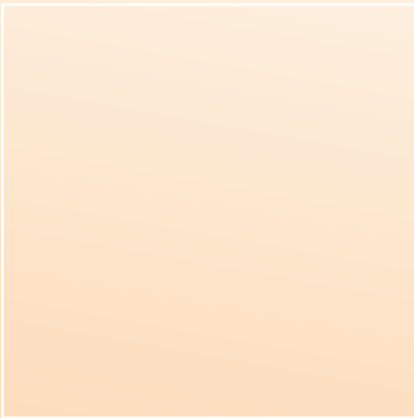




Fire & Emergency Services
Superannuation Fund

Report to members 2018



Investment Market Update

2017/2018 Financial Year Economic Commentary

The 2017/18 financial year was marked by solid global economic growth, a gradual rise in US interest rates and a return of larger swings in share markets. Strong economic fundamentals and rising investor confidence drove share markets to multi-year highs as they entered February, before a market correction set the course for mixed results for the remainder of the financial year. Risks are currently amplified by escalating global trade risks as the Trump administration implemented a range of protectionist policies, including tariffs for China, Mexico, Canada and the European Union (EU).

Strong share market returns were experienced across the board, with the notable exception of Europe, which was impacted by increased geopolitical risk around Italy's public finances and conflicts with the EU. Bond market returns were positive, but weak, with bond yields rising from their record lows.

Global growth was led by the US, due to tax cuts, strong corporate earnings and low unemployment. The Trump/Republican policy for companies and individual tax reform is estimated to add 0.3% - 0.4% to growth in 2018 and 2019, despite adding to the risk of the economy overheating. In response to strong economic growth and inflation, the US Federal Reserve increased the lending rate between financial institutions three times. Nevertheless, concerns about increased interest rates were largely ignored by US share markets as they rose, with the S&P 500 Composite returning 14% for the year (in local currency terms), despite the US 10-year government bond yield increasing by around 0.6% over the year.

In Australia, economic growth picked up speed in the March quarter, growing at an annual rate of 3.1%, well above the 1.8% growth from the year previous. In its July 2018 Board meeting statement, the Reserve Bank of Australia (RBA) noted that positive business conditions, increased non-mining business investment and higher levels of public infrastructure investment are supporting the economy. Higher commodity prices over the financial year have also boosted national income. Residential property prices in Australia fell 0.7% quarter-on-quarter in March 2018, with the housing sector likely to be a key risk for the economy over coming years due to higher lending standards.

The labour market was strong over the financial year, with the unemployment rate down to 5.4% in June 2018, from 5.6% the previous year. The continued low wage growth and low inflation has led the RBA to keep the cash rate at a record low of 1.5%, where it has remained since August 2016.

The Australian share market had a strong year, with the ASX 300 returning 13.2%, compared to global shares (MSCI World ex-Australia index) which returned 10.8% in local currency terms. The top performing sectors were Energy and Information Technology while Telecommunication Services and Utilities were the worst. The Financials sector, which accounts for 33% of the index, returned only 1.7%, partly due to the negative sentiment and uncertainty from the Royal Commission into misconduct of financial services.

The Australian 10-year bond yield ended the year relatively flat, increasing 0.03% to 2.63% over the year. In contrast, the US 10-year bond yield increased 0.56% to end the year at 2.86%, rising above the Australian yield for the first time in 18 years. The difference in yields is reflective of stronger growth and inflation pressures in the US, as it leads economies through the current business cycle. Overall, bonds continued to provide subdued returns, given the historically low starting yields. Australian fixed interest, as measured by the Bloomberg AusBond Composite Bond Index (all maturities) returned 3.1% for the year, while global fixed interest, as measured by the Barclays Global Aggregate Index (after the impact of currency movements are removed), returned 1.9%. Australian cash, as measured by the Bloomberg AusBond Bank Bill Index, returned 1.8% for the financial year.

The Australian dollar (AUD) mostly traded in the range of US\$0.75-0.80 for the December 2017 half before falling to US\$0.74 by the end of June 2018. Over the financial year the AUD fell 3.9% against the USD and 4.4% against the currencies of Australia's major trading partners, as measured by the Trade Weighted Index. The AUD depreciated by 6.1% against the yuan, 5.0% against the yen and 5.7% against the euro.

Note: This investment commentary does not constitute advice. All investment figures quoted relate to before-tax performance of the relevant industry benchmark.

The year in brief

How well did the Fund perform?

The Board declared an annual crediting rate for the Smoothed investment option for 2017/18 of **9.0%**. The declared annual crediting rate for the Smoothed investment option for 2017/18 for pension accounts was **10.0%**.

For the past five years to 30 June 2018, the Fund has averaged a 'smoothed' investment return of **7.2%pa**. Since the Fund's inception in 1977, the smoothed investment return has averaged **9.4%pa**. The table below shows the returns (what the investments actually earned) and the declared crediting rates for each period shown.

Fund Earning Rate v Declared Crediting Rate 'smoothing'

	Fund Earning Rate	Declared Crediting Rate*
2014	12.0%	11.2%
2015	7.8%	6.4%
2016	1.9%	2.0%
2017	9.1%	7.5%
2018	8.4%	9.0%
3 Year average (pa)	6.5%	6.2%
5 Year average (pa)	7.8%	7.2%
10 Year average (pa)	6.0%	5.5%

*After 'smoothing' is applied, see page 7.

Fund Statistics as at 30 June 2018

Membership	2017/18	2016/17
Current Members	1,512	1,563
Retained Members	348	308
Pensioners	270	271
Spouse Accounts	151	146
Total	2,281	2,288

Benefits Paid	2017/18	2016/17
	\$	\$
Total	24,146,954	30,280,029

Contributions	2017/18	2016/17
	\$	\$
Member	4,542,446	10,228,032
Salary Sacrifice	12,319,139	12,393,448
Employer	18,930,603	18,290,675
Spouse	35,340	16,930
Transfers In	4,610,066	4,716,740
Total	\$40,437,594	45,645,825

The Trustees

YOUR SUPER FUND IS ADMINISTERED BY A BOARD

The Fund is administered by the Fire and Emergency Services Superannuation Board, established under the *Fire and Emergency Services Superannuation Act 1985*. The Act sets out the functions, responsibilities and duties of the Board and provides the framework within which it operates. The Board is also responsible for ensuring that the Fund complies with Government legislation, that benefits are paid correctly and that the Fund's assets are appropriately invested.

The Fire and Emergency Services Superannuation Board members at 30 June 2018 were:

Employer Appointed

Mr Frank Sciarrone (Chairman) – Financial Planner and Consultant

Mr Dale Fulcher – ESL Funding Co-ordinator of DFES

Ms Karen Lamont – Human Resources Professional

Member Elected

Mr Kevin Jolly – Branch President of United Firefighters Union of Western Australia

Mr Brian Longman – Station Officer

Mr Kelly Wyeth – Station Officer

The Board is responsible for managing the Fund

The Board is responsible for managing your Fund in line with the provisions of the Act and the *Fire and Emergency Services (Superannuation Fund) Regulations 1986*.

Government laws mean that the Fund must have an equal number of Board Members appointed by the Fire and Emergency Services Commissioner and Board Members elected by the members of the Fund. One of these Board Members is appointed Chairman of the Board.

What does a Board Member do?

Board Members are responsible for making sure the Fund is operated in line with the rules set out in the Act and Regulations. In practical terms they must by law:

- act in the best interest of all members and beneficiaries;
- invest the Fund assets appropriately;
- ensure benefits are paid correctly and on time;
- ensure the Fund has adequate financial backing; and
- exercise care, skill and diligence in decision making.

The Board's investment strategy for the Fund assets is to invest predominantly with external fund managers with a proportion of the Fund assets being invested by the Board.

The staff of the Board carries out the actual 'day to day' operation of the Fund. Under the provisions of the Act, a Secretary to the Board is appointed. The Chief Finance Officer and Secretary to the Board is Mr Adrian Rutter.

Review of Operations

TAXATION AND COMPLIANCE

It is the policy of the Board to comply with the Commonwealth Government Superannuation Standards which are primarily contained in the *Superannuation Industry (Supervision) Act 1993* and Regulations made under that Act (SIS). The Board has made an irrevocable election to be regulated under the SIS legislation.

The Fund has complied with the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* and has a comprehensive policy to comply with the legislation.

AMENDMENTS TO THE ACT AND REGULATIONS

There were no amendments made to the *Fire and Emergency Services Superannuation Act 1985* during the year.

There were no amendments made to the *Fire and Emergency Services (Superannuation Fund) Regulations 1986* during the year.

MEMBER INSURANCE

The Board insures with Hannover Life Re of Australasia Ltd to cover members against Death, Total and Permanent Disablement and Income Protection both on and off the job to age 65 years.

OPERATIONAL RISK FINANCIAL REQUIREMENT (ORFR)

The Australian Prudential Regulation Authority (APRA), the superannuation industry regulator, imposed a requirement on trustees of all regulated superannuation funds to establish a financial reserve in those funds with effect from 1 July 2013 for operational risk events that may occur in the future.

In accordance with this formal requirement the Superannuation Board has established an operational risk financial requirement (ORFR) reserve in the Fund accounts.

This ORFR reserve will only be used to meet any claims for compensation from Fund members or their beneficiaries in connection with operational risk events that occur in the Fund such as an overpayment or miscalculation of benefits paid where the amounts involved cannot be recouped from the recipients. The ORFR reserve will be maintained, invested and monitored by the Superannuation Board on an ongoing basis and will be shown separately from members' assets in the Fund accounts.

The effect of this action taken by the Superannuation Board is that all members will be financially protected if an operational risk event occurs in the Fund in the future. No operational risk events occurred in the Fund during the 2017/18 financial year.

SEGREGATION OF ASSETS

With effect from 1 July 2013 the assets that support the defined benefit members of the Fund and the assets that support the accumulation/pension members of the Fund were segregated for investment and reporting purposes.

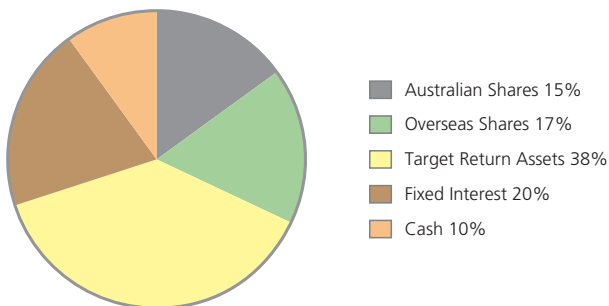
The Board accepted actuarial advice that the long term viability of the defined benefit section requires investment earnings at least 2% per annum greater than the growth of average salaries.

As a result of this, the exposure to investments that target 'CPI plus' returns in the defined benefit section of the Fund was increased. Target return investments include:

- directly held property;
- infrastructure;
- hedge funds; and
- real return funds.

The percentage distribution within each type of investment and the performance as at 30 June 2018 for the defined benefit section is shown in the following charts.

DEFINED BENEFIT ALLOCATION



DEFINED BENEFIT PERFORMANCE

Defined Benefit Return ¹	7.5%
FAS +2%pa ²	5.0%
Benchmark Return	7.9%

¹ Performance is for the one year to 30 June 2018.

² The long term investment objective of the Defined Benefit section of the Fund is to out-perform the growth of final average salaries by 2% per annum.

Further Information

PRODUCT DISCLOSURE STATEMENT

The Fund's Product Disclosure Statement (PDS) is the legal document which describes how superannuation works and has information on the Fund's benefits, fees, the risks associated with the product, how we invest your money and your insurance cover. The PDS was last issued by the Board on 12 March 2018 and a copy is available on request from the Superannuation Board office or on our website.

NEWSLETTERS

A newsletter providing up-to-date information about changes to superannuation and changes with the Fund is distributed to members on a regular basis.

THE ACT, REGULATIONS AND ACTUARIAL STATEMENTS

Copies of the *Fire and Emergency Services Superannuation Act 1985*, the *Fire and Emergency Services (Superannuation Fund) Regulations 1986* and Actuarial Statements are available for inspection at the Superannuation Board office or on our website.

ANNUAL REPORT

Fund Members are provided with this summarised Annual Report (Report to Members). Copies of the Full Annual Report containing audited Financial Statements will be available on request from the Superannuation Board office and will also be uploaded to the Fund website once completed.

ANNUAL BENEFIT STATEMENTS

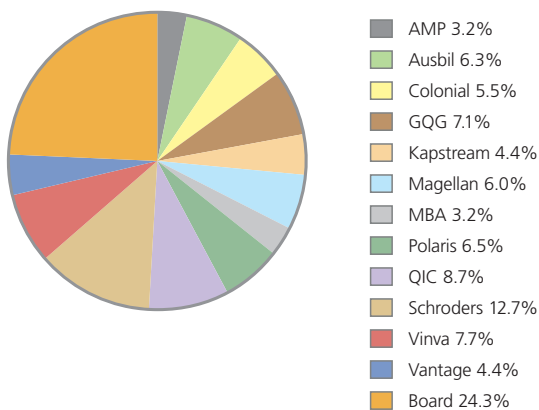
Members are sent an Annual Benefit Statement each year and upon request.

Investments

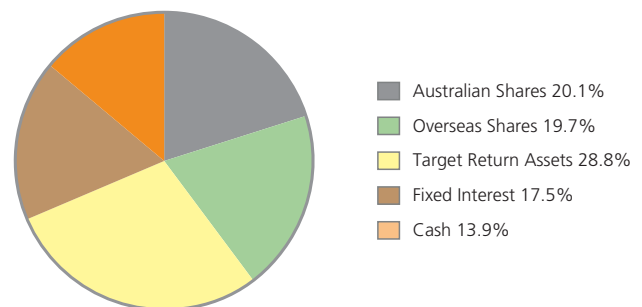
Where are the Assets invested?

The external fund managers are listed in the Directory on the last page of this report. The percentage distribution of assets with the managers and within each type of investment as at 30 June 2018 is shown in the following charts.

INVESTMENT OF ASSETS AT 30 JUNE 2018



DISTRIBUTION OF ASSETS AT 30 JUNE 2018



HOW THE 'SMOOTHED' INVESTMENT RETURN IS CALCULATED

The rate applied to accumulation accounts depends on:

1. The actual performance of the Fund's investments; and
2. Plus or minus an amount for what's called 'smoothing'.

When we say 'smoothed investment returns', we mean that an investment fluctuation reserve is used in which a portion of the Fund's earnings are set aside in the good investment periods (i.e. when returns are high) in order to supplement returns in poor investment periods (i.e. when the markets may lose money). In this way, the ups and downs of the investment markets reflected in the crediting rate are 'smoothed'.

For the period up to and including 30 June 2013 the smoothing process was applied to the Smoothed Option's investments on an annual basis at 30 June of each year. However, with effect from 1 July 2013 the smoothing process was applied on a monthly basis where the Superannuation Board consider it necessary to use this smoothing process.

