



Fire & Emergency Services  
**Superannuation Fund**

## 2019 ANNUAL REPORT



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# Statement of Compliance

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**Honourable Ben Wyatt MLA**

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

In accordance with section 61 of the *Financial Management Act 2006 (FMA)*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Fire and Emergency Services Superannuation Board for the financial year ended 30 June 2019.

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

10 October 2019



**B LONGMAN**

BOARD MEMBER

10 OCTOBER 2019

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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 2019.

## Performance and Investments

Investment markets during the 2018/19 financial year were extremely volatile and were characterised by a negative first half that was led by news of slowing global growth and a rise in trade tensions between the US and China, followed in the second half by positive sentiment around a continuation of low global interest rates (particularly in the US) and rhetoric that negotiations around the trade dispute were beginning to find some common ground.

The result for the financial year was a surprisingly good one for investors, with share markets producing a return of between 11% and 12% and Australian listed property returning an incredible 19% as investors chased yield as interest rates continued to fall. Returns on fixed interest and cash were consequently significantly lower as Australian bonds returned around 3.5% and cash around 2.0%. International bonds on the other hand fared better with a return of around 7.0% as long-term rates fell across the globe.

Looking forward the risks for investment markets remain heightened as investors struggle to determine the longer-term outcomes of the extended trade battle between the US and China, other geo-political risks and the continuation of a slowing global economy.

The Defined Benefit section of the Fund returned 6.9% and the crediting rate for the Smoothed options was 7.8% for accumulation accounts and 8.7% for pension accounts.

## Membership and Assets

- Overall membership of the Fund increased from 2,281 to 2,327 members.
- During the year the Fund paid out \$34.1m in benefits.
- The Fund received \$38.8m in contributions during the year.
- The Fund's assets grew from \$706m to \$759m.

## 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 2019 reported that "the financial position of the Fund was satisfactory", with the Vested Benefits Ratio being 124% (including Supplementary Disablement assets). The Fund's 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 83% 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.

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.

During the year we welcomed Brendon Shepherd to the Board as a Director as well as Richard Burnell in the capacity of Alternate Director. Their expertise has added value to Board discussions thus far and we look forward to their continued strong contribution.

Brendon replaced Dale Fulcher who made a tremendous contribution to the Board while he was a Director. Dale's representation on the Board was for a total period of 21 years, initially being appointed as an Alternate Director in 1998, and then formally appointed to the Board in 2008.

During his term as a Director, Dale was an active member of the Board together with being a member of the Investment Committee and Chairing the Audit Committee. His expertise and attention to detail was second to none. We wish him all the best in his retirement.

I commend the 2019 Annual Report of the Fire and Emergency Services Superannuation Board to all interested parties.



**Frank Sciarone**  
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 124%. The Fund's target index is 120%.
- The Fire and Emergency Services Superannuation Board declared smoothed earning rates of 7.81% for accumulation accounts and 8.72% for pension accounts.
- Overall membership of the Fire and Emergency Services Superannuation Fund increased from 2,281 to 2,327 members.
- The average member balance increased from \$309,467 to \$326,160.
- During the 2018/19 financial year, the Fund paid out \$34.1m in benefits.
- The Fund received \$38.8m in contributions during the year, which was a decrease of 4% on the previous year predominantly due to reduced member voluntary contributions.
- Due to positive investment market performance, the Fund's assets grew from \$706m to \$759m.

## 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; Aboriginal Affairs; Lands.

## 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:

- Auditor General Act 2006
- Corporations (Western Australia) Act 1990
- Corruption and Crime Commission Act 2003
- Electoral Act 1907
- Equal Opportunity Act 1984
- Financial Management Act 2006
- Fire and Emergency Services Superannuation Act 1985
- Freedom of Information Act 1992
- Industrial Relations Act 1979
- Interpretation Act 1984
- Minimum Conditions of Employment Act 1993
- Occupational Safety and Health Act 1984
- Public Sector Management Act 1994
- Stamp Act 1921
- State Records Act 2000
- State Supply Commission Act 1991
- Trustees Act 1962
- Workers' Compensation and Injury Management Act 1981

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

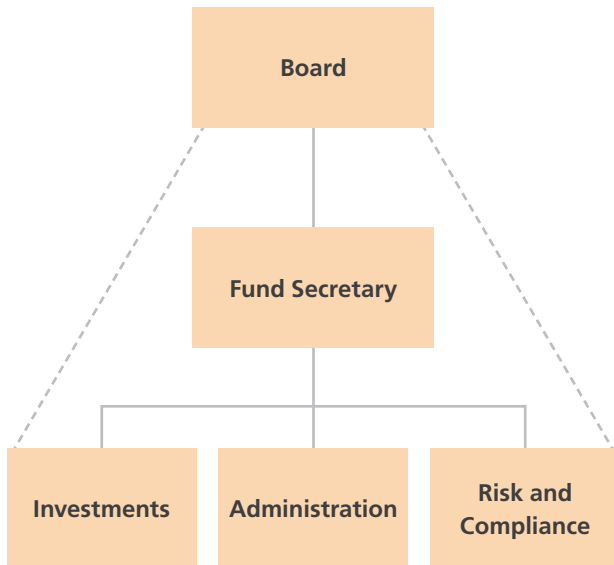
- Anti-Money Laundering and Counter-Terrorism Financing Act 2006
- Australian Prudential Regulation Authority Act 1998
- Corporations Act 2001
- Family Law Act 1975
- Financial Sector (Collection of Data) Act 2001
- Financial Services Reform Act 2001
- Income Tax Assessment Act 1936
- Privacy Act 1988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

# Organisational Structure

## Vision

To help members achieve financial security in retirement.

## Organisational Chart



## The Board

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

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

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

## Board Profiles

### MR FRANK SCIARRONE (CHAIRMAN)

Mr Sciarrone was appointed to the Board on 4 April 2011 and has been Chairman since 19 August 2013. His appointment is due to expire on 18 August 2019. Mr Sciarrone is currently the Executive Chairman 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.

### 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 BRENDON SHEPHERD

Mr Shepherd was first appointed to the Board on 1 November 2018 and his appointment is due to expire on 31 October 2021. Mr Shepherd is an investment professional.

### MR BRIAN LONGMAN

Mr Longman was first elected to the Board on 19 August 2009 and his current appointment expires on 18 August 2021. 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

### 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 2019. 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 2019. Mr Markovic is a Senior Firefighter with the Department of Fire and Emergency Services.

### MR RICHARD BURNELL

Mr Burnell was first appointed to the role of Alternate Board Member on 18 August 2018 and his current term expires on 18 August 2021. Mr Burnell is the Acting Executive Director of Corporate Services 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 Sciarrone	April 2011	\$21,269
Board Member	Kevin Jolly*	August 2017	Nil
Board Member	Karen Lamont	October 2013	\$13,838
Board Member	Brian Longman*	August 2000	Nil
Board Member	Brendon Shepherd	November 2018	\$9,225
Board Member	Kelly Wyeth*	August 2016	Nil
Alternate Member	Tania Longman	September 2014	\$13,262
Alternate Member	Paul Markovic*	August 2017	Nil
Alternate Member	Richard Burnell*	August 2018	Nil

\*In accordance with government policy, Board Members who are public sector employees were not paid additional remuneration for sitting on the 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"> <li>a. Performance of the Defined Benefit section against its investment objective.</li> <li>b. Performance of the Accumulation section options against each investment objective.</li> <li>c. Performance of the Pension section options against each investment objective.</li> </ul>
Service	Key Efficiency Indicator	
Superannuation products and resources: The Board provides members with access to superannuation, retirement products and a range of information resources.	➔	1. Average administration cost per member account.
	➔	2. Investment Management Expense Ratio (investment management costs as a percentage of portfolio mean value invested).

## Changes to Outcome Based Management Framework

The Board's outcome-based management framework did not change during 2018/19.

## Shared Responsibilities with Other Agencies

The Board did not share any responsibilities with other Agencies in 2018/19.

# Significant Issues Impacting the Board

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## Current and emerging issues

The upcoming financial year will see more changes to the superannuation rules.

## Protecting Your Super Reforms

The Protecting Your Super reform package was legislated to protect Australians' superannuation accounts from being eroded by insurance policy fees and premiums they may not require. The key reforms are:

1. Superannuation funds will be required to cancel the insurance cover that goes with a superannuation account if the superannuation account is deemed to be inactive. Under the legislation, superannuation accounts are considered inactive if they have not received any contributions or rollovers for more than 13 months. Superannuation funds are required to inform members they are at risk of having their insurance cancelled and giving the member the option to retain their insurance cover even if they are not making regular contributions.
2. Members with an inactive superannuation account with a balance of less than \$6,000 will be closed automatically and the balance transferred to the Australian Taxation Office, which will then use data matching technology to combine the low account balance with an active superannuation account.
3. Small superannuation accounts with a balance of \$6,000 or less at the end of a financial year will have their fees capped at 3% per annum.
4. Exit fees will be banned, allowing members to switch between superannuation funds without having to pay any penalty or fee.

## Contribution Rules

Significant changes to the contribution rules start on 1 July 2019. The key changes are:

1. Retirees aged between 65 and 74 will be able to make voluntary non concessional (after tax) contributions into their superannuation account without needing to satisfy the working test. To qualify the member must have had less than \$300,000 in their superannuation account at the end of the previous financial year. The relaxation of the work test rules only applies once and the member cannot make contributions in subsequent years without meeting the work test.
2. Members can make catch up concessional (before tax) contributions into their superannuation account using their unused concessional contributions cap amounts from previous years. To qualify, the member must have a total superannuation balance of less than \$500,000 on 30 June of the previous financial year and must not have used all their \$25,000 annual concessional contributions cap in the previous financial year. Under the new rules, a member can carry forward up to five years of unused concessional contributions caps for use in a later financial year, but the rolled forward amount expires after five years. The five year carry forward period started on 1 July 2018, meaning 2019/20 is the first year in which a member can make catch up contributions. If the member is aged 65 or over, the normal work test rules apply.

## 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 2018/19 financial year.

## Likely developments

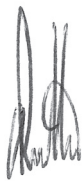
The *Fire and Emergency Services Superannuation Act 1985* and *Fire and Emergency Services (Superannuation Fund) Regulations 1986* are currently under review.

# Certification of Financial Statements

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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 2019, and the financial position as at 30 June 2019.

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



**A RUTTER**

Fund Secretary/Chief Finance Officer  
10 October 2019



**F SCIARRONE**

Chairman  
10 October 2019



**B LONGMAN**

Board Member  
10 October 2019





## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD

#### Report on the Financial Statements

##### **Opinion**

I have audited the financial statements of the Fire and Emergency Services Superannuation Board (FESSB) which comprise the Statement of Financial Position as at 30 June 2019, 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 2019 and the results of its operations, cash flows, changes in equity and changes in member benefits for the year ended 30 June 2019. 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 Responsibility 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 2019.

### ***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 non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

**Report on the 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 2019. 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 2019.

**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 2019 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  
/7 October 2019



# Financial Statements

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2019	2018
		\$	\$
<b>ASSETS</b>			
Cash and cash equivalents	30(b)	6,192,904	9,979,248
Receivables	26	12,192,580	6,778,787
Interest bearing investments	11	27,356,927	42,422,954
Fixed interest securities	12	30,739,095	28,065,172
Securities in listed entities	13	2,586,839	3,361,360
Units in unlisted unit trusts	14	644,170,131	572,170,081
Mortgage investments	15	2,661,835	5,176,438
Other investments	16	29,410,510	14,976,096
Investment properties	17	6,600,000	27,000,000
Land and buildings	18	1,800,000	2,100,000
Office and computer equipment and motor vehicle		106,500	95,500
Prepayments		305,564	854,542
Deferred tax assets	25(e)	55,705	54,970
<b>TOTAL ASSETS</b>		<b>764,178,590</b>	<b>713,035,148</b>
<b>LIABILITIES</b>			
Payables	27	296,924	465,449
Provisions	28	105,174	103,127
Current tax liabilities	25(d)	2,214,520	3,390,204
Deferred tax liabilities	25(e)	4,438,538	3,182,894
<b>TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS</b>		<b>7,055,156</b>	<b>7,141,674</b>
<b>NET ASSETS AVAILABLE FOR MEMBER BENEFITS</b>		<b>757,123,434</b>	<b>705,893,474</b>
<b>MEMBER BENEFITS</b>			
Defined contribution member liabilities	5,7	318,648,881	296,052,320
Defined benefit member liabilities	5	369,457,855	338,961,652
<b>TOTAL MEMBER BENEFITS</b>		<b>688,106,736</b>	<b>635,013,972</b>
<b>NET ASSETS</b>		<b>69,016,698</b>	<b>70,879,502</b>
<b>EQUITY</b>			
Operational risk reserve	8	2,179,833	1,972,828
SDB reserve	8	30,378,171	27,238,755
Smoothed option investment fluctuation reserve	8	8,465,779	7,631,893
Defined benefit investment fluctuation reserve	8	15,572,374	7,832,532
Defined benefits that are over/(under) funded		12,420,541	26,203,494
<b>TOTAL EQUITY</b>		<b>69,016,698</b>	<b>70,879,502</b>

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

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019	2018
		\$	\$
<b>SUPERANNUATION ACTIVITIES</b>			
<b>REVENUE</b>			
Interest revenue		3,148,861	3,149,216
Distributions from unit trusts		27,240,675	22,853,880
Net remeasurement changes in fair value	19	26,223,279	33,235,991
Net rentals from directly held property	20	930,007	2,003,450
Other income		1,314,432	737,422
<b>TOTAL SUPERANNUATION ACTIVITIES REVENUE</b>		<b>58,857,254</b>	<b>61,979,959</b>
<b>EXPENSES</b>			
Investment expenses	21	809,851	770,149
Administration expenses	22	2,521,914	2,532,727
Other operating expenses	23	344,828	422,604
<b>TOTAL EXPENSES</b>		<b>3,676,593</b>	<b>3,724,940</b>
<b>NET RESULT FROM SUPERANNUATION ACTIVITIES</b>		<b>55,180,661</b>	<b>58,255,019</b>
Net change in defined benefit member benefits		(34,442,921)	(11,285,783)
Net benefits allocated to defined contribution member accounts		(21,065,524)	(24,842,949)
<b>NET RESULT BEFORE INCOME TAX</b>		<b>(327,784)</b>	<b>22,126,287</b>
Income tax expense	25(a)(b)	2,429,657	3,739,624
<b>NET RESULT AFTER INCOME TAX</b>		<b>(2,757,441)</b>	<b>18,386,663</b>

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

## STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Defined Contribution Member Benefits	Defined Benefit Member Benefits	Total 2019
		\$	\$	\$
<b>YEAR ENDED 30 JUNE 2019</b>				
<b>Opening balance at 1 July 2018</b>		<b>296,052,320</b>	<b>338,961,652</b>	<b>635,013,972</b>
Employer contributions		3,587,984	27,753,728	31,341,712
Member contributions		2,601,584	261,596	2,863,180
Spouse contributions		200,580	-	200,580
Government co-contributions		10,991	-	10,991
Transfers from other superannuation entities		4,383,583	-	4,383,583
Transfers from defined benefit to defined contribution		21,827,051	(21,827,051)	-
Total contributions		32,611,773	6,188,273	38,800,046
Income tax on contributions	25(c)	(578,635)	(4,163,059)	(4,741,694)
<b>Net after tax contributions</b>		<b>32,033,138</b>	<b>2,025,214</b>	<b>34,058,352</b>
Transfers to other superannuation entities		(10,965,829)	(3,582,459)	(14,548,288)
Cash benefit payments	29	(9,864,887)	-	(9,864,887)
Pension payments		(9,693,281)	-	(9,693,281)
Insurance premiums charged to member accounts		(66,060)	(410,206)	(476,266)
Income tax benefit on insurance premiums	25(c)	9,909	61,531	71,440
Insurance premiums charged to defined benefit calculation		-	(2,400,939)	(2,400,939)
Income tax benefit on insurance premiums credited to defined benefit calculation	25(c)	-	360,141	360,141
Death and disability benefits credited to members accounts		972,684	-	972,684
Reserve transfers to/(from) members:				
Investment reserves		(894,637)	-	(894,637)
Net benefits allocated to members' accounts comprising:				
Net investment income		21,065,524	-	21,065,524
Net change in defined benefit member benefits		-	34,442,921	34,442,921
<b>Closing Balance at 30 June 2019</b>	<b>5,7</b>	<b>318,648,881</b>	<b>369,457,855</b>	<b>688,106,736</b>

*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
		\$	\$	\$
<b>YEAR ENDED 30 JUNE 2018</b>				
<b>Opening balance at 1 July 2017</b>		<b>255,628,725</b>	<b>332,419,600</b>	<b>588,048,325</b>
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)	-
<b>Total contributions</b>		<b>38,593,936</b>	<b>1,856,816</b>	<b>40,450,752</b>
Income tax on contributions	25(c)	(612,047)	(4,104,309)	(4,716,356)
<b>Net after tax contributions</b>		<b>37,981,889</b>	<b>(2,247,493)</b>	<b>35,734,396</b>
Transfers to other superannuation entities		(3,54,687)	(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
<b>Closing Balance at 30 June 2018</b>	<b>5,7</b>	<b>296,052,320</b>	<b>338,961,652</b>	<b>635,013,972</b>

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



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Operational Risk Reserve	Supplementary Disability benefits over/ (under) funded	Smoothed Option Investment Fluctuation Reserve	Defined Benefit Investment Reserve	Defined Benefit over/(under) funded	Total Equity
	\$	\$	\$	\$	\$	\$
<b>YEAR ENDED 30 JUNE 2019</b>						
<b>Opening balance as at 1 July 2018</b>	<b>1,972,828</b>	<b>27,238,755</b>	<b>7,631,893</b>	<b>7,832,532</b>	<b>26,203,494</b>	<b>70,879,502</b>
Amount allocated from defined contribution members	60,751	-	833,886	-	-	894,637
Amount allocated from/(to) defined benefit members	84,101	-	-	7,739,842	(7,823,943)	-
Net result	62,153	3,139,416	-	-	(5,959,010)	(2,757,441)
<b>Closing balance as at 30 June 2019</b>	<b>2,179,833</b>	<b>30,378,171</b>	<b>8,465,779</b>	<b>15,572,374</b>	<b>12,420,541</b>	<b>69,016,698</b>
<b>YEAR ENDED 30 JUNE 2018</b>						
<b>Opening balance as at 1 July 2017</b>	<b>1,776,385</b>	<b>24,388,354</b>	<b>7,555,658</b>	<b>8,437,346</b>	<b>10,863,676</b>	<b>53,021,419</b>
Amount allocated from defined contribution members	-	-	76,235	-	-	76,235
Amount allocated from/(to) defined benefit members	-	-	(604,814)	-	-	-
Net result	196,443	2,850,401	-	-	15,339,818	18,386,662
<b>Closing balance as at 30 June 2018</b>	<b>1,972,828</b>	<b>27,238,755</b>	<b>7,631,893</b>	<b>7,832,532</b>	<b>26,203,494</b>	<b>70,879,503</b>

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019	2018
		\$	\$
<b>Cash flows from operating activities</b>			
Interest received		3,409,075	3,072,728
Trust distributions		6,357,010	6,494,015
Rental income		3,390,702	3,504,695
Rental property expenses		(2,035,220)	(2,069,921)
Fee rebates and other income		29,250	19,464
Insurance recoveries		972,684	961,820
Investment expenses		(107,499)	(117,351)
Administration expenses		(2,935,851)	(3,014,772)
Insurance premiums outwards		(2,877,204)	(2,636,384)
Income tax paid		(1,937,411)	(827,946)
<b>Net cash inflows from operating activities</b>	<b>30(a)</b>	<b>4,265,536</b>	<b>5,386,348</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		62,695,199	117,923,713
Proceeds from sale of investment properties		19,570,300	-
Payments for purchase of investments		(90,232,202)	(164,718,619)
Purchase of office and computer equipment		(55,633)	(8,065)
<b>Net cash outflows from investing activities</b>		<b>(8,022,336)</b>	<b>(46,802,971)</b>
<b>Cash flows from financing activities</b>			
Employer contributions		31,341,712	31,249,742
Member contributions		2,863,180	4,542,446
Spouse contributions		200,580	35,340
Government co-contributions		10,991	13,158
Transfers from other superannuation funds		4,383,583	4,610,066
Transfers to other superannuation funds		(14,548,288)	(4,330,037)
Cash benefit payments		(9,864,887)	(10,003,664)
Pension payments		(9,693,281)	(9,813,253)
Tax paid on contributions		(4,723,134)	(5,200,451)
<b>Net cash (outflows)/inflows from financing activities</b>		<b>(29,544)</b>	<b>11,103,347</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,786,344)</b>	<b>(30,313,276)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>9,979,248</b>	<b>40,292,524</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>30(b)</b>	<b>6,192,904</b>	<b>9,979,248</b>

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

# Notes of the Financial Statements

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## 1. REPORTING ENTITY

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

242 Rokeby Road  
Subiaco WA 6008

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

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

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

## 2. BASIS OF PREPARATION

### (a) STATEMENT OF COMPLIANCE

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

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

The financial statements were approved by the Board of the Trustee, Fire and Emergency Services Superannuation Board on 10 October 2019.

### (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 fair value of financial instruments (Notes 13, 14, 15 and 16) and investment properties (Note 17).

## 2. BASIS OF PREPARATION (continued)

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

The following new and revised Standards and Interpretations have been adopted in the financial statements. Their adoption has not had significant financial or disclosure impact on these financial statements.

AASB 9 *Financial Instruments* became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB139.

To the extent that AASB 9 is applicable to the Fund, it has been applied retrospectively without the use of hindsight. The adoption did not result in a material change to the classification or measurement of financial instruments, including from the application of the new credit loss impairment model, in either the current or comparative period as all financial assets and liabilities, with the exception of member liabilities and tax assets and liabilities, remain at fair value through profit or loss in accordance with AASB 1056.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2018 that have a material impact on the amounts recognised in the prior or current periods that will affect future periods.

### (e) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Fund. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. Those which may be relevant to the Fund are set out below.

#### **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.

#### **AASB 16 Leases**

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

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Fund does not expect any material impact on its financial statements resulting from the application of AASB 16.

### 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 through the income statement.

Fair Values have been determined as follows:

#### **Interest Bearing investments**

Interest bearing investments are carried at face value which materially 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 acquired 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 together with accrued interest which is considered to materially approximate fair value, 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 the expected tax payable on the estimated taxable income for the current year based on the applicable tax rate adjusted for instalment payments made to the ATO during the year and by changes in deferred tax assets and liabilities attributable to temporary differences.

##### Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### (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.

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### 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 2019 at a standard rate of 11.75% (2018: 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% (2018: 1%) to fund the supplementary disablement benefits. Defined Benefit members of the Fund contributed at a minimum rate of 6.25% of salary for 2019 (2018: 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 2019 (2018: 9.5%).

The Fund also received salary sacrifice contributions from members during the year ended 30 June 2019.

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 2019 and 30 June 2018.

### (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 2019 (previously 30 June 2018).

- The future rate of investment return earned on the Fund's investments would be 4.5% (2018: 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 2.5% p.a. thereafter (2018: 1.5% p.a. for the first year 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 6.6% per annum over the last 5 years and 6.9% 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 2019 reporting period.

- The future rate of investment return  $\pm 1\%$  (2018:  $\pm 1\%$ ).
- The future rate of salary increases  $\pm 1\%$  (2018:  $\pm 1\%$ ).

## 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 DB member benefit liability
<b>30 JUNE 2019</b>			
Future investment return	4.5%	+1%	(17,915,442)
		-1%	20,760,766
Future rate of salary increase + aged based promotional increases <sup>1</sup>	2.5%	+1%	20,660,412
		-1%	(18,179,183)
<b>30 JUNE 2018</b>			
Future investment return	6.5%	+1%	(14,854,736)
		-1%	17,091,537
Future rate of salary increase + aged based promotional increases <sup>1</sup>	3.5%	+1%	17,210,812
		-1%	(15,228,396)

<sup>1</sup> 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:

	2019	2018
	\$	\$
Defined benefit liability for accrued benefits	369,457,855	338,961,652
Defined benefit assets (excluding investment fluctuation reserve)	<b>414,106,986</b>	<b>392,403,901</b>

The actuary stated the Fund was in a satisfactory financial position at 30 June 2019 (2018: satisfactory) measured by the coverage of vested benefits by assets.

The amount of vested benefits attributable to defined benefit members at 30 June 2019 is \$346,467,593 (2018: \$336,564,376).

## 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.

	2019	2018
	\$	\$
<b>Defined Contribution Vested Benefits</b>		
Defined Benefit Members	73,283,199	68,269,826
Defined Contribution Benefit Members	28,334,711	22,069,579
Non-Member Spouse Benefits	2,318,419	2,232,179
Spouse Accounts	19,094,493	18,401,135
Allocated Pensioners	91,894,499	83,987,585
Term Allocated Pensioners	591,828	625,786
Retained Benefits	103,131,732	100,466,230
<b>Total defined contribution vested benefits</b>	<b>318,648,881</b>	<b>296,052,320</b>
<b>Defined Benefits Vested Benefits</b>		
Defined benefit members	346,458,056	336,544,435
Supplementary Pension Liabilities	9,537	19,941
<b>Total defined benefit vested benefits</b>	<b>346,467,593</b>	<b>336,564,376</b>
<b>Total Vested benefits</b>	<b>665,116,474</b>	<b>632,616,696</b>

## 8. RESERVES

### Operational Risk Financial Reserve

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

### SDB Reserve

The Supplementary Disablement Reserve (SDB) is held to fund supplementary disablement claims for members. A member is entitled to a supplementary disablement benefit when 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 three years to determine the SDB liability which forms the basis of the reserve, the actuary reviews the reserves every year. 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:

	2019	2018
	\$	\$
Smoothed Option Investment Reserve (defined contribution)	8,465,779	7,631,893
Defined Benefit Investment Fluctuation Reserve (defined benefit)	15,572,374	7,832,532
<b>Total Investment Reserves</b>	<b>24,038,153</b>	<b>15,464,426</b>

## 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair Value Estimation

The carrying amounts of all the Fund's financial instruments at the reporting date approximated their fair values.

The major methods and assumptions used in determining the fair value of financial instruments is disclosed in Note 3(a).

The table below shows financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1	Level 2	Level 3	Total
30 June 2019	\$	\$	\$	\$
<b>Financial assets at fair value through profit or loss</b>				
<i>(i) Interest bearing securities</i>				
- Interest bearing investments	27,356,927	-	-	27,356,927
- Fixed interest securities	-	30,739,094	-	30,739,094
- Mortgage investments	-	2,661,835	-	2,661,835
- Mortgage loans	-	-	19,801,573	19,801,573
<i>(ii) Non-interest bearing securities</i>				
- Securities in listed entities	2,586,839	-	-	2,586,839
- Units in unlisted unit trusts	-	644,170,131	-	644,170,131
- Shares in unlisted companies	-	-	9,608,937	9,608,937
<i>(iii) Other Assets</i>				
- Investment properties	-	-	6,600,000	6,600,000
- Land & buildings	-	-	1,800,000	1,800,000
	29,943,766	677,571,060	37,810,510	745,325,336

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

	Level 1	Level 2	Level 3	Total
30 June 2018	\$	\$	\$	\$
<b>Financial assets at fair value through profit or loss</b>				
<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

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.

	Mortgage Loans	Shares in Unlisted Companies	Investment properties	Land and Buildings	Total
30 June 2019	\$	\$	\$	\$	\$
<b>Opening Balance</b>	-	<b>9,976,096</b>	<b>27,000,000</b>	<b>2,100,000</b>	<b>39,076,096</b>
Total gains and losses					
- in profit or loss	651,573	(367,159)	(426,041)	(300,000)	(441,627)
Transfers in	5,000,000	-	-	-	5,000,000
Purchases	14,150,000	-	61,519	-	14,211,519
Sales	-	-	(20,035,478)	-	(20,035,478)
<b>Closing Balance</b>	<b>19,801,573</b>	<b>9,608,937</b>	<b>6,600,000</b>	<b>1,800,000</b>	<b>37,810,510</b>

During the year, a Mortgage Loan with a carrying amount of \$5,000,000 was transferred from level 2 to level 3 because observable market inputs were not available.

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	(441,627)
Total gains included in the Income Statement for the period for assets held at the end of the reporting period	(431,546)

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

	Shares in Unlisted Companies	Investment properties	Land and Buildings	Total
30 June 2018	\$	\$	\$	\$
<b>Opening Balance</b>	-	<b>23,325,000</b>	<b>1,700,000</b>	<b>25,025,000</b>
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	-	-	-	-
<b>Closing Balance</b>	<b>9,976,096</b>	<b>27,000,000</b>	<b>2,100,000</b>	<b>39,076,096</b>

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

Total gains included in the Income Statement for the period	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

The table below sets out information about significant unobservable inputs used at 30 June 2019 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	30,739,094	-	<ul style="list-style-type: none"> <li>Direct sourcing from market participants</li> <li>Average spread over benchmark bonds</li> <li>Matrix yield curve</li> </ul>	N/A	N/A
Units in Unlisted Unit Trusts	577,452,849	-	Based on redemption price provided by manager	N/A	N/A
Units in Unlisted Unit Trusts	61,217,282	-	Net Asset Value of the Unit Trust	N/A	N/A
Units in Unlisted Unit Trusts	5,500,000	-	Valued at cost as investment purchased during period and no significant events occurring since purchase date	N/A	N/A
Mortgage investments	2,661,835	-	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
Mortgage loan	-	14,801,573	Based on face value for the Mortgage plus accrued interest, discounted for the value of future cash flows.	N/A	N/A
Ordinary Shares in Unlisted Companies	-	5,123,063	Valued at net asset value of underlying company adjusted for other components of equity	Status of the development of the underlying property	N/A
Preference Shares in Unlisted Companies	-	4,485,874	Valued at cost plus accrued dividends, discounted for time value of future cash flows	Discount rate	Higher the discount rate, lower the valuation
Investment Properties	-	6,600,000	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	-	1,800,000	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
	<b>677,571,060</b>	<b>37,810,510</b>			

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"> <li>• Direct sourcing from market participants</li> <li>• Average spread over benchmark bonds</li> <li>• Matrix yield curve</li> </ul>	N/A	N/A
Units in Unlisted Unit Trusts	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
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
	<b>610,411,691</b>	<b>39,076,096</b>			



## 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's Asset Consultant 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
	2019	2018
	\$	\$
<b>Interest bearing financial instruments</b>		
Cash and Term deposits	33,549,831	52,402,202
Fixed interest securities	30,739,095	28,065,172
Mortgage investments	2,661,835	5,176,438
Mortgage loan	19,801,573	5,000,000
	86,752,334	90,643,812

### **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 \$552,855 (2018: \$577,854).

### 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)

2019

Investment	Sensitivity variable	Standard Deviation	Net result after tax	Net assets available for member benefits
			\$	\$
Interest bearing investments	Average 5 year standard deviation	0.10%	±27,357	±27,357
Fixed interest securities	Average 5 year standard deviation	2.73%	±839,177	±839,177
Securities in listed entities	Average 5 year standard deviation	2.73%	±70,621	±70,621
Units in unlisted unit trusts	Average 5 year standard deviation	6.93%	±44,763,056	±44,763,056
Mortgage investments	Average 5 year standard deviation	2.73%	±72,668	±72,668
Mortgage loan	Average 5 year standard deviation	2.73%	±540,583	±540,583
Shares in unlisted companies	Average 5 year standard deviation	12.81%	±1,230,905	±1,230,905
Investment properties	Average 5 year standard deviation	2.30%	±151,800	±151,800
Land and buildings	Average 5 year standard deviation	2.30%	±41,400	±41,400
<b>Total</b>			<b>±47,737,567</b>	<b>±47,737,567</b>

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
<b>Total</b>			<b>±38,963,310</b>	<b>±38,963,310</b>

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

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

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

## 10. FINANCIAL RISK MANAGEMENT (continued)

### CREDIT RISK

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

The fair 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 (i.e. greater than 10% of funds invested) 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.

	2019	2018
	\$	\$
Cash and cash equivalents	6,192,904	9,979,248
Interest bearing investments	27,356,927	42,422,954
Fixed interest securities	30,739,095	28,065,172
Securities in listed entities	2,586,839	3,361,360
Units in unlisted unit trusts	644,170,131	572,170,081
Mortgage investments	2,661,835	5,176,438
Mortgage loan	5,000,000	5,000,000
Shares in unlisted companies	9,608,937	9,976,096
Distributions receivable	11,598,261	6,174,086
Other receivables	347,810	97,978
Accrued interest	246,509	506,723
	740,509,248	682,930,136

## 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 2019	Less than 3 months	3 Months to 1 year	Total Contractual Cash Flows	Carrying Amount (Asset)/Liabilities
	\$	\$	\$	\$
Payables	296,924	-	296,924	296,924
Provisions	105,174	-	105,174	105,174
Current tax liabilities	2,840,105	(625,585)	2,214,520	2,214,520
Vested benefits	665,116,474	-	665,116,474	665,116,474
<b>Total</b>	<b>668,358,677</b>	<b>(625,585)</b>	<b>667,733,092</b>	<b>667,733,092</b>

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
<b>Total</b>	<b>635,092,943</b>	<b>1,482,533</b>	<b>636,575,476</b>	<b>636,575,476</b>

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

## 11. INTEREST BEARING INVESTMENTS

	2019	2018
	\$	\$
Adelaide Bank Term Deposit	1,000,000	7,000,000
AMP Term Deposit	4,724,682	4,564,822
Bank of Queensland Term Deposits	2,630,000	1,500,000
Beyond Bank Term Deposits	2,109,166	4,710,942
Defence Bank	2,053,852	2,000,000
Macquarie Bank Term Deposits	1,000,000	2,000,000
ME Bank Term Deposits	3,759,881	3,659,738
National Australia Bank Term Deposits	10,079,346	10,142,452
P & N Bank Term Deposit	-	1,500,000
Police Bank Term Deposit	-	2,000,000
St George Bank Term Deposit	-	3,345,000
	27,356,927	42,422,954

## 12. FIXED INTEREST SECURITIES

	2019	2018
	\$	\$
AMP Bank Sub Debt (Dec 22)	488,835	494,030
ANZ Floating Rate Sub Debt (Jun 19)	-	1,009,970
Auswide Bank Sub Debt (Jun 24)	1,002,950	-
Bank of Queensland Sub Debt (May 21)	1,040,990	1,055,140
Bank of Queensland Sub Debt (May 23)	502,590	502,305
Bendigo Bank Floating Rate Note (Jan 19)	-	1,524,855
Bendigo Bank Floating Rate Note (Nov 23)	1,536,885	-
BWP Trust Bond (Mar 22)	1,046,640	1,010,770
Commonwealth Bank Floating Rate Sub Debt (Nov 19)	-	1,018,470
Credit Union Australia Floating Rate Note (Mar 20)	503,085	502,460
Credit Union Australia Floating Rate Note (Sep 21)	504,750	-
Credit Union Australia Floating Rate Note (Mar 22)	504,605	-
DBS Sub Debt (Mar 23)	1,501,290	999,820
Goldman Sachs Floating Rate Note (Sep 21)	506,005	506,135
Goldman Sachs Group Bond (Aug 20)	1,036,880	1,032,600
Heritage Building Society Sub Debt (Jun 20)	500,115	499,915
Heritage Building Society Sub Debt (May 20)	504,710	503,830
Liberty Financial Fixed Rate Bond (Jun 20)	509,760	-
Liberty Financial Fixed Rate Bond (Apr 21)	518,320	505,090
Liberty Financial Fixed Rate Bond (Jun 22)	507,330	-
Liberty Financial Fixed Rate Bond (Aug 20)	827,239	-
Members Equity Floating Rate Sub Debt (Aug 19)	1,508,580	1,521,210
National Australia Bank Floating Rate Sub Debt (Mar 20)	1,006,580	1,011,750
National Australia Bank Floating Rate Sub Debt (Sep 21)	1,028,070	1,031,180
National Australia Bank Floating Rate Sub Debt (May 24)	508,340	-
Newcastle Permanent Building Society Floating Rate Note (Apr 20)	-	505,725
Newcastle Permanent Building Society Floating Rate Note (Jan 22)	1,023,370	1,015,830
Newcastle Permanent Building Society Floating Rate Note (Feb 23)	1,013,740	699,664
Progress Trust 2018-1AB (Dec 23)	499,675	-
QT Mutual Bank Floating Rate Note (Aug 19)	-	502,815
Rabobank Floating Rate Sub Debt (Jul 20)	1,024,620	1,032,370
Scentre Group Fixed Rate Bond (Jun 21)	1,066,130	1,050,390
Seek FRN (Apr 22)	1,527,270	1,530,375
Superannuation Members Home Loans 2012-1 B (Dec 18)	-	250,321
Standard Chartered FRN (Jun 24)	502,170	-
Suncorp (Dec 23)	1,522,710	-
Teachers Mutual (Jul 21)	506,975	-
Torrens Trust 2013-1 AB (Apr 19)	576,616	487,522
Torrens Trust 2015-1 B (Jan 21)	807,561	1,013,840
Triton 2014-1 AB (Sep 19)	564,364	698,835
Vicinity Centres FRN (Jun 25)	499,545	-
Westpac Floating Rate Sub Debt (Jun 23)	1,506,285	1,000,400
Westpac Floating Rate Sub Debt (Mar 19)	-	2,018,560
Widebay FRN (Nov 20)	503,515	-
Widebay Sub Debt (Jun 19)	-	1,528,995
	30,739,095	28,065,172

