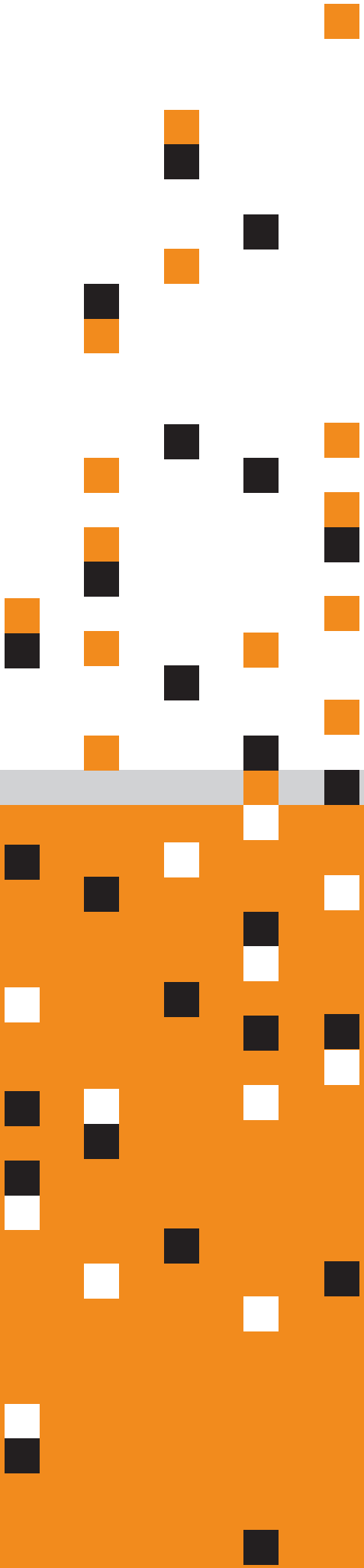




Fire & Emergency Services
Superannuation Fund



Annual Report
2018

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Statement of Compliance

Hon. 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 2018.

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

CHAIR

17 September 2018



B LONGMAN

BOARD MEMBER

17 September 2018

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Chairman's Report

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 2018.

Performance and Investments

Equity markets continued to perform well throughout the year delivering double digit returns, aided by a strong US economy. Relative to global markets, Australian equities were held back by returns from bank shares being negatively impacted by the revelations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

During the year bond yields rose across most developed markets as the US raised interest rates in light of its strengthening economy. For the first time in 16 years US bond yields offered higher yields than Australian Government bonds. More recently, this has been one of the factors precipitating a fall in the value of the Australian dollar when measured against the US dollar.

The growing uncertainty around global growth (ex the US) and concerns of a global trade war are likely to be factors that will constrain the performance of financial markets in the immediate future.

The Defined Benefit section of the Fund returned 7.5% and the crediting rate for the Smoothed options was 9.0% for accumulation accounts and 10.0% for pension accounts.

Membership and Assets

- Overall membership of the Fund decreased slightly from 2,288 to 2,281 members.
- During the year the Fund paid out \$24.15m in benefits.
- The Fund received \$40.45m in contributions during the year.
- The Fund's assets grew from \$641m to \$706m.

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 2018 reported that "the financial position of the Fund was satisfactory", with the Vested Benefits Ratio being 119% (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 84% of all active members and 95% 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.

It would be remiss of me to conclude this report without acknowledging the contributions of Dale Fulcher and Frank Pasquale. Both gentlemen retired from their respective positions of Director and Alternate Director in August 2018.

Dale served firstly as an Alternate Director for 10 years followed by 10 years as a Director. Dale's contribution to the Board and by default the members of the Fund was exemplary. Dale served as the Chair of the Board's Audit Committee for many years where he made an outstanding contribution to the governance processes of the Board. I thank Dale for his long term commitment to the Fund and wish he and his wife Collette the very best for their impending retirement.

Frank Pasquale served as an Alternate Director for nearly 11 years during which time he made an active contribution to Board debate, particularly in areas of risk management and governance. Frank's commitment to the Board was further highlighted by serving his tenure on the Board while also holding senior positions at the Department of Fire and Emergency Services. I wish Frank all the best in his new position at the Western Australian Police Force.

As always, I would like to acknowledge the continuing strong contribution of my fellow Board members who give their time and expertise to ensure that your benefits are managed in a sound and compliant manner.

I commend the 2018 Annual Report of the Fire and Emergency Services Superannuation Board to all interested parties.



Frank Sciarrone
Chair

Executive Summary

Performance Highlights

- The Fund's Actuary has reported that the "financial position of the Fund was satisfactory", with the Vested Benefits Ratio being 119%. The Fund's target index is 120%.
- The Fire and Emergency Services Superannuation Board declared smoothed earning rates of 9.0% for accumulation accounts and 10.0% for pension accounts.
- Overall membership of the Fire and Emergency Services Superannuation Fund decreased slightly from 2,288 to 2,281 members.
- The average member balance increased from \$280,188 to \$309,467.
- During the 2017/18 financial year, the Fund paid out \$24.1m in benefits.
- The Fund received \$40.5m in contributions during the year, which was a decrease of 11% on the previous year predominantly due to reduced member voluntary contributions.
- Due to positive investment market performance, the Fund's assets grew from \$641m to \$706m.

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:

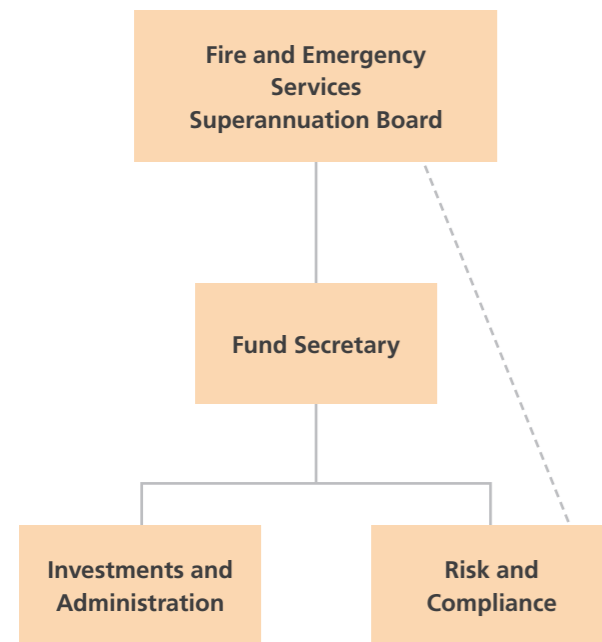
- Anti-Money Laundering and Counter-Terrorism Financing Act 2006
- Australian Prudential Regulation Authority Act 1998
- Corporations Act 2001
- Family Law Act 1975
- Financial Sector (Collection of Data) Act 2001
- Financial Services Reform Act 2001
- Income Tax Assessment Act 1936
- Privacy Act 1988
- 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 Sciarone was appointed to the Board on 4 April 2011 and has been Chairman since 19 August 2013. Mr Sciarone 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 Sciarone has 34 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 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.

MR KEVIN JOLLY

Mr Jolly was first elected to the Board on 19 August 2017 and his current term expires on 18 August 2020. Mr Jolly is the Branch President of the United Firefighters Union of Western Australia.

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 role of Alternate Board Member on 19 August 2014 and her current appointment expires on 18 August 2018. Ms Longman is the Secretary of the Firefighter's Benefit Fund.

MR PAUL MARKOVIC

Mr Markovic was elected to the role of Alternate Board Member on 19 August 2017 and his current appointment expires on 18 August 2018. Mr Markovic is a Senior Firefighter with the Department of Fire and Emergency Services.

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 Sciarone	April 2011	\$21,269
Board Member	Dale Fulcher*	August 2008	Nil
Board Member	Kevin Jolly*	August 2017	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	\$4,036
Alternate Member	Paul Markovic*	August 2017	Nil

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

Performance Management Framework

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"> a. Performance of the Defined Benefit section against its investment objective. b. Performance of the Accumulation section options against each investment objective. c. Performance of the Pension section options against each investment objective.
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-based management framework did not change during 2017/18.

Shared Responsibilities with Other Agencies

The Board did not share any responsibilities with other Agencies in 2017/18.

Significant Issues Impacting the Board

Current and emerging issues

The 2018 Federal Government budget announcement outlined a number of superannuation and pension changes which are summarised below. However, it is important to remember that these are only Government proposals at this stage and that they must be formally approved by Parliament before they are implemented by the Government.

1. Transfer of all inactive superannuation accounts under \$6,000 to the Australian Taxation Office.
2. Abolish exit fees on all superannuation accounts.
3. Impose a 3% annual cap on administration and investment fees for superannuation accounts with balances of less than \$6,000.
4. Remove default insurance for members aged under 25 who have a superannuation account balance of less than \$6,000 and who are inactive members of their superannuation fund.
5. Allow retirees aged 65-74 with a superannuation account balance below \$300,000 a one year exemption from the work test for making voluntary superannuation contributions.
6. Amend age pension means test rules to encourage the development and take up of lifetime retirement income products.
7. Increase the earnings cap applicable for the Government's Pension Work Bonus Scheme from \$250 per fortnight to \$300 per fortnight and expand this Scheme to include self-employed retirees.
8. Expand the Government's Pension Loans Scheme (reverse mortgage arrangement) to cover all Australians over the age pension age.

Economic and social trends

There are no economic and social trends that are currently affecting the Board.

Changes in written law

There were no material changes in any written law that affected the Board during the 2017/18 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.

Certification of Financial Statements



Auditor General

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 2018, and the financial position as at 30 June 2018.

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.

A RUTTER
Fund Secretary/Chief Finance Officer
17 September 2018

F SCIARRONE
Chairman
17 September 2018

B LONGMAN
Board Member
17 September 2018

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 2018, 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 2018 and the results of its operations, cash flows, changes in equity and changes in member benefits for the year ended 30 June 2018. 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 the Fire and Emergency Services Superannuation Board 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 2018.

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 2018. 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 2018.

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 2018 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.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
21 September 2018

Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018	2017
		\$	\$
ASSETS			
Cash and cash equivalents	30(b)	9,979,248	40,292,524
Receivables	26	6,778,787	9,212,915
Interest bearing investments	11	42,422,954	50,460,218
Fixed interest securities	12	28,065,172	23,781,759
Securities in listed entities	13	3,361,360	3,304,058
Units in unlisted unit trusts	14	572,170,081	493,806,452
Mortgage investments	15	5,176,438	-
Other investments	16	14,976,096	-
Investment properties	17	27,000,000	23,325,000
Land and buildings	18	2,100,000	1,700,000
Office and computer equipment and motor vehicle		95,500	140,000
Prepayments		854,542	112,241
Deferred tax assets	25(e)	54,970	59,255
TOTAL ASSETS		713,035,148	646,194,422
LIABILITIES			
Payables	27	465,449	434,218
Provisions	28	103,127	145,202
Current tax liabilities	25(d)	3,390,204	3,104,321
Deferred tax liabilities	25(e)	3,182,894	1,440,937
TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS		7,141,674	5,124,678
NET ASSETS AVAILABLE FOR MEMBER BENEFITS		705,893,474	641,069,744
MEMBER BENEFITS			
Defined contribution member liabilities	5,7	296,052,320	255,628,725
Defined benefit member liabilities	5	338,961,652	332,419,600
TOTAL MEMBER BENEFITS		635,013,972	588,048,325
NET ASSETS		70,879,502	53,021,419
EQUITY			
Operational risk reserve	8	1,972,828	1,776,385
SDB reserve	8	27,238,755	24,388,354
Smoothed option investment fluctuation reserve	8	7,631,893	7,555,658
Defined benefit investment fluctuation reserve	8	7,832,532	8,437,346
Defined benefits that are over/(under) funded		26,203,494	10,863,676
TOTAL EQUITY		70,879,502	53,021,419

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

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018	2017
		\$	\$
SUPERANNUATION ACTIVITIES			
REVENUE			
Interest revenue		3,149,216	2,391,944
Distributions from unit trusts		22,853,880	20,945,659
Net remeasurement changes in fair value	19	33,235,991	27,718,261
Net rentals from directly held property	20	2,003,450	2,205,538
Other income		737,422	264,974
TOTAL SUPERANNUATION ACTIVITIES REVENUE		61,979,959	53,526,376
EXPENSES			
Other investment expenses	21	770,149	653,143
Administration expenses	22	2,532,727	2,307,133
Other operating expenses	23	422,604	331,798
TOTAL EXPENSES		3,724,940	3,292,074
NET RESULT FROM SUPERANNUATION ACTIVITIES		58,255,019	50,234,302
Net change in defined benefit member benefits		(11,285,783)	(13,296,292)
Net benefits allocated to defined contribution member accounts		(24,842,949)	(21,712,674)
NET RESULT BEFORE INCOME TAX		22,126,287	15,225,336
Income tax expense/(benefit)	25(a)(b)	3,739,624	1,622,748
NET RESULT AFTER INCOME TAX		18,386,663	13,602,588

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

STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Defined Contribution Member Benefits	Defined Benefit Member Benefits	Total 2018
		\$	\$	\$
YEAR ENDED 30 JUNE 2018				
Opening balance at 1 July 2017		255,628,725	332,419,600	588,048,325
Employer contributions		3,887,681	27,362,061	31,249,742
Member contributions		4,263,428	279,018	4,542,446
Spouse contributions		35,340	-	35,340
Government co-contributions		13,158	-	13,158
Transfers from other superannuation entities		4,610,066	-	4,610,066
Transfers from defined benefit to defined contribution		25,784,263	(25,784,283)	-
Total contributions		38,593,936	1,856,816	40,450,752
Income tax on contributions	25(c)	(612,047)	(4,104,309)	(4,716,356)
Net after tax contributions		37,981,889	(2,247,493)	35,734,396
Transfers to other superannuation entities		(3,654,687)	(675,350)	(4,330,037)
Cash benefit payments	29	(9,776,321)	(237,343)	(10,003,664)
Pension payments		(9,813,253)	-	(9,813,253)
Insurance premiums charged to member accounts		(61,844)	(394,147)	(455,991)
Income tax benefit on insurance premiums	25(c)	9,277	59,122	68,399
Insurance premiums charged to defined benefit calculation		-	(2,180,393)	(2,180,393)
Income tax benefit on insurance premiums credited to defined benefit calculation	25(c)	-	327,059	327,059
Death and disability benefits credited to members accounts		961,820	-	961,820
Reserve transfers to/(from) members:				
Investment reserves		(76,235)	604,814	528,579
Net benefits allocated to members' accounts comprising:				
Net investment income		24,842,949	-	24,842,949
Net change in defined benefit member benefits		-	11,285,783	11,285,783
Closing Balance at 30 June 2018	5,7	296,052,320	338,961,652	635,013,972

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

**STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	Defined Contribution Member Benefits	Defined Benefit Member Benefits	Total 2017
		\$	\$	\$
YEAR ENDED 30 JUNE 2017				
Opening balance at 1 July 2016		235,942,326	315,265,698	551,208,024
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)	-
Total contributions		28,508,915	17,146,811	45,655,726
Income tax on contributions	25(c)	(689,075)	(3,913,543)	(4,602,618)
Net after tax contributions		27,819,840	13,233,268	41,053,108
Transfers to other superannuation entities		(6,428,376)	(825,774)	(7,254,150)
Cash benefit payments	29	(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	25(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	25(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
Closing Balance at 30 June 2017	5,7	255,628,725	332,419,600	588,048,325

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	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
	\$	\$	\$	\$	\$	\$	\$
YEAR ENDED 30 JUNE 2018							
Opening balance as at 1 July 2017	1,776,385	24,388,354	7,555,658	8,437,346	10,863,676	-	53,021,419
Amount allocated from defined contribution members	-	-	76,235	-	-	-	76,235
Amount allocated from/(to) defined benefit members	-	-	-	(604,814)	-	-	(604,814)
Net result	196,443	2,850,401	-	-	15,339,818	-	18,386,662
Closing balance as at 30 June 2018	1,972,828	27,238,755	7,631,893	7,832,532	26,203,494	-	70,879,503
YEAR ENDED 30 JUNE 2017							
Opening balance as at 1 July 2016	1,726,660	21,292,454	4,167,238	3,602,988	(319,316)	726,029	31,196,053
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
Closing balance as at 30 June 2017	1,776,385	24,388,354	7,555,658	8,437,346	10,863,676	-	53,021,419

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018	2017
		\$	\$
Cash flows from operating activities			
Interest received		3,072,728	2,243,171
Trust distributions		6,494,015	2,314,268
Rental income		3,504,695	3,739,591
Rental property expenses		(2,069,921)	(1,451,187)
Fee rebates and other income		19,464	12,599
Insurance recoveries		961,820	1,539,188
Investment expenses		(117,351)	(103,042)
Administration expenses		(3,014,772)	(2,472,269)
Insurance premiums outwards		(2,636,384)	(2,743,614)
Income tax paid		(827,946)	(290,951)
Net cash inflows from operating activities	30(a)	5,386,348	2,787,754
Cash flows from investing activities			
Proceeds from sale of investments		117,923,713	394,572,674
Payments for purchase of investments		(164,718,619)	(375,287,414)
Purchase of office and computer equipment		(8,065)	(20,031)
Net cash inflows/(outflows) from investing activities		(46,802,971)	19,265,229
Cash flows from financing activities			
Employer contributions		31,249,742	30,684,123
Member contributions		4,542,446	10,228,032
Spouse contributions		35,340	16,930
Government co-contributions		13,158	9,901
Transfers from other superannuation funds		4,610,066	4,716,740
Transfers to other superannuation funds		(4,330,037)	(7,254,150)
Cash benefit payments		(10,003,664)	(12,709,645)
Pension payments		(9,813,253)	(10,316,235)
Tax paid on contributions		(5,200,451)	(3,949,322)
Net cash inflows from financing activities		11,103,347	11,426,374
Net (decrease)/increase in cash and cash equivalents		(30,313,276)	33,479,357
Cash and cash equivalents at beginning of year		40,292,524	6,813,167
Cash and cash equivalents at end of the financial year	30(b)	9,979,248	40,292,524

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

Notes of the Financial Statements

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 Board 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).

(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 the joint venture (Note 16), investment properties (Note 17) and Land & Buildings (Note 18).

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 17 September 2018.

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. 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 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised losses
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

(e) 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 2018, 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 as they are carried at fair value through the profit or loss.

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.

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 2018-1 Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

AASB 2018-1 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 2018-1.

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 2019, 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 Board does 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 Board 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

The fair value is based on the redemption price or the net asset value 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.

Mortgages

Mortgage investments with a term period of 12 months or less are recognised at cost and accrued interest which is considered to approximate fair value. A fair valuation model is applied for investments with a term period greater than 12 months.

Other financial assets

Shares in unlisted companies

The fair value is determined on the basis of cost for those investments purchased within the current financial year subject to no significant transactions occurring which will impact the fair value. In subsequent periods, the fair value is determined by reference to fair value of the underlying investment.

Preference shares in unlisted companies

The fair value of preference shares purchased in the current year is determined as cost of the investment plus accrued dividends which the Board has determined to approximate fair value. In subsequent periods, a fair value model is applied to determine the fair value.

Mortgage loan to unlisted companies

In the year the loan is advanced, the fair value is based on the face value of the loan. In subsequent periods, a fair value model is applied to determine the fair value.

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 net rentals from direct property.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 direct comparison approach 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 AND PAYABLES

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Member 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).

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 Board 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, mortgage investments, shares in unlisted corporations and preference shares in unlisted corporations 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 2018 at a standard rate of 11.75% (2017: 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% (2017: 1%) to fund the supplementary disablement benefits. Defined Benefit members of the Fund contributed at a minimum rate of 6.25% of salary for 2018 (2017: 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 2018 (2017: 9.5%).

The Fund also received salary sacrifice contributions from members during the year ended 30 June 2018.

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 2018 and 30 June 2017.

(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 amount of a portfolio of investments that would be made at reporting date to yield future net cash inflows that would meet accrued benefits when they are expected to fall due. 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 2018 (previously 30 June 2017).

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% (2017: 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 year and then 3.5% p.a. thereafter (2017: 1.5% p.a. for the first two years and 3.5% p.a. thereafter) for basic salary increases plus an additional age based promotional scale which ranges from 6% at age 25 gradually reducing to 0% at age 55. 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 7.6% per annum over the last 5 years and 7.5% 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 2018 reporting period.

- The future rate of investment return $\pm 1\%$ (2017: $\pm 1\%$).
- The future rate of salary increases $\pm 1\%$ (2017: $\pm 1\%$).

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
30 JUNE 2018			
Future investment return	6.5%	+1%	(14,854,736)
		-1%	17,091,537
Future rate of salary increase + aged based promotional increases ¹	3.5%	+1%	17,210,812
		-1%	(15,228,396)
30 JUNE 2017			
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)

¹ There is an additional age based promotional scale which ranges from 6% at age 25 gradually reducing to 0% at age 55. This averages to 1.5%.

The Fund's actuary and the Board 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:

	2018	2017
	\$	\$
Defined benefit liability for accrued benefits	338,961,652	332,419,600
Defined benefit assets (excluding investment fluctuation reserve)	392,403,901	345,790,539

The actuary stated the Fund was in a satisfactory financial position at 30 June 2018 (2017: satisfactory) measured by the coverage of vested benefits by assets.

The amount of vested benefits attributable to defined benefit members at 30 June 2018 is \$336,564,376 (2017: \$332,524,875).

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.

	2018	2017
	\$	\$
Defined Contribution Vested Benefits		
Defined Benefit Members	68,269,826	61,632,681
Defined Contribution Benefit Members	22,069,579	22,014,293
Non-Member Spouse Benefits	2,232,179	1,815,626
Spouse Accounts	18,401,135	16,423,637
Allocated Pensioners	83,987,585	81,651,308
Term Allocated Pensioners	625,786	645,756
Retained Benefits	100,466,230	71,445,424
Total defined contribution vested benefits	296,052,320	255,628,725
Defined Benefits Vested Benefits		
Defined benefit members	336,544,435	332,360,341
Supplementary Pension Liabilities	19,941	164,534
Total defined benefit vested benefits	336,564,376	332,524,875
Total Vested benefits	632,616,696	588,153,600

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 and permanently disabled. The employer contributes 1% of salaries. An actuarial review is completed every year to determine the SDB liability which forms the basis of the reserve. The SDB reserve is invested using the same strategy applied to the defined benefit assets of the Fund.

Investment Reserves

The investment reserves include a Smoothed Option Investment Reserve, held in respect of defined contribution members 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. The investment reserves are valued annually by the actuary. The Board has not set a target amount of the reserve. The reserves are only used on the advice of the actuary or asset consultant. The Smoothed Option Investment Reserve is invested using the same strategy applied to the Smoothed Option assets of the Fund.

8. RESERVES (continued)

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

	2018	2017
	\$	\$
Smoothed Option Investment Reserve (defined contribution)	7,631,893	7,555,658
Defined Benefit Investment Fluctuation Reserve (defined benefit)	7,832,532	8,437,346
Total Investment Reserves	15,464,426	15,993,004

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.

	Level 1	Level 2	Level 3	Total
30 June 2018	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
<i>(i) Interest bearing securities</i>				
- Interest bearing investments	42,422,954	-	-	42,422,954
- Fixed interest securities	-	28,065,172	-	28,065,172
- Mortgage investments	-	5,176,438	-	5,176,438
- Mortgage loans	-	5,000,000	-	5,000,000
<i>(ii) Non-interest bearing securities</i>				
- Securities in listed entities	3,361,360	-	-	3,361,360
- Units in unlisted unit trusts	-	572,170,081	-	572,170,081
- Shares in unlisted companies	-	-	9,976,096	9,976,096
<i>(iii) Other Assets</i>				
- Investment properties	-	-	27,000,000	27,000,000
- Land & buildings	-	-	2,100,000	2,100,000
	45,784,314	610,411,691	39,076,096	695,272,101

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Level 1	Level 2	Level 3	Total
30 June 2017	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
<i>(i) Interest bearing securities</i>				
- Interest bearing investments	50,460,218	-	-	50,460,218
- Fixed interest securities	-	23,781,759	-	23,781,759
- Mortgage investments	-	-	-	-
- Mortgage loans	-	-	-	-
<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
- Shares in unlisted companies	-	-	-	-
<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

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.

	Shares in Unlisted Companies	Investment properties	Land and Buildings	Total
30 June 2018	\$	\$	\$	\$
Opening Balance	-	23,325,000	1,700,000	25,025,000
Total gains and losses				
- in profit or loss	476,096	3,454,341	379,259	4,309,696
Purchases	9,500,000	220,659	20,741	9,741,400
Sales	-	-	-	-
Closing Balance	9,976,096	27,000,000	2,100,000	39,076,096

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	4,309,696
Total gains included in the Income Statement for the period for assets held at the end of the reporting period	4,309,696

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Investment properties	Land and Buildings	Total
30 June 2017	\$	\$	\$
Opening Balance	28,800,000	1,750,000	30,550,000
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	-	-	-
Closing Balance	23,325,000	1,700,000	25,025,000

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)

The table below sets out information about significant unobservable inputs used at 30 June 2018 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	28,065,172	-	<ul style="list-style-type: none"> Direct sourcing from market participants Average spread over benchmark bonds Matrix yield curve 	N/A	N/A
Units in Unlisted Unit Trusts	510,765,257	-	Based on redemption price provided by manager	N/A	N/A
Units in Unlisted Unit Trusts	53,904,824	-	Net Asset Value of the Unit Trust	N/A	N/A
Units in Unlisted Unit Trusts	7,500,000	-	Valued at cost as investment purchased during period and no significant events occurring since purchase date	N/A	N/A
Mortgage investments	5,176,438	-	Based on face value for the Mortgage plus accrued interest. Part of the interest is paid quarterly and deferred interest is paid on maturity. All mortgages mature within 12 months and have a loan to value ratio of 50%	N/A	N/A
Mortgage loan	5,000,000	-	Based on face value	N/A	N/A

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Type	Level 2 \$'000	Level 3 \$'000	Valuation approach	Key unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Ordinary Shares in Unlisted Companies	-	5,000,000	Valued at cost as investment purchased during period and no significant events occurring since purchase date	Status of the development of the underlying property	N/A
Preference Shares in Unlisted Companies	-	4,976,096	Valued at cost plus accrued dividends	N/A	N/A
Investment Properties	-	27,000,000	Capitalisation of net rental income and the discounted cash flow methods 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	-	2,100,000	Direct comparison approach with regard to recent market transactions for similar properties	Available sales evidence	The higher the available market sales evidence, the higher the fair value
	610,411,691	39,076,096			

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"> Direct sourcing from market participants Average spread over benchmark bonds Matrix yield curve 	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
	517,588,211	25,025,000			

10. FINANCIAL RISK MANAGEMENT

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

The allocation of assets between the various types of financial instruments is determined by the Board 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 Board has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Board 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 Board investment strategy is considered at three levels.

On a quarterly basis the Fund Secretary reports to the Board on each manager and related Fund performance compared to the various indices and performance targets agreed to with the managers.

On a quarterly basis, in conjunction with the Fund's Asset Consultant, the performance of each of the Fund's investment options is reviewed against its investment objectives. This review includes review of performance of each investment option over the short and long term against relevant benchmarks, recommendations of changes to strategy, notable investment manager developments, and check of compliance against policy. The Board appoints the Asset Consultant to complete independent reviews of the Fund's investments when it considers it necessary.

Every three years the total investment strategy and the performance of all investment managers are formally reviewed by the Board.

The Board 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
	2018	2017
	\$	\$
Interest bearing financial instruments		
Cash and Term deposits	52,402,201	90,752,742
Fixed interest securities	28,065,172	23,781,759
Mortgage investments	5,176,438	-
Mortgage loan	5,000,000	-
	<u>90,643,811</u>	<u>114,534,501</u>

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 \$577,854 (2017: \$730,157).

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 Board 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 net result after tax and net assets available for member benefits from possible changes in market price risk.

10. FINANCIAL RISK MANAGEMENT (continued)

2018

Investment	Sensitivity variable	Standard Deviation	Net result after tax	Net assets available for member benefits
			\$	\$
Interest bearing investments	Average 5 year standard deviation	0.12%	±50,908	±50,908
Fixed interest securities	Average 5 year standard deviation	2.73%	±766,179	±766,179
Securities in listed entities	Average 5 year standard deviation	2.73%	±91,765	±91,765
Units in unlisted unit trusts	Average 5 year standard deviation	6.27%	±35,878,952	±35,878,952
Mortgage investments	Average 5 year standard deviation	2.73%	±141,317	±141,317
Mortgage loan	Average 5 year standard deviation	2.73%	±136,500	±136,500
Shares in unlisted companies	Average 5 year standard deviation	12.43%	±1,240,029	±1,240,029
Investment properties	Average 5 year standard deviation	2.26%	±610,200	±610,200
Land and buildings	Average 5 year standard deviation	2.26%	±47,160	±47,160
Total			±38,963,310	±38,963,310

2017

Investment	Sensitivity variable	Standard Deviation	Net 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
Total			±27,045,878	±27,045,878

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 value 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 Board 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 Board 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.

	2018	2017
	\$	\$
Cash and cash equivalents	9,979,248	40,292,524
Interest bearing investments	42,422,954	50,460,218
Fixed interest securities	28,065,172	23,781,759
Securities in listed entities	3,361,360	3,304,058
Units in unlisted unit trusts	572,170,081	493,806,452
Mortgage investments	5,176,438	-
Mortgage loan	5,000,000	-
Shares in unlisted companies	9,976,096	-
Distributions receivable	6,174,086	7,426,279
Other receivables	97,978	169,901
Accrued interest	506,723	430,235
Deposit in investment (refer Note 34)	-	1,186,500
	682,930,136	620,857,926

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 regular 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.

To manage liquidity risk the Board:

- manages, monitors and reports on its liquidity position at each Board meeting;
- conducts regular planning and budgeting exercises to monitor and control these risks;
- conducts annual planning and budgeting in advance to control cash flows and fees;
- provides regular reporting and monitoring of actual cash flows against budget cash flows; and
- conducts regular actuarial monitoring and reporting

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 2018	Less than 3 months	3 Months to 1 year	Total Contractual Cash Flows	Carrying Amount (Asset)/Liabilities
	\$	\$	\$	\$
Payables	465,449	-	465,449	465,449
Provisions	103,127	-	103,127	103,127
Current tax liabilities	1,907,671	1,482,533	3,390,204	3,390,204
Vested benefits	632,616,696	-	632,616,696	632,616,696
Total	635,092,943	1,482,533	636,575,476	636,575,476

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
Total	590,979,999	857,342	591,837,341	591,837,341

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

	2018	2017
	\$	\$
Adelaide Bank Term Deposit	7,000,000	9,000,000
AMP Term Deposit	4,564,822	3,500,000
Auswide Term Deposit	-	2,000,000
Bank of Queensland Term Deposits	1,500,000	2,180,218
Beyond Bank Term Deposits	4,710,942	11,590,000
Defence Bank	2,000,000	-
Macquarie Bank Term Deposits	2,000,000	2,000,000
ME Bank Term Deposits	3,659,738	3,590,000
National Australia Bank Term Deposits	10,142,452	16,600,000
P & N Bank Term Deposit	1,500,000	-
Police Bank Term Deposit	2,000,000	-
St George Bank Term Deposit	3,345,000	-
	42,422,954	50,460,218

12. FIXED INTEREST SECURITIES

	2018	2017
	\$	\$
AMP Bank Sub Debt (Dec 22)	494,030	-
ANZ Floating Rate Sub Debt (Jun 19)	1,009,970	1,520,250
Bank of Queensland Sub Debt (May 21)	1,055,140	1,060,880
Bank of Queensland Sub Debt (May 23)	502,305	-
Bendigo Bank Floating Rate Note (Jan 19)	1,524,855	1,537,455
BWP Trust Bond (Mar 22)	1,010,770	-
Commonwealth Bank Floating Rate Sub Debt (Nov 19)	1,018,470	1,021,350
Credit Union Australia Floating Rate Note (Dec 17)	-	501,075
Credit Union Australia Floating Rate Note (Apr 19)	-	1,014,680
Credit Union Australia Floating Rate Note (Mar 20)	502,460	500,180
DBS Sub Debt (Mar 23)	999,820	-
Goldman Sachs Floating Rate Note (Sep 21)	506,135	505,440
Goldman Sachs Group Bond (Aug 20)	1,032,600	-
Heritage Building Society Sub Debt (Jun 20)	499,915	496,220
Heritage Building Society Sub Debt (May 20)	503,830	501,875
Liberty Financial Fixed Rate Bond (Apr 18)	505,090	1,008,550
Macquarie Bank Floating Rate Note (May 20)	-	504,485
Members Equity Floating Rate Sub Debt (Aug 19)	1,521,210	1,524,210
National Australia Bank Floating Rate Sub Debt (Mar 20)	1,011,750	1,012,170
National Australia Bank Floating Rate Sub Debt (Sep 21)	1,031,180	1,029,340
Newcastle Permanent Building Society Floating Rate Note (Apr 20)	505,725	503,495
Newcastle Permanent Building Society Floating Rate Note (Jan 22)	1,015,830	1,010,480
Newcastle Permanent Building Society Floating Rate Note (Feb 23)	699,664	-
QT Mutual Bank Floating Rate Note (Aug 19)	502,815	-
Rabobank Floating Rate Sub Debt (Jul 20)	1,032,370	1,029,020
Scentre Group Fixed Rate Bond (Jun 21)	1,050,390	-
Seek FRN (Apr 22)	1,530,375	1,011,370
Superannuation Members Home Loans 2012-1 B (Dec 18)	250,321	342,885
Suncorp Floating Rate Note (Oct 20)	-	1,016,880
Torrens Trust 2013-1 AB (Apr 19)	487,522	616,950
Torrens Trust 2015-1 B (Jan 21)	1,013,840	-
Triton 2014-1 AB (Sep 19)	698,835	935,649
Westpac Floating Rate Sub Debt (Jun 23)	1,000,400	-
Westpac Floating Rate Sub Debt (Mar 19)	2,018,560	2,030,280
Widebay Sub Debt (Jun 19)	1,528,995	1,546,590
	28,065,172	23,781,759

13. SECURITIES IN LISTED ENTITIES

	2018	2017
	\$	\$
Australian Unity Subordinated Notes	1,637,212	1,150,208
Multiplex SITES Trust	895,461	879,253
NAB Subordinated Notes	325,760	-
Westpac Subordinated Notes II	-	460,125
Suncorp Subordinated Notes	502,927	814,472
	3,361,360	3,304,058

14. UNITS IN UNLISTED UNIT TRUSTS

	2018	2017
	\$	\$
Acure Industrial Trust No 1	4,320,000	4,286,598
AMP Capital Diversified Property Fund	22,965,012	19,430,060
Ascot Capital Faciliate Pacific Hotel Cairns	6,998,512	4,544,590
Ascot Capital Faciliate Pacific Suites Canberra	15,161,154	13,719,386
Ascot Capital Faciliate Pacific Suites Brisbane	2,000,000	-
Ausbil Australian Active Equity Fund	44,585,960	36,642,692
Blackrock Scientific Div Growth Fund	-	45,954,977
Centaur Property Real Estate Debt Fund 2	2,418,054	2,160,228
Colonial Wholesale Cash Fund	38,814,145	38,081,964
Fremantle Esplanade Hotel Trust	14,651,057	14,781,699
GQG Partners Global Equity Fund	50,800,735	32,793,000
Kapstream Wholesale Absolute Return Fund	31,547,656	30,632,155
Kings Square Master Trust	5,500,000	-
Magellan Global Fund	42,794,963	33,388,758
Maple Brown Abbott Global Listed Infrastructure Fund	22,918,697	23,011,238
Polaris Global Equity	46,572,234	-
PrimeWest Retail Trust	5,737,535	5,731,079
QIC Australian Fixed Interest Fund	61,858,917	58,886,965
Schroder Australian Equity Fund	43,807,628	38,683,471
Schroder Real Return Std Class	46,462,544	36,503,581
Super Loans Trust	65,894	118,644
Vinva Australian Equities Fund	55,152,819	48,589,399
Warrington 66 Kings Park Road SC Trust	686,565	665,968
Warrington Property Value Add Trust 1	6,350,000	5,200,000
	572,170,081	493,806,452

15. MORTGAGE INVESTMENTS

	2018	2017
	\$	\$
Sovereignty Mortgage No 42	2,076,438	-
Sovereignty Mortgage No 43	2,067,562	-
Dorado Mortgage No 45	1,032,438	-
	5,176,438	-

16. OTHER INVESTMENTS

	2018	2017
	\$	\$
Equity held in Fresh Fields Projects (WA) No 1		
Class A Ordinary Shares	5,000,000	-
Class B Redeemable Preference Shares	3,272,055	-
Class D Redeemable Preference Shares	1,704,041	-
	9,976,096	-
Mortgage Loan (Fresh Fields Projects (WA) No 1)	5,000,000	-
	14,976,096	-

Fresh Fields Projects (WA) No 1 Pty Ltd is a Joint Venture entity incorporated in March 2017 to acquire land to develop and operate a new residential aged care facility in WA. The Joint Venture entity also acquired and will operate the Freshwater Bay Nursing Home with the intention of transferring the residents, staff and 46 licences to the new aged care facility when it is completed.

Fire and Emergency Services Superannuation Fund has a 50% interest in the ordinary share capital of Fresh Fields Projects (WA) No 1 Pty Ltd. The Fund also holds Class B and D redeemable preference shares and has advanced a secured loan facility of \$6.3 million, with a drawn balance of \$5 million as at reporting date.

The Fund has determined that it is an investment entity under Australian Accounting Standards as it meets the following criteria:

1. the Fund obtains funds from members for the purpose of providing those members with investment management services;
2. the Fund commits to its members that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and the Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

As a consequence, the Fund has elected under paragraph 18 of AASB128 *Investments in Associates and Joint Ventures* to report its investments in Fresh Fields Projects (WA) No 1 Pty Ltd at fair value, with fair value being determined on the basis of each of the instruments held in the joint venture. As the investment was completed in the current year with no significant transactions occurring during the year since the date of the purchase, the fair value has been determined as follows:

Ordinary shares in unlisted joint venture company

The cost of the shares has been determined to approximate its fair value. In subsequent periods, the fair value will be determined by reference to annual valuations of the joint venture entity.

Preference shares in unlisted joint venture company

The fair value has been determined based on the cost of the shares plus accrued dividends. In subsequent periods, a fair value model will be applied to determine the fair value.

Mortgage loan to unlisted joint venture company

The fair value of the loan has been based on its nominal value. In subsequent periods, a fair value model will be applied to determine the fair value.

17. INVESTMENT PROPERTIES

	2018	2017
	\$	\$
Howe Street	7,000,000	5,700,000
Kings Park Road	20,000,000	17,625,000
	27,000,000	23,325,000
Movement in investment properties		
Opening balance as at 1 July	23,325,000	28,800,000
Additions	220,659	1,318,664
Movement in fair value	3,454,341	(6,793,664)
	27,000,000	23,325,000

The fair value of the Fund's Kings Park Road property has been arrived at on the basis of a valuation as at 30 June 2018 carried out by Knight Frank (2017: Board valuation using the average of two independent valuations as at 30 June 2017, carried out by Savills Valuations Pty Ltd and Herron Todd White) an independent valuer 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 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 2018 carried out by Knight Frank (2017: Herron Todd White), an independent valuer 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 income capitalisation approach 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.

18. LAND AND BUILDINGS

	2018	2017
	\$	\$
Rokeby Road, Subiaco	2,100,000	1,700,000
Movement in land and buildings:		
Opening balance as at 1 July	1,700,000	1,750,000
Additions	20,741	10,536
Movement in fair value	379,259	(60,536)
	2,100,000	1,700,000

The fair value of the Fund's land and buildings has been arrived at on the basis of a valuation as at 30 June 2018 carried by Knight Frank (2017: Herron Todd White), independent valuers not related to the Fund. The valuation is prepared in accordance with Australian Property Institutes valuation standards and the API guidelines. Fair value was determined using a direct comparison approach with regard to recent market transactions for similar properties in the same location as the Fund's land and buildings. In estimating the fair value of the property, the highest and best use of the property was their current use. During the prior year the fair value was determined using the income capitalisation approach and the discounted cash flow method with regard to recent market transactions for similar properties in the same location as the Fund's land and buildings.

19. REMEASUREMENT CHANGES IN FAIR VALUES

	2018	2017
	\$	\$
REMEASUREMENT OF CHANGES IN FAIR VALUE OF INVESTMENTS		
Investments realised during the period		
Fixed interest securities	(44,254)	22,431
Securities in listed entities	(3,200)	(55,707)
Units in unlisted unit trusts	2,847,485	22,315,268
Pooled superannuation trusts	-	12,196,460
Total realised gains/(losses)	2,800,031	34,478,452
Investments held at reporting date		
Fixed interest securities	(34,476)	332,063
Securities in listed entities	4,584	92,953
Units in unlisted unit trusts	25,979,717	(331,007)
Mortgages	176,438	-
Investment properties	3,454,341	6,793,664
TOFA gains	476,097	-
Total unrealised gains/(losses)	30,056,701	(6,699,655)
Net remeasurement changes in fair value of investments	32,856,732	27,778,797
REMEASUREMENT OF CHANGES IN FAIR VALUE OF LAND AND BUILDINGS		
Land and buildings held at reporting date		
Land and Buildings	379,259	(60,536)
Net remeasurement changes in fair value	33,235,991	27,718,261

20. NET RENTALS FROM DIRECTLY HELD PROPERTY

	2018	2017
	\$	\$
Rent received	4,073,371	3,656,725
Less investment property expenses	(2,069,921)	(1,451,187)
	2,003,450	2,205,538

21. INVESTMENT EXPENSES

	2018	2017
	\$	\$
Investment manager fees	770,149	653,143
Net remeasurement changes in fair value	770,149	653,143

22. ADMINISTRATION EXPENSES

	2018	2017
	\$	\$
Accounting and tax agent fees	81,581	74,203
APRA fees	46,335	55,831
Change in value of office and computer equipment	52,565	59,495
Conference & seminars	38,754	36,739
Consulting fees	640,917	548,291
Data processing expenses	896,769	745,245
Education & training	3,640	-
Fringe benefits tax	13,075	14,389
Insurance other	23,726	5,249
Journals & publications	2,189	2,455
Legal fees	101,618	105,131
Miscellaneous costs	15,029	16,768
Motor vehicle expenses	8,206	7,668
Office expenses	6,458	4,757
Postage & couriers	2,260	9,522
Printing & stationery	40,441	46,639
Salaries	414,136	418,243
Subscriptions & licenses	20,573	37,159
Superannuation	53,439	50,586
Telephone	2,692	3,275
Travel & accommodation	36,011	34,131
Board Indemnity Insurance	32,313	31,357
	2,532,727	2,307,133

23. OTHER OPERATING EXPENSES

	2018	2017
	\$	\$
Actuarial fees	80,822	88,620
Audit fees – external	149,100	136,950
Audit fees – internal	142,248	41,298
Board fees & allowances	41,450	53,558
Board elections	8,444	11,372
	422,604	331,798

24. 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 premiums are 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 Board 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.

25. TAXATION

	2018	2017
	\$	\$
(a) Major components of tax expense		
Current income tax		
- Current tax charge	1,827,620	1,502,507
- Adjustment to current tax for prior period	165,762	(183,578)
Deferred income tax		
- Movement in temporary differences	1,746,242	303,819
Income tax expense	3,739,624	1,622,748
(b) Numerical reconciliation between income tax expense and net result before income tax		
Net result before income tax	22,126,287	15,225,336
Tax applicable at the rate of 15% (2017: 15%)	3,318,943	2,283,800
Tax effect of income/(losses) that are not assessable/(deductible) in determining taxable income		
- Investment income	(286,198)	(1,685,810)
- Discount capital gains	(1,715,550)	(836,080)
- Non assessable pension income	(1,153,733)	(783,237)
Tax effect of other adjustments		
- Imputation & foreign tax credits	(2,118,152)	(2,423,692)
- Net change in defined benefit member benefits	1,692,867	1,994,444
- Net benefits allocated to defined contribution member accounts	3,726,442	3,256,901
- Expenses	109,242	-
- Over provision prior periods	165,762	(183,578)
Income tax expense/(benefit)	3,739,624	1,622,748
(c) Recognised in the Statement of Changes in Member Benefits		
Contributions, transfers in and insurance premiums recognised in the Statement of Changes in Member Benefits	40,450,752	45,655,726
Tax applicable at the rate of 15% (2017: 15%)	6,067,613	6,848,359
Tax effect of income/(losses) that are not assessable/(deductible) in determining taxable income		
- Member contributions & transfers In	(1,351,257)	(2,245,742)
- Insurance premiums	(395,458)	(411,542)
- Self-insurance deduction	-	(73,918)
Income tax expense	4,320,898	4,117,157
Split in members benefits as follows:		
Contributions tax expense	4,716,356	4,602,618
Benefit on insurance premiums credited to members accounts	(68,399)	(68,516)
Benefit on insurance premiums credited to DB formula	(327,059)	(416,945)
Income tax expense	4,320,898	4,117,157

25. TAXATION (continued)

	2018	2017
	\$	\$
(d) Current tax liabilities		
Provision for current income tax		
Balance at beginning of year	3,104,321	1,908,508
Income tax paid – current period	(3,184,706)	(2,598,342)
Income tax paid – prior periods	(2,843,692)	(1,641,933)
Current years income tax expense	6,574,910	5,702,663
Over provision prior year	(260,629)	(266,575)
	3,390,204	3,104,321
(e) Deferred tax assets and liabilities		
Deferred tax asset		
Accrued expenses	54,970	59,255
Deferred tax liabilities		
Unrealised gains on investments	3,182,894	1,440,937

Taxable and deductible temporary differences arise from the following:

	Opening balance	Charged to income	Closing balance
	\$	\$	\$
30 June 2018			
Gross deferred tax assets:			
Accrued expenses	59,255	(4,285)	54,970
Gross deferred tax liabilities:			
Unrealised gains on investments	1,440,937	1,741,957	3,182,894
Net deferred tax liabilities	1,381,682	1,746,242	3,127,924
30 June 2017			
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	1,077,864	303,818	1,381,682

There were no unrecognised deferred tax assets at 30 June 2018 (2017: nil).

26. RECEIVABLES

	2018	2017
	\$	\$
Investment income receivables	6,680,809	7,856,514
Other receivables	97,978	169,901
Deposit on unsettled investment ^{Note 1}	-	1,186,500
	<u>6,778,787</u>	<u>9,212,915</u>

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.

27. PAYABLES

	2018	2017
	\$	\$
Accounting fees	41,135	39,435
Actuarial fees	33,000	33,000
APRA fees	46,225	55,823
Audit fees	138,320	136,950
GST payable	64,532	18,314
PAYG withholding tax	17,205	26,186
Sundry creditors	125,032	124,510
	<u>465,449</u>	<u>434,218</u>

28. PROVISIONS

	2018	2017
	\$	\$
Employee Benefits:		
Annual leave payable	50,158	55,845
Long service leave payable	52,969	89,357
	<u>103,127</u>	<u>145,202</u>

29. CASH BENEFITS PAID

	2018	2017
	\$	\$
Retirement & resignation	7,415,593	10,278,568
Disablement	-	-
Death	1,700,665	877,160
Financial hardship/Early release	20,000	36,478
Spouse	862,631	1,515,000
Excess contributions	4,775	2,439
	<u>10,003,664</u>	<u>12,709,645</u>

30. CASH FLOW INFORMATION

	2018	2017
	\$	\$
(a) Reconciliation of cash flows from operating activities to net result after tax		
Net result after tax	18,386,663	13,602,588
Net change in defined benefit member benefits	11,285,783	13,296,292
Net benefits allocated to defined contribution member accounts	24,842,949	21,712,674
Net changes in fair value of investments	(33,235,991)	(27,718,261)
Distributions reinvested	(16,359,865)	(15,878,557)
Fee rebates reinvested	(717,958)	(252,375)
Investment expenses	652,798	550,101
(Increase)/Decrease in receivables	1,247,628	(2,818,741)
(Increase)/Decrease in deferred tax assets	4,285	2,104
(Increase)/Decrease in prepayments	(742,300)	52,870
Increase/(Decrease) in creditors and accruals	31,231	37,371
Increase/(Decrease) in employee entitlements	(42,075)	16,926
Increase/(Decrease) in current tax liabilities	(1,708,757)	(116,953)
Increase/(Decrease) in deferred tax liabilities	1,741,957	301,715
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>5,386,348</u>	<u>2,787,754</u>
(b) Reconciliation of Cash		
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	<u>9,979,248</u>	<u>40,292,524</u>

31. 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:

	2018	2017
Compensation of board members of the Fund		
\$0 - \$9,999	2	1
\$10,000 - \$19,999	1	2
\$20,000 - \$29,999	1	1
Compensation of other senior officers:		
\$210,000 - \$219,999	1	1
	2018	2017
	\$	\$
Short term employee benefits	240,242	252,044
Post employment benefits	25,013	25,584
Other long term benefits	(1,316)	3,147
Termination benefits	-	-
Total compensation of key management personnel	\$263,939	\$280,775

32. 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 2018 and during the year ended were:

Directors	Alternate Directors
Frank Sciarrone	Frank Pasquale
Dale Fulcher	Tania Longman
Brian Longman	Paul Markovic (Appointed 19 August 2017)
Karen Lamont	
Kelly Wyeth	
Kevin Jolly (Appointed 19 August 2017)	
Gary Clifford (Resigned 18 August 2017)	

Related Party Transactions

There are 8 (2017: 7) 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 \$45,387 in retirement benefits paid to Board members or their relatives who were members of the Fund (2017: \$37,899).

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 \$117,351 during the financial year (2017: \$103,042).

The Fund held an investment portfolio managed by Vantage Wealth Management totalling \$33,211,156 at 30 June 2018 (2017: \$32,513,328).

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

32. RELATED PARTIES (continued)

Frank Sciarrone has been appointed by the Board as a director of Fresh Fields Projects (WA) No 1 Pty Ltd, a Joint Venture entity in which the Fund owns 50% of the ordinary shares, B and D Class redeemable preference shares and has provided secured bridging finance. Frank Sciarrone does not receive any remuneration in relation to this appointment at the Joint Venture entity.

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.

33. EXPLANATORY STATEMENT

(a) Comparison 2018 results to 2017 results

	Actual 2018	Actual 2017	Variance
	\$	\$	\$
SUPERANNUATION ACTIVITIES REVENUE			
Interest revenue	3,149,216	2,391,944	757,272
Distributions from unit trusts	22,853,880	20,945,659	1,908,221
Net remeasurement changes in fair value	33,235,991	27,718,261	5,517,730
Net rentals from directly held property	2,003,450	2,205,538	(202,088)
Other income	737,422	264,974	472,448
TOTAL REVENUE	61,979,959	53,526,376	8,453,583
EXPENSES			
Investment expenses	770,149	653,143	117,006
Administration expenses	2,541,171	2,307,133	234,038
Other operating expenses	413,620	331,798	81,822
TOTAL EXPENSES	3,724,940	3,292,074	432,866
RESULT FROM SUPERANNUATION ACTIVITIES	58,255,019	50,234,302	8,020,717
Net change in DB member benefits	(11,285,783)	(13,296,292)	2,010,509
Net benefits allocated to DC members	(24,842,949)	(21,712,674)	(3,130,275)
RESULT BEFORE INCOME TAX	22,126,287	15,225,336	6,900,951
Income tax expense	3,739,624	1,622,748	2,116,876
RESULT AFTER INCOME TAX	18,386,663	13,602,588	4,784,075

33. EXPLANATORY STATEMENT (continued)

	Actual	Actual	Variance
	2018	2017	
	\$	\$	\$
MOVEMENT IN MEMBERS BENEFITS			
Contributions & transfers in	40,450,752	45,655,726	(5,204,974)
Tax on contributions	(4,716,356)	(4,602,618)	(113,738)
Benefits paid	(24,146,955)	(30,280,030)	6,133,075
Insurance premiums charged to members	(455,991)	(456,770)	779
Income tax benefit on insurance premiums	68,399	68,516	(117)
Insurance premiums charged to DB formula	(2,180,393)	(2,286,844)	106,451
Income tax benefit on insurance premiums charged to DB formula	327,059	416,945	(89,886)
Death and disability benefits credited to members accounts	961,820	1,539,188	(577,368)
Reserve transfers to/(from) members	(1,007,627)	(8,222,778)	7,215,151
Net benefits allocated to members' accounts	24,842,949	21,712,674	3,130,275
Net change in defined member benefits	11,285,783	13,296,292	(2,010,509)
TOTAL MOVEMENT IN MEMBERS BENEFITS	45,429,440	36,840,301	8,589,139

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 higher in the current year due to more distributions from investment managers 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 returns vary from year to year depending on the performance of investment markets. The increase in the changes in fair value was as a result of more funds being placed in investments in the current year compared to the prior year. This was partially offset by a reduction in the investment returns from 9% in the prior year to 7.5% in the current year.

Income tax expense

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

Contributions & transfers in

The decrease in contributions from the 2016-17 financial year was primarily due to a reduction in voluntary contributions in 2017-18 due to the Federal Government reducing the contributions cap effective from 1 July 2017.

Benefits paid

The decrease in benefit payments from the 2016-17 financial year is due to higher than usual benefit payments in the prior year as members cashed their superannuation and re-contributed the payments as a member voluntary contribution to take advantage of legislative changes in superannuation prior to 30 June 2017.

33. EXPLANATORY STATEMENT (continued)

(b) Comparison Actual to Estimates

	Actual	Budget	Variance
	2018	2018	
	\$	\$	\$
SUPERANNUATION ACTIVITIES REVENUE			
Interest revenue	3,149,216	2,000,000	1,149,216
Distributions from unit trust	22,853,880	25,000,000	(2,146,120)
Net remeasurement changes in fair value	33,235,991	30,000,000	3,235,991
Net rentals from directly held property	2,003,450	2,100,000	(96,550)
Other income	737,422	510,000	227,422
TOTAL REVENUE	61,979,959	59,610,000	2,369,959
EXPENSES			
Investment expenses	770,149	700,000	70,149
Administration expenses	2,541,171	2,370,000	171,171
Other operating expenses	413,620	360,000	53,620
TOTAL EXPENSES	3,724,940	3,430,000	294,940
RESULT FROM SUPERANNUATION ACTIVITIES	58,255,019	56,180,000	2,075,019
Net change in DB member benefits	(11,285,783)	-	(11,285,783)
Net benefits allocated to DC members	(24,842,949)	-	(24,842,949)
RESULT BEFORE INCOME TAX	22,126,287	56,180,000	(34,053,713)
Income tax expense/(benefit)	3,739,624	1,200,000	2,539,624
RESULT AFTER INCOME TAX	18,386,663	54,980,000	(36,593,337)
MOVEMENT IN MEMBERS BENEFITS			
Contributions & transfers in	40,450,752	40,000,000	450,752
Contributions tax	(4,716,356)	(4,800,000)	83,644
Benefits paid	(24,146,955)	(25,010,000)	863,045
Insurance premiums charged to members	(455,991)	(480,000)	24,009
Income tax benefit on insurance premiums	68,399	-	68,399
Insurance premiums charged to DB formula	(2,180,393)	(2,320,000)	129,607
Income tax benefit on insurance premiums charged to DB formula	327,059	-	327,059
Death and disability benefits credited to members accounts	961,820	1,000,000	(38,180)
Reserve transfers to/(from) members	(1,007,627)	-	(1,007,627)
Net benefits allocated to members' accounts	24,842,949	-	24,842,949
Net change in defined member benefits	11,285,783	-	11,285,783
TOTAL MOVEMENT IN MEMBERS BENEFITS	45,419,440	8,390,000	37,029,440

33. 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 as the Fund held more interest bearing investments during the year, compared to the prior year.

Distributions from unit trusts

Trust distributions declared by the investment managers were lower than 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.

Other operating expenses

The other operating expenses were higher due to additional internal audit fees and higher external audit fees for 2018 than was anticipated.

Income tax expense

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

34. AUDITOR'S REMUNERATION

	2018	2017
	\$	\$
Amounts paid or due and payable to Auditor General for the following services:		
• Audit of financial statements, controls and key performance indicators	125,745	124,500
• Other services	-	-
Amounts paid or due and payable to Ernst & Young for the following services:		
• Audit services – internal	142,248	41,298
• Other services	-	-
	<u>267,993</u>	<u>165,798</u>

35. COMMITMENTS

As at 30 June 2018, the Fund had commitments of \$46,850,000 (2017: \$6,000,000) in respect of uncalled capital payments relating to investments. Of these commitments \$5,000,000 was placed in a Dorado Mortgage Investment, and payments were called for Ascot Capital Brisbane of \$6,000,000 and Centaur Real Estate Fund of \$10,000,000 prior to 31 July 2018. The remaining 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.

36. SUBSEQUENT EVENTS

There have been no events subsequent to reporting date which would have a material effect on the Fund's financial statements at 30 June 2018.

Actuarial Opinion

This summary has been prepared as at 30 June 2018 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 2018.

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

Accrued benefits (DB and SDB)*	\$ 338,961,652
Vested benefits (DB and SDB)	\$ 336,564,376

* Accrued benefits does not apply a vested benefits underpin

Statement of Financial Position

	2018	2017
NET ASSETS AVAILABLE FOR MEMBER BENEFITS	\$705,893,474	\$641,069,744
MEMBERS BENEFITS		
Defined contribution member liabilities	\$296,052,320	\$255,628,725
Defined benefit member liabilities (DB and SDB)	\$338,961,652	\$332,419,600
TOTAL MEMBER LIABILITIES	\$635,013,972	\$588,048,325
NET ASSETS	\$70,879,502	\$53,021,419
EQUITY		
Operational risk reserve	\$1,972,828	\$1,776,385
Smoothed option investment fluctuation reserve	\$7,631,893	\$7,555,658
Defined benefit investment fluctuation reserve	\$7,832,532	\$8,437,346
Supplementary disability benefits that are over/(under) funded	\$27,238,755	\$24,388,354
Defined benefits that are over/(under) funded	\$26,203,494	\$10,863,676
Unallocated surplus/(deficiency)	\$0	\$0
TOTAL EQUITY	\$70,879,502	\$53,021,419

Statement of Changes in Member Benefits

	2018	2017
DB and SDB member liabilities (BOY)	\$332,419,600	\$315,265,698
Actual benefit payments	-\$26,696,976	-\$11,596,111
Interest cost	\$20,739,622	\$20,115,397
One less year of base salary increases at 1.5%	\$6,381,422	-
Addition accrual for 1 year	\$18,683,312	\$18,312,953
Experience including change in assumptions	-\$12,565,328	-\$9,678,337
DB and SDB member liabilities (EOY)	\$338,961,652	\$332,419,600

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 2017	\$1,776,385	\$7,555,658	\$8,437,346	\$24,388,354	\$10,863,676	\$0	\$53,021,419
Amount allocated from/(to) defined contribution members	\$0	\$76,235	\$0	\$0	\$0	\$0	\$76,235
Amount allocated from/(to) defined benefit members	\$0	\$0	-\$604,814	\$0	\$0	\$0	-\$604,814
Operating profit / Experience	\$196,443	\$0	\$0	\$2,850,401	\$15,339,818	\$0	\$18,386,662
Closing Balance as at 30 June 2018	\$1,972,828	\$7,631,893	\$7,832,532	\$27,238,755	\$26,203,494	\$0	\$70,879,502

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 (2017: 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 year and then 3.5% pa thereafter (2017: 1.5%pa first two years , 3.5%pa thereafter) for basic salary increases plus an additional age based promotional scale which ranges from 6% at age 25 gradually reducing to 0% at age 55.

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 7.6% per annum over the last 5 years and 7.5% 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	\$324,106,916	-\$14,854,736	-4%
		-1% per annum	\$356,053,190	\$17,091,537	5%
Salary increase	3.5% + age based promotional increases ¹	+1% per annum	\$356,172,464	\$17,210,812	5%
		-1% per annum	\$323,733,256	\$15,228,396	-4%

¹ There is an additional age based promotional scale which ranges from 6% at age 25 gradually reducing to 0% at age 55

Budget Estimates 2018/19

Defined Benefits (DB and SDB)	2018			2017		
	DB \$	SDB \$	Total \$	DB \$	SDB \$	Total \$
Defined benefit liability for accrued benefits (DB and SDB)	338,941,711	19,941	338,961,652	332,255,066	164,534	332,419,600
Defined benefit assets (excluding investment fluctuation reserve) (DB and SDB)	365,145,206	27,258,696	392,403,901	343,118,741	24,552,888	367,671,630
Defined benefit accrued benefits overfunded by (DB and SDB)	26,203,494	27,238,755	53,442,249	10,863,676	24,388,354	35,252,030
Defined benefit vested benefits (DB and SDB)	336,544,435	19,941	336,564,376	332,360,341	164,534	332,524,875

Note 7: Vested Benefits

	\$
Defined Contribution Vested Benefit	
Defined Benefit Members	68,269,826
Accumulation Members	22,069,579
Non-member Spouse	2,232,179
Spouse Account	18,401,135
Allocated Pensioner	83,987,585
Term Allocated Pensioner	625,786
Retained Benefit	100,466,230
Total defined contribution Vested Benefit	296,052,320
Defined Benefit Members (DB)	336,544,435
Supplementary Disability Benefit pensions in payment (SDB)	19,941
Total defined benefit Vested Benefit (DB and SDB)	336,564,376
Total Vested Benefit	632,616,696

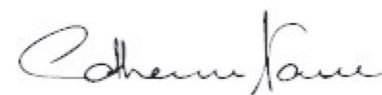
Note 8: Reserves

	\$
Investment Fluctuation Reserves	
Smoothed Option Investment Fluctuation Reserve	7,631,893
Defined Benefit Investment Fluctuation Reserve	7,832,532
Total	15,464,426



Janice Jones

Fellow of the Institute of Actuaries of Australia
Authorised Representative (#283988) of
PricewaterhouseCoopers Securities Ltd



Catherine Nance

Fellow of the Institute of Actuaries of Australia
Authorised Representative (#265248) of
PricewaterhouseCoopers Securities Ltd

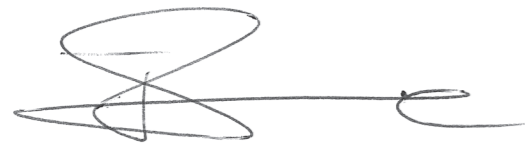
	ESTIMATE \$
NET ASSETS AT THE BEGINNING OF THE FINANCIAL YEAR	705,893,474
INVESTMENT REVENUE	
Trust Distributions	25,000,000
Interest	1,500,000
Changes in Net Market Value	28,000,000
Rental Income	4,000,000
Other Investment Revenue	700,000
CONTRIBUTION REVENUE	
Employer Contributions	30,000,000
Employee Contributions	3,900,000
Spouse Contributions	100,000
Transfers In	4,000,000
OTHER REVENUE	
Insurance Proceeds	1,000,000
Other	30,000
TOTAL REVENUE	98,230,000
EXPENSES	
Group Life Premiums	2,400,000
Direct Investment Expenses	2,501,000
General Administration Expenses	2,674,000
Benefits paid	25,010,000
Net Surplus Before Tax	
TOTAL EXPENSES	32,585,000
Changes in net assets before income tax	65,645,000
Income Tax Expense	6,000,000
Changes in net assets after income tax	59,645,000
NET ASSETS AT THE END OF THE FINANCIAL YEAR	765,538,474

Performance Indicators

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 2018.



F SCIARRONE
CHAIR
17 September 2018



B LONGMAN
BOARD MEMBER
17 September 2018

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.

Outcome

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 sustainable finances – responsible financial management and better service delivery.

The performance highlights section of the Annual Report includes other relevant measures that provide an overview of performance during 2017/18.

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.

Overall member satisfaction with the services provided by the Board was at 84% for active members and 95% for pension and retained members who had provided an email address for the 2017/18 financial year, against a target of 80%.

	Target %	Actual %	Actual %	Actual %
	2017/18	2017/18	2016/17	2015/16
Active Members who are fairly satisfied or extremely satisfied.	80	84	81	79
Pension Members who are fairly satisfied or extremely satisfied.	80	95	96	87

An additional 14% of active members and 5% 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 2018. 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 1,538 active members and 403 pension/retained members who provided an email address were included in the survey that resulted in a sample size of 350 (23%) active and 186 (46%) pension/retained members who responded to the survey. This generated a margin of error of ±5% for active members and ±5% 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.	5.9	5.7	0.2

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 2.8% 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
7.5	7.9	-0.4	6.3	6.5	-0.2	7.6	7.6	0.0

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

For the one year period, the Defined Benefit section of the Fund achieved a solid return of 7.5% but was slightly below its target by 0.4%.

The Defined Benefit section of the Fund had an over-weight position to defensive assets over the year, which hindered performance against the benchmark.

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:

- Smoothed, Growth and Moderate options is to deliver investment performance in excess of CPI targets over a rolling ten year period.
- 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.	6.6	6.1	0.5
Growth Option	To earn at least CPI + 4.0% per annum over a rolling 10 year period.	6.6	6.1	0.5
Cash Option	To earn at least the benchmark return for Cash (Bloomberg Ausbond Bank Bill Index) over a rolling 12 month period.	1.8	1.5	0.3
Moderate Option	To earn at least CPI + 2.0% per annum over a rolling 10 year period.	5.6	4.1	1.5
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.	13.7	12.7	1.0
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.	15.4	13.4	2.0
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.	2.1	2.6	-0.5

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

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

The Fund's diversified options (Smoothed, Growth and Moderate) outperformed their investment objectives over the ten year period, reflecting strong investment returns from growth assets over the ten year period. The ten year time horizon still includes the significant declines in equity markets during the Global Financial Crisis in 2008-09.

All of the Fund's other options, except for the Fixed Interest option, outperformed their investment objectives for the year.

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.	7.5	6.1	1.4
Growth Option	To earn at least CPI + 4.0% per annum over a rolling 10 year period.	7.5	6.1	1.4
Cash Option	To earn at least the benchmark return for Cash (Bloomberg Ausbond Bank Bill Index) over a rolling 12 month period.	2.2	1.8	0.4
Moderate Option	To earn at least CPI + 2.0% per annum over a rolling 10 year period.	6.4	4.1	2.3
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.	14.3	13.2	1.1
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.	18.0	15.4	2.6
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.	2.5	3.1	-0.6

Note 1: The Investment Objectives are net of fees.

Note 2: The returns shown are net of fees.

The Fund's diversified options (Smoothed, Growth and Moderate) outperformed their investment objectives over the ten year period, reflecting strong investment returns from growth assets over the ten year period. The ten year time horizon still includes the significant declines in equity markets during the Global Financial Crisis in 2008-09.

All of the Fund's other options, except for the Fixed Interest option, outperformed their investment objectives for the year.

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

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.

	2013/14	2014/15	2015/16	2016/17	2017/18
Administration Cost – Target	\$696	\$794	\$1,056	\$1,043	\$1,160
Administration Cost – Actual	\$989	\$1,138	\$1,122	\$1,154	\$1,270

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 due to extra consultancy costs as a result of due diligence requirements on new investments, data software upgrades and increased internal audit costs.

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 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18	Target 2017/18
Investment management costs as a percentage of portfolio mean value invested.	0.45%	0.41%	0.39%	0.36%	0.44%	0.38%

The higher than expected Investment Management Expense Ratio – Actual against the Target was due to higher tenant expenses at one of the Board's directly held properties, 76 Kings Park Road in West Perth.

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

Other Disclosures

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 2017/18 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 were no formal complaints received during the 2017/18 financial year.

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

In compliance with the *State Records Act 2000* the Board's Recordkeeping Plan provides an accurate reflection of the Board's recordkeeping systems, disposal programs, policies and procedures. The Plan was updated in March 2017. The Plan acknowledges the Board's responsibility to ensure all employees are aware of their compliance responsibilities and provided with training in these areas.

Governance Disclosures

At the date of reporting, Vantage Wealth Management is a related party of the Fund as Frank Sciarone 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 \$33,211,156 at 30 June 2018. Vantage Wealth Management received management fees of \$117,351 during the 2017/18 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.