CHOOSING AN INVESTMENT STRATEGY

The Fire and Emergency Services Superannuation Fund offers a choice of investment options to all members with an accumulation style of account. Choosing an investment option allows you to actively participate in the management of your superannuation account and select investments to suit your personal attitude to investment risks and returns.

The Fund's default investment option is the 'Smoothed Option'. If you switch your investments out of the 'Smoothed Option', you cannot move your investment savings back into the Smoothed Option (except in very limited circumstances) at a later date.

For all options except the Smoothed Option, the investment returns allocated to your account each month will be the actual earning rate of the relevant investment option, net of tax and any fees.

WHAT HAPPENS IF YOU LEAVE THE FUND BEFORE THE DECLARED CREDITING RATE IS ANNOUNCED FOR THE MONTH?

Where your total benefit is withdrawn part way through a month or at any time prior to the declared earning rate for that month being determined, an interim earning rate (net of tax and fees) will be applied for the portion of the applicable month and will be used to calculate your benefit.

Member Investment Choice Option Returns

SMOOTHED OPTION

Purpose	To provide a competitive growth investment with smoothed investment returns on a year-to-year basis.										
Objective	To earn at least inflation (CPI) plus 4% per annum over a rolling 10 year period, net of tax and fees.										
Strategy	Invest approximately three quarters in shares/target return assets and one quarter in cash/fixed interest.										
Strategic asset allocation	<table> <tr> <td>Australian Shares</td> <td>25%</td> </tr> <tr> <td>Overseas Shares</td> <td>25%</td> </tr> <tr> <td>Target Return</td> <td>25%</td> </tr> <tr> <td>Australian Fixed Interest</td> <td>20%</td> </tr> <tr> <td>Cash</td> <td>5%</td> </tr> </table>	Australian Shares	25%	Overseas Shares	25%	Target Return	25%	Australian Fixed Interest	20%	Cash	5%
Australian Shares	25%										
Overseas Shares	25%										
Target Return	25%										
Australian Fixed Interest	20%										
Cash	5%										
Expected frequency of a negative annual return	<p>It has a medium to high level of risk. We aim to achieve less than three negative annual returns in any twenty year period (on average).</p> <p>However historically the Smoothed Option has produced a smaller frequency of negative returns. This is due to the use of an investment fluctuation reserve in which a portion of the Fund's earnings in this investment option are set aside in the good investment years (i.e. when returns are high) in order to supplement returns in poor investment years (i.e. when the markets may lose money).</p>										

Important: Capital losses can occur within the Smoothed Option. The smoothing process reduces the likelihood of negative returns (i.e. investment losses) being credited to accumulation accounts in any one year.

Asset Classes	Ranges	Allocation as at 30 June 2018	Allocation as at 30 June 2017	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	15%-35%	26%	26%	2013/2014	11.2%	12.5%
Overseas Shares	15%-35%	26%	15%	2014/2015	6.4%	7.5%
Target Return	5%-45%	20%	23%	2015/2016	2.0%	2.2%
Fixed Interest	5%-40%	17%	24%	2016/2017	7.5%	8.3%
Cash	0%-20%	11%	12%	2017/2018	9.0%	10.0%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	6.7%	5.7%	7.4%	5.7%
5 Years (pa)	7.9%	5.9%	8.9%	5.9%
7 Years (pa)	8.1%	5.9%	9.2%	5.9%
10 Years (pa)	6.6%	6.1%	7.5%	6.1%

CASH OPTION

Purpose	To protect members' capital every year.
Objective	To earn investment returns competitive with other cash investments, net of tax and fees.
Strategy	Invest in cash or other short-term investments such as bank deposits and fixed term deposits.
Strategic asset allocation	Cash 100%
Expected frequency of negative return	Not expected in any one year period.

Asset Classes	Ranges	Allocation as at 30 June 2018	Allocation as at 30 June 2017	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	0%	0%	0%	2013/2014	2.9%	3.5%
Overseas Shares	0%	0%	0%	2014/2015	2.6%	3.1%
Target Return	0%	0%	0%	2015/2016	2.1%	2.6%
Fixed Interest	0%	0%	0%	2016/2017	2.0%	2.4%
Cash	100%	100%	100%	2017/2018	1.4%	1.8%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	2.2%	1.7%	2.6%	1.9%
5 Years (pa)	2.6%	1.9%	3.0%	2.2%
7 Years (pa)	3.0%	2.3%	3.6%	2.7%
10 Years (pa)	3.4%	2.8%	4.0%	3.3%

MODERATE OPTION

Purpose	To earn higher investment returns than cash while maintaining a conservative approach so the risk of capital losses in any one year remains low.										
Objective	To earn at least inflation (CPI) plus 2% per annum over a rolling 10 year period, net of tax and fees.										
Strategy	Invest approximately one half in shares/target return assets and one half in cash/fixed interest.										
Strategic asset allocation	<table> <tr> <td>Australian Shares</td> <td>15%</td> </tr> <tr> <td>Overseas Shares</td> <td>15%</td> </tr> <tr> <td>Target Return</td> <td>15%</td> </tr> <tr> <td>Australian Fixed Interest</td> <td>30%</td> </tr> <tr> <td>Cash</td> <td>25%</td> </tr> </table>	Australian Shares	15%	Overseas Shares	15%	Target Return	15%	Australian Fixed Interest	30%	Cash	25%
Australian Shares	15%										
Overseas Shares	15%										
Target Return	15%										
Australian Fixed Interest	30%										
Cash	25%										
Expected frequency of negative return	It has a low to medium level of risk. We aim to achieve less than three negative annual returns in any twenty year period (on average).										

Asset Classes	Ranges	Allocation	Allocation	Crediting Rates	Accumulation Account	Pension Account
		as at 30 June 2018	as at 30 June 2017			
Australian Shares	0%-30%	15%	15%	2013/2014	9.1%	10.6%
Overseas Shares	0%-30%	18%	9%	2014/2015	3.2%	4.2%
Target Return	0%-30%	11%	14%	2015/2016	1.4%	1.8%
Fixed Interest	10%-50%	33%	34%	2016/2017	7.5%	8.3%
Cash	10%-50%	23%	28%	2017/2018	5.5%	6.2%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	5.2%	3.7%	5.8%	3.7%
5 Years (pa)	5.7%	3.9%	6.5%	3.9%
7 Years (pa)	5.9%	3.9%	6.7%	3.9%
10 Years (pa)	5.6%	4.1%	6.4%	4.1%

GROWTH OPTION

Purpose	To provide a competitive growth investment.										
Objective	To earn at least inflation (CPI) plus 4% per annum over a rolling 10 year period, net of tax and fees.										
Strategy	Invest approximately three quarters in shares/target return assets and one quarter in cash/fixed interest.										
Strategic asset allocation	<table> <tr> <td>Australian Shares</td> <td>25%</td> </tr> <tr> <td>Overseas Shares</td> <td>25%</td> </tr> <tr> <td>Target Return</td> <td>25%</td> </tr> <tr> <td>Australian Fixed Interest</td> <td>20%</td> </tr> <tr> <td>Cash</td> <td>5%</td> </tr> </table>	Australian Shares	25%	Overseas Shares	25%	Target Return	25%	Australian Fixed Interest	20%	Cash	5%
Australian Shares	25%										
Overseas Shares	25%										
Target Return	25%										
Australian Fixed Interest	20%										
Cash	5%										
Expected frequency of negative return	It has a medium to high level of risk. We aim to achieve less than four negative annual returns in any twenty year period (on average).										

Asset Classes	Ranges	Allocation		Crediting Rates	Accumulation Account	Pension Account
		as at 30 June 2018	as at 30 June 2017			
Australian Shares	15%-35%	26%	26%	2013/2014	11.7%	13.2%
Overseas Shares	15%-35%	26%	15%	2014/2015	7.4%	8.6%
Target Return	5%-45%	20%	23%	2015/2016	1.5%	1.6%
Fixed Interest	5%-40%	17%	24%	2016/2017	9.1%	10.2%
Cash	0%-20%	11%	12%	2017/2018	8.4%	9.4%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	6.7%	5.7%	7.4%	5.7%
5 Years (pa)	7.9%	5.9%	8.9%	5.9%
7 Years (pa)	8.1%	5.9%	9.2%	5.9%
10 Years (pa)	6.6%	6.1%	7.5%	6.1%

AUSTRALIAN SHARE OPTION

Purpose	To provide a diversified investment in Australian shares.
Objective	To earn at least the benchmark return for Australian shares (S&P/ASX 300 Accumulation Index), net of tax and fees.
Strategy	Invest all of the assets in the Australian share market.
Strategic asset allocation	Australian Shares 100%
Expected frequency of negative return	It has a high level of risk. We aim to achieve less than six negative annual returns in any twenty year period (on average).

Asset Classes	Ranges	Allocation	Allocation	Crediting Rates	Accumulation Account	Pension Account
		as at 30 June 2018	as at 30 June 2017			
Australian Shares	90%-100%	100%	100%	2013/2014	20.0%	23.2%
Overseas Shares	0%	0%	0%	2014/2015	3.4%	5.3%
Target Return	0%	0%	0%	2015/2016	-2.2%	-2.4%
Fixed Interest	0%	0%	0%	2016/2017	15.4%	16.1%
Cash	0%-10%	0%	0%	2017/2018	13.3%	13.9%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	8.9%	8.8%	9.3%	9.1%
5 Years (pa)	10.1%	9.6%	11.2%	10.0%
7 Years (pa)	9.6%	8.6%	10.6%	9.0%
10 Years (pa)	7.5%	6.0%	8.2%	6.3%

INTERNATIONAL SHARE OPTION – This investment option commenced on 1 January 2016

Purpose	To provide a diversified investment in international shares.
Objective	To earn at least the benchmark return for international shares (MSCI World ex-Australia Index in \$AUD), net of tax and fees.
Strategy	Invest all of the assets in overseas shares.
Strategic asset allocation	Overseas Shares 100%
Expected frequency of negative return	It has a high level of risk. We aim to achieve less than six negative annual returns in any twenty year period (on average).

Asset Classes	Ranges	Allocation as at 30 June 2018	Allocation as at 30 June 2017	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	0%	0%	0%	January – June 2016	-4.3%	-4.7%
Overseas Shares	90%-100%	100%	100%	2016/2017	13.7%	15.9%
Target Return	0%	0%	0%	2017/2018	15.0%	17.6%
Fixed Interest	0%	0%	0%			
Cash	0%-10%	0%	0%			

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
1 Year (pa)	15.4%	13.4%	18.0%	15.4%
2 Years (pa)	14.8%	11.8%	17.1%	15.0%

FIXED INTEREST OPTION – This investment option commenced on 1 January 2016

Purpose	To provide a diversified investment in Australian Fixed Interest.
Objective	To earn at least the benchmark return (Bloomberg Ausbond Composite Bond Index), net of tax and fees.
Strategy	Invest all of the assets in Australian Fixed Interest.
Strategic asset allocation	Fixed Interest 100%
Expected frequency of negative return	It has a low to medium level of risk. We aim to achieve less than four negative annual returns in any twenty year period (on average).

Asset Classes	Ranges	Allocation as at 30 June 2018	Allocation as at 30 June 2017	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	0%	0%	0%	January – June 2016	2.8%	3.6%
Overseas Shares	0%	0%	0%	2016/2017	3.2%	3.7%
Target Return	0%	0%	0%	2017/2018	1.7%	2.2%
Fixed Interest	90%-100%	100%	100%			
Cash	0%-10%	0%	0%			

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
1 Years (pa)	2.1%	2.6%	2.5%	3.1%
2 Years (pa)	2.9%	1.4%	3.3%	1.7%

Financial information

The charts below show the abridged financial information based on the unaudited Financial Statements of the Fund for the year ended 30 June 2018. The full audited Financial Statements and the Auditor General's opinion will be included in the Annual Report.

NET ASSETS AVAILABLE TO PAY
BENEFITS AS AT 1 JULY 2017 **\$641,069,744**

Inflow 2017/2018

Employer Contributions	18,930,603
Salary Sacrifice Contributions	12,319,139
Member Contributions	4,542,446
Spouse Contributions	35,340
Investment Revenue	61,979,959
Transfers	4,610,066
Other Revenue	974,978
Total	103,392,531

Outflow 2017/2018

Benefits Paid	24,146,954
Group Life Premiums	2,636,384
Administration Expenses	2,954,791
Investment Expenses	770,149
Taxation	8,060,523
Total	38,568,801

NET ASSETS AVAILABLE TO PAY
BENEFITS AS AT 30 JUNE 2018 **\$705,893,474**

AT 30 JUNE 2018 THE ASSETS OF THE FUND
ARE REPRESENTED BY

ASSETS

Investments	712,030,136
Other Assets	1,005,012
Total Assets	713,035,148
Liabilities	7,141,674
Net Assets	705,893,474

Fund Statistics (as at 30 June)

CURRENT MEMBERS

	2018	2017	2016
Members at start of period	1,563	1,480	1,443
New members	77	149	115
Exits	128	66	78
Members at end of period	1,512	1,563	1,480

BENEFIT ENTITLEMENTS

	2018	2017	2016
Death	\$0	\$2,452	\$1,507
Retirements (includes Redundancies)	\$30,582	\$6,744	\$3,207
Total Disablement	\$6,295	\$2,149	\$1,917
Partial Disablement	\$1,500	\$2,189	\$606
Resignation	\$2,529	\$2,519	\$3,434
TOTAL	(\$,000) 40,906	16,053	10,671

PENSIONERS

	2018	2017	2016
Number of Pensioners	270	271	260
Balance of Accounts	(\$,000) 84,633	82,297	68,744

RETAINED MEMBERS

	2018	2017	2016
Number of members	348	308	298
Balance of Accounts	(\$,000) 100,466	71,445	78,178

SPOUSE ACCOUNTS

	2018	2017	2016
Number of members	151	146	144
Balance of Accounts	(\$,000) 20,633	18,239	15,651

OTHER

	2018	2017	2016
Administration Expenses	(\$,000) 2,955	2,639	2,428
Investment Income	(\$,000) 62,955	55,075	13,831
Net Fund Crediting Rate (Smoothed)	9.0%	7.5%	2.0%

Proposed Federal Government legislation changes

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.

For more information on any of the above please contact the Superannuation Office.

YOUR SUPER ONLINE!

Members can access general information about the Fund online at **www.fessuper.com.au**.

The website provides the following general information:

- Monthly investment returns for each of the investment options.
- Information on the various investment options.
- Publications, including previous issues of the Report to Members.
- Various forms, including death benefit beneficiary forms, Rollover monies into the Fund Form, Member Investment Choice Application Form and Spouse Application Form.

Why not have a look today?

Other information

ACTUARIAL INVESTIGATION

Each year, an actuarial review of the Fund is carried out to establish the financial position of the Fund and to determine the level of employer contributions required to adequately provide for members' benefits. The Actuary has completed the review of the Fund as at 30 June 2018 and has reported that *"the Fund is currently in a satisfactory financial position as at 30 June 2018 as measured by the coverage of vested benefits by assets"*.

The Fund uses a 'vested benefits index' as a means of valuing the Fund and determining the amount of money required to fund the benefit payments of active members. The Fund's vested benefits index as at 30 June 2018 (including the Supplementary Disablement Pension assets) has been calculated as being 119%. The Fund's target index is 120%.

The financial position of the Fund continues to be monitored closely.

RESERVES

A Federal Government requirement is that all superannuation funds detail movements in reserves for the past three years. The Superannuation Board maintains a number of reserves. These reserves provide the Superannuation Board with access to funds to protect members' interests and mitigate the impact of an adverse event regarding the operational, insurance and investment activities of the Fund.

Operational Risk Reserve

The Superannuation Board established this reserve on 1 July 2013 in response to the operational risk financial requirement introduced by the Australian Prudential Regulation Authority (APRA). The purpose of this reserve is to provide funding for incidents where material losses may arise from operational risks relating to the Fund. This reserve is invested in term deposit.

SDB Reserve

The Supplementary Disablement Benefit (SDB) Reserve is held to fund supplementary disablement claims for members. The employer contributes 1% of salaries.

An actuarial review is completed every 3 years for the SDB Reserve to determine the value. This reserve forms part of the defined benefit investment strategy 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 a Defined Benefit Investment Reserve held to smooth out the value of the defined benefit assets against long term values. These are valued annually by the Actuary.

WHEN YOU CEASE EMPLOYMENT

If your benefit is below \$10,000 and we have not received instructions about how you want your benefit paid within 30 days after you cease employment, your account balance will be transferred to an Eligible Rollover Fund (ERF). The ERF will hold your money until you apply to them for your benefit to be paid or rolled over to another superannuation fund. The Fund's chosen ERF is:

The Australian Eligible Rollover Fund
Locked Bag 5429
PARRAMATTA NSW 2124
Toll Free: 1800 677 424

If your benefit is \$10,000 or more it will automatically be transferred to a retained benefit account in your name in the Fund and held there until you advise us otherwise. For more information on retained benefit accounts refer to the Fund's Product Disclosure Statement.

If your account balance is transferred to an ERF:

- You will cease to be a member of the Fire and Emergency Services Superannuation Fund;
- Your insurance arrangements with the Fire and Emergency Services Superannuation Fund will cease;
- You will become a member of the ERF and be subject to its governing rules, investment strategies and options and fees and charges; and
- You will need to contact the ERF directly with any queries.

Statement of changes in reserves for the year ended 30 June 2018

	Operational Risk Reserve	SDB Reserve	Smoothed Option Investment Reserve	Defined Benefit Investment Reserve	Total Reserves
Balance at 1 July 2015	1,465,438	19,125,421	4,928,117	6,674,408	32,193,384
Movement	261,222	2,167,033	(760,879)	(3,071,420)	(1,404,044)
Balance at 30 June 2016	1,726,660	21,292,454	4,167,238	3,602,988	30,789,340
Movement	49,725	3,095,900	3,388,420	4,834,358	11,368,403
Balance at 30 June 2017	1,776,385	24,388,354	7,555,658	8,437,346	42,157,743
Movement	196,443	2,870,342	76,235	(604,814)	2,538,206
Balance at 30 June 2018	1,972,828	27,258,696	7,631,893	7,832,532	44,695,949

SPECIAL TAX TREATMENT

Superannuation can be a tax effective way to save because it is taxed at a lower rate than many other saving vehicles. To be eligible for this tax advantage, the Fund must operate according to a strict set of laws.

To show that your Fund has complied with these laws, the Board lodges a report each year with the Australian Prudential Regulation Authority (APRA) – a Federal Government body.

The Board is unaware of any event that would cause your Fund to lose this special tax treatment.

WHAT TO DO IF YOU HAVE A COMPLAINT?

1. Call the Fund Secretary on (08) 9382 8444 to discuss your complaint.
2. If you prefer not to discuss the complaint with the Fund Secretary, or your concern is not satisfactorily resolved, please direct your complaint to:

Complaints Officer
Fire and Emergency Services Superannuation Fund
PO Box 513
SUBIACO WA 6904

The Complaints Officer will ensure that your complaint is investigated as appropriate. You will be provided with a written response.

3. If you do not receive a response to your complaint within 90 days or are not satisfied with the formal response provided after going through the Fund's internal complaints process, you may be eligible to take your complaint to the Superannuation Complaints Tribunal (SCT) whose postal address and contact phone details are as follows:

Locked Mail Bag 3060
MELBOURNE VIC 3001

Call 1300 884 114

However, you should note that if your complaint will be made to the SCT on or after 1 November 2018 you will need to apply to the newly established Australian Financial Complaints Authority instead of the SCT.

The SCT is an independent body set up by the Federal Government to help members and beneficiaries resolve certain types of complaints against decisions made by superannuation trustees.

The SCT may be able to help you resolve your complaint but only if you are not satisfied with the response from the Fund. If the SCT accepts your complaint, its officers will mediate and try to resolve the matter through conciliation. If conciliation is unsuccessful, the complaint will be referred to the Tribunal members for a determination that is binding on both parties.

If you wish to find out whether the SCT can handle your complaint and the type of information you would need to provide to them, please call:

Superannuation Complaints Tribunal
Ph: 1300 884 114 or (03) 8635 5580

The SCT will only be able to accept a formal complaint from you up to 31 October 2018. A new Federal Government complaints handling body called the Australian Financial Complaints Authority (AFCA) has been established that will commence to receive complaints from superannuation fund members with effect from 1 November 2018 instead of those complaints being dealt with by the SCT. The address and contact details of AFCA are as follows:

- The AFCA postal address is GPO Box 3, Melbourne, Victoria 3001
- The AFCA website address is www.afca.org.au
- The AFCA email address is info@afca.org.au
- The AFCA phone number is 1800 931 678.

If you require any assistance to make a formal complaint, please contact the Fund Secretary in the first instance.

LIKE TO KNOW MORE?

As a member of the Fund you will have been provided with a Product Disclosure Statement (member booklet) containing information about your superannuation and the rules of the Fund. You also receive periodic newsletters and an **Annual Benefit Statement** containing important information about your account in this Fund. Other documents available include:

- the Act and Regulations;
- the Investment Policy Statement;
- the latest audited accounts and auditor's report;
- the Fund's internal inquiries and complaints procedures; and
- a summary of the latest Actuarial report.

If you would like a copy of any of the above listed documents, please download them from the website at www.fessuper.com.au or call us on (08) 9382 8444.

Directory

FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD

242 Rokeby Road, SUBIACO WA 6008

BOARD MEMBERS:

Employer Appointed

Frank Sciarrone – Chairman
Dale Fulcher
Karen Lamont

Member Elected

Kevin Jolly
Brian Longman
Kelly Wyeth

MINISTER

Treasurer – Hon Benjamin Wyatt MLA

FUND SECRETARY

Adrian Rutter

ACTUARY

Catherine Nance – PricewaterhouseCoopers

INSURER

Hannover Life Re of Australasia Ltd

ACCOUNTANT

Sharyn Long Chartered Accountants

BANKER

Commonwealth Bank of Australia

AUDITORS

Auditor General (WA)

INVESTMENT MANAGERS

Acure Asset Management
Level 7, 140 St Georges Terrace, PERTH WA 6000

AMP Capital Investors
Level 15, 50 Bridge Street, SYDNEY NSW 2000

Ascot Capital Limited
37 Stirling Highway, NEDLANDS WA 6009

Ausbil Investment Management Limited
Level 27, 225 George Street, SYDNEY NSW 2000

Centaur Property
Suite 2, 234 Churchill Avenue, SUBIACO WA 6008

Colonial First State
Level 3, 201 Sussex Street, SYDNEY NSW 2000

Dorado Property
Level 3, 3 Pier Street, PERTH WA 6000

GQG Partners
Level 2, 88 Collins Street, MELBOURNE VIC 3000

Hall & Prior
16-18 Mayfair Street, WEST PERTH WA 6005

Kapstream Capital
Level 7, 39 Martin Place, SYDNEY NSW 2000

Magellan Asset Management Limited
Level 7, 1 Castlereagh Street, SYDNEY NSW 2000

Maple-Brown Abbott Limited
Level 31, 259 George Street, SYDNEY NSW 2000

ME Bank
Level 28, 360 Elizabeth Street, MELBOURNE VIC 3000

Polaris Capital Management
121 High Street, BOSTON MASSACHUSETTS

Primewest Funds Limited
Level 1, 307 Murray Street, PERTH WA 6000

QIC
Level 5, 66 Eagle Street, BRISBANE QLD 4001

Schroders Investment Management Australia Limited
Level 20, Angel Place
123 Pitt Street, SYDNEY NSW 2000

Sirona Capital
Level 2, 7 Havelock Street, WEST PERTH WA 6005

Vantage Wealth Management
Level 1, 7 Havelock Street, WEST PERTH WA 6005

Vinva Investment Management Limited
Level 13, 10 Bridge Street, SYDNEY NSW 2000

Warrington Property
Level 3, 22 Delhi Street, WEST PERTH WA 6005

CORRESPONDENCE

The Secretary

Fire and Emergency Services Superannuation Board
PO Box 513
SUBIACO WA 6904

Phone: (08) 9382 8444

Fax: (08) 9382 8464

Email: admin@fessuper.com.au

DISCLAIMER

The Trustee of the Fire and Emergency Services Superannuation Fund does not guarantee or represent the information in this document is up to date or complete and disclaims liability for all claims, losses, damages, costs, or expenses of whatever nature, howsoever occurring which arise as a result of reliance upon the information, regardless of the form of action whether in contract, tort (including negligence), breach of statutory duty, or otherwise.

GENERAL ADVICE WARNING

The information contained in this publication is not financial advice and has been prepared for general purposes only. It is not specific to your individual objectives, financial situation or particular needs. The information may be selective and may therefore not be complete for your needs. Before acting on this information you should seek professional advice.

Issued by

Fire and Emergency Services Superannuation Board
(ABN 55 476 454 384) as trustee of the
Fire and Emergency Services Superannuation Fund
(ABN 43 198 502 058).