### 13. SECURITIES IN LISTED ENTITIES

	2019	2018
	\$	\$
Australian Unity Subordinated Notes	1,197,430	1,637,212
Multiplex SITES Trust	675,500	895,461
NAB Subordinated Notes	713,909	325,760
Suncorp Subordinated Notes	-	502,927
	2,586,839	3,361,360

### 14. UNITS IN UNLISTED UNIT TRUSTS

	2019	2018
	\$	\$
Acure Industrial Trust No 1	4,480,000	4,320,000
AMP Capital Diversified Property Fund	24,065,291	22,965,012
Ascot Capital Facilimate Pacific Suites Brisbane	7,040,000	2,000,000
Ascot Capital Facilimate Pacific Hotel Cairns	10,212,804	6,998,512
Ascot Capital Facilimate Pacific Suites Canberra	16,177,778	15,161,154
Ausbil Australian Active Equity Fund	47,143,111	44,585,960
Centaur Property Real Estate Debt Fund 2	871,429	2,418,054
Centaur Property Real Estate Debt Fund 3	9,484,653	-
Colonial Wholesale Cash Fund	34,447,065	38,814,145
Fremantle Esplanade Hotel Trust	13,299,485	14,651,057
GQG Partners Global Equity Fund	57,556,872	50,800,735
Kapstream Wholesale Absolute Return Fund	32,732,684	31,547,656
Kings Square Master Trust	5,500,000	5,500,000
Magellan Global Fund	49,361,692	42,794,963
Maple Brown Abbott Global Listed Infrastructure Fund	25,839,603	22,918,697
MIRA Infrastructure Global Solution II	5,121,944	-
Polaris Global Equity	53,163,356	46,572,234
PrimeWest Retail Trust	5,664,097	5,737,535
QIC Australian Fixed Interest Fund	66,857,091	61,858,917
Schroder Australian Equity Fund	53,503,380	43,807,628
Schroder Real Return Std Class	48,854,211	46,462,544
Super Loans Trust	22,779	65,894
Vinva Australian Equities Fund	68,427,688	55,152,819
Warrington 66 Kings Park Road SC Trust	418,118	686,565
Warrington Property Value Add Trust 1	3,925,000	6,350,000
	644,170,131	572,170,081



## 15. MORTGAGE INVESTMENTS

	2019	2018
	\$	\$
Sovereignty Mortgage No 42	-	2,076,438
Sovereignty Mortgage No 43	-	2,067,562
Dorado Mortgage No 45	-	1,032,438
Dorado First Mortgage No 50	1,809,078	-
Dorado First Mortgage No 50	852,757	-
	2,661,835	5,176,438

## 16. OTHER INVESTMENTS

	2019	2018
	\$	\$
<b>Equity held in Fresh Fields Projects (WA) No 1</b>		
Class A Ordinary Shares	5,123,063	5,000,000
Class B Redeemable Preference Shares	2,718,041	3,272,055
Class D Redeemable Preference Shares	1,767,833	1,704,041
	9,608,937	9,976,096
Mortgage Loan (Fresh Fields Projects (WA) No 1)	5,000,000	5,000,000
	14,608,937	14,976,096
Karingal Green - Mortgage Loan	9,547,507	-
Kogarah - Mortgage Loan	5,254,066	-
	29,410,510	14,976,096

### Fresh Fields Projects (WA) No 1

Fresh Fields Projects (WA) No 1 Pty Ltd is a Joint Venture entity incorporated in March 2018 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.

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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 (Fresh Fields) at fair value, with fair value being determined on the basis of each of the instruments held in the joint venture. The fair value for each of the instruments has been determined as follows:

#### **Ordinary shares in Fresh Fields**

The fair value of the shares is based on the net assets of Fresh Fields less amounts attributable to preference shares. The net assets of Fresh Fields are based on the fair value of the assets held in Fresh Fields as at 30 June 2019. The fair value of certain of these assets has been determined by reference to an independent valuation.

#### **Preference shares in Fresh Fields**

The fair value has been determined based on the cost of the shares plus accrued dividends discounted for the expected time it will be received at a discount rate of 18%.

#### **Mortgage loan to Fresh Fields**

The fair value of the loan has been based on its face value which is considered to materially represent its fair value.

#### **Karingal Green – Mortgage Loan**

During the financial year the Fund lent \$9 million to Karingal Green Aged and Community Care (WA) Pty Ltd for an aged care development in High Wycombe in WA.

The key terms of the loan are as follows:

Loan Type:	Second mortgage
Interest Rate:	16% p.a. capitalised quarterly in arrears
Term:	4 years from initial drawdown
Security:	2nd ranking mortgage over all assets of the borrower plus various guarantees

The Board has assessed the fair value of the investment at 30 June 2019 as principal plus accrued interest and concluded that as the interest rate on the mortgage is comparable with other transactions in the market for alternative lending this is a reasonable basis on which to determine fair value.

#### **Kogarah– Mortgage Loan**

During the financial year the Fund lent \$5.15 million to Kogarah Health Aged and Community Care (NSW) Pty Ltd for an aged care development in Penshurst in NSW.

The key terms of the loan are as follows:

Loan Type:	Second mortgage
Total Commitment:	\$8,750,000, drawn to \$5,150,000 at 30 June 2019
Interest Rate:	16% p.a. capitalised quarterly in arrears
Term:	5 years from initial drawdown
Security:	2nd ranking mortgage over all assets of the borrower plus various guarantees

The Board has assessed fair value of the investment at 30 June 2019 as principal plus accrued interest and concluded that as the interest rate on the mortgage is comparable with other transactions in the market for alternative lending this is a reasonable basis on which to determine fair value.

## 17. INVESTMENT PROPERTIES

	2019	2018
	\$	\$
Howe Street	6,600,000	7,000,000
Kings Park Road	-	20,000,000
	6,600,000	27,000,000
<b>Movement in investment properties</b>		
Opening balance as at 1 July	27,000,000	23,325,000
Additions	61,519	220,659
Sale of property	(20,035,478)	-
Movement in fair value	(426,041)	3,454,341
	6,600,000	27,000,000

The fair value of the Howe Street property has been arrived at on the basis of a valuation as at 30 June 2019 carried out by Knight Frank, 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 Direct Comparison and Income Capitalisation approaches with regard to recent market transactions for similar properties in the same location as the Fund's property. 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 property at Kings Park Road was sold during the year and therefore no valuation was required at 30 June 2019.

## 18. LAND AND BUILDINGS

	2019	2018
	\$	\$
Rokeby Road, Subiaco	1,800,000	2,100,000
<b>Movement in land and buildings:</b>		
Opening balance as at 1 July	2,100,000	1,700,000
Additions	-	20,741
Movement in fair value	(300,000)	379,259
	1,800,000	2,100,000

The fair value of the Fund's land and buildings has been arrived at on the basis of a valuation as at 30 June 2019 carried out by Knight Frank, 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.

## 19. REMEASUREMENT CHANGES IN FAIR VALUES

	2019	2018
	\$	\$
<b>CHANGES IN FAIR VALUE OF INVESTMENTS</b>		
<b>Investments realised during the period</b>		
Fixed interest securities	(43,589)	(44,254)
Securities in listed entities	45,019	(3,200)
Units in unlisted unit trusts	6,479	2,847,485
Investment properties	(10,081)	-
Total realised gains/(losses)	(2,172)	2,800,031
<b>Investments held at reporting date</b>		
Fixed interest securities	55,869	(34,476)
Securities in listed entities	126,998	4,584
Units in unlisted unit trusts	26,107,089	25,979,717
Mortgages	651,573	176,438
Investment properties	(415,960)	3,454,341
TOFA gains	(118)	476,097
Total unrealised gains	26,525,451	30,056,701
Changes in fair value of investments	26,523,279	32,856,732
<b>CHANGES IN FAIR VALUE OF LAND AND BUILDINGS</b>		
<b>Land and buildings held at reporting date</b>		
Land and Buildings	(300,000)	379,259
Net changes in fair value	26,223,279	33,235,991

## 20. NET RENTALS FROM DIRECTLY HELD PROPERTY

	2019	2018
	\$	\$
Rent received	2,965,227	4,073,371
Less investment property expenses	(2,035,220)	(2,069,921)
	930,007	2,003,450

## 21. INVESTMENT EXPENSES

	2019	2018
	\$	\$
Investment manager fees	551,212	770,149
Movement in Escrow account	258,639	-
	809,851	770,149

## 22. ADMINISTRATION EXPENSES

	2019	2018
	\$	\$
Accounting and tax agent fees	86,991	81,581
APRA fees	52,381	46,335
Change in value of office and computer equipment	44,633	52,565
Conference & seminars	16,952	38,754
Consulting fees	538,207	640,917
Data processing expenses	988,645	896,769
Education & training	3,990	3,640
Fringe benefits tax	14,414	13,075
Insurance other	21,802	23,726
Journals & publications	1,967	2,189
Legal fees	20,980	101,618
Miscellaneous costs	13,632	15,029
Motor vehicle expenses	6,181	8,206
Office expenses	4,763	6,458
Postage & couriers	7,119	2,260
Printing & stationery	37,427	40,441
Salaries	473,720	414,136
Subscriptions & licenses	48,951	20,573
Superannuation	62,743	53,439
Telephone	2,807	2,692
Travel & accommodation	22,114	36,011
Board Indemnity Insurance	51,495	32,313
	2,521,914	2,532,727

## 23. OTHER OPERATING EXPENSES

	2019	2018
	\$	\$
Actuarial fees	57,166	80,822
Audit fees – external	140,394	149,100
Audit fees – internal	85,655	142,248
Board fees & allowances	59,900	41,450
Board elections	1,713	8,444
	344,828	422,604

## 24. INSURANCE ACTIVITIES

The Fund provides death and disability benefits to its members. The Board has a 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 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

	2019	2018
	\$	\$
<b>(a) Major components of tax expense</b>		
Current income tax		
- Current tax charge	1,472,028	1,827,620
- Adjustment to current tax for prior period	(297,281)	165,762
Deferred income tax		
- Movement in temporary differences	1,254,910	1,746,242
Income tax expense	2,429,657	3,739,624
<b>(b) Numerical reconciliation between income tax expense and net result before income tax</b>		
Net result before income tax	(327,784)	22,126,287
Tax applicable at the rate of 15% (2018: 15%)	(49,168)	3,318,943
Tax effect of income/(losses) that are not assessable/(deductible) in determining taxable income		
- Investment income	(696,898)	(286,198)
- Discount capital gains	(1,022,251)	(1,715,550)
- Non assessable pension income	(1,145,561)	(1,153,733)
Tax effect of other adjustments		
- Imputation & foreign tax credits	(2,811,540)	(2,118,152)
- Net change in defined benefit member benefits	5,166,438	1,692,867
- Net benefits allocated to defined contribution member accounts	3,159,829	3,726,442
- Expenses	126,089	109,242
- Over provision prior periods	(297,281)	165,762
Income tax expense/(benefit)	2,429,657	3,739,624
<b>(c) Recognised in the Statement of Changes in Member Benefits</b>		
Contributions, transfers in and insurance premiums recognised in the Statement of Changes in Member Benefits	38,800,046	40,450,752
Tax applicable at the rate of 15% (2018: 15%)	5,820,007	6,067,613
Tax effect of income/(losses) that are not assessable/(deductible) in determining taxable income		
- Member contributions & transfers In	(1,078,313)	(1,351,257)
- Insurance premiums	(431,581)	(395,458)
Income tax expense	4,310,113	4,320,898
<b>Split in members benefits as follows:</b>		
Contributions tax expense	4,741,694	4,716,356
Benefit on insurance premiums credited to members accounts	(71,440)	(68,399)
Benefit on insurance premiums credited to DB formula	(360,141)	(327,059)
Income tax expense	4,310,113	4,320,898

## 25. TAXATION (continued)

	2019	2018
	\$	\$
<b>(d) Current tax liabilities</b>		
<b>Provision for current income tax</b>		
Balance at beginning of year	3,390,204	3,104,321
Income tax paid – current period	(3,567,621)	(3,184,706)
Income tax paid – prior periods	(3,092,923)	(2,843,692)
Current years income tax expense	5,782,141	6,574,910
Over provision prior year	(297,281)	(260,629)
	2,214,520	3,390,204
<b>(e) Deferred tax assets and liabilities</b>		
<b>Deferred tax asset</b>		
Accrued expenses	55,705	54,970
<b>Deferred tax liabilities</b>		
Unrealised gains on investments	4,438,538	3,182,894

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

	Opening balance	Charged to income	Closing balance
	\$	\$	\$
<b>30 June 2019</b>			
Gross deferred tax assets:			
Accrued expenses	54,970	735	55,705
Gross deferred tax liabilities:			
Unrealised gains on investments	3,182,894	1,255,644	4,438,538
Net deferred tax liabilities	3,127,924	1,254,909	4,382,833
<b>30 June 2018</b>			
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

There were no unrecognