,255,239	-\$14,164,360	-4%
		-1% per annum	\$348,703,861	\$16,284,261	5%
Salary increase	3.5%+1.5% promotional	+1% per annum	\$348,851,940	\$16,432,340	5%
		-1% per annum	\$317,869,581	-\$14,550,018	-4%

Defined Benefits (DB and SDB)	2017			2016		
	DB \$	SDB \$	Total \$	DB \$	SDB \$	Total \$
Defined benefit liability for accrued benefits (DB and SDB)	332,255,066	164,534	332,419,600	314,834,859	430,839	315,265,698
Defined benefit assets (excluding investment fluctuation reserve) (DB and SDB)	343,118,741	24,552,888	367,671,630	314,515,543	21,723,293	336,238,836
Defined benefit vested benefits (DB and SDB)	332,360,341	164,534	332,524,875	308,667,079	430,839	309,097,918
Defined benefit accrued benefits overfunded by (DB and SDB)	10,863,676	24,388,354	35,252,030	-319,316	21,292,454	20,973,138

### Note 7: Vested Benefits

	\$
<b>Defined Contribution Vested Benefit</b>	
Defined Benefit Members	61,632,681
Accumulation Members	22,014,293
Non-member Spouse	1,815,626
Spouse Account	16,423,637
Allocated Pensioner	81,651,308
Term Allocated Pensioner	645,756
Retained Benefit	71,445,424
<b>Total defined contribution Vested Benefit</b>	<b>255,628,725</b>
Defined Benefit Members (DB)	332,360,341
Supplementary Disability Benefit pensions in payment (SDB)	164,534
<b>Total defined benefit Vested Benefit (DB and SDB)</b>	<b>332,524,875</b>
<b>Total Vested Benefit</b>	<b>588,153,600</b>

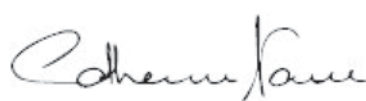
### Note 8: Reserves

	\$
<b>Investment Fluctuation Reserves</b>	
Smoothed Option Investment Fluctuation Reserve	7,555,658
Defined Benefit Investment Fluctuation Reserve	8,437,346
<b>Total</b>	<b>15,993,004</b>



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# Budget Estimates 2017/18 (not subject to audit)

	ACTUAL	ESTIMATE
	2017	2018
	\$	\$
<b>NET ASSETS BEGINNING OF PERIOD</b>	582,404,077	641,069,744
<b>INVESTMENT REVENUE</b>		
Trust Distributions	20,945,659	22,000,000
Interest	2,391,944	2,000,000
Changes in Net Market Value	27,718,261	26,000,000
Rental Income	3,656,725	3,300,000
Other Investment Revenue	264,974	300,000
<b>CONTRIBUTION REVENUE</b>		
Employer Contributions	30,684,123	30,000,000
Employee Contributions	10,228,032	5,000,000
Spouse Contributions	16,930	100,000
Transfers In	4,716,740	4,900,000
<b>OTHER REVENUE</b>		
Insurance Proceeds	1,549,089	1,000,000
Other	0	40,000
<b>TOTAL REVENUE</b>	<b>102,172,477</b>	<b>94,640,000</b>
<b>EXPENSES</b>		
Group Life Premiums	(2,743,614)	(2,700,000)
Direct Investment Expenses	(2,105,219)	(2,201,000)
General Administration	(2,638,042)	(2,508,000)
Benefits paid	(30,280,029)	(22,000,000)
Net Surplus Before Tax	64,405,573	65,231,000
Income Tax Expense	(5,739,906)	(6,000,000)
<b>NET ASSETS END OF PERIOD</b>	<b>641,069,744</b>	<b>700,300,744</b>



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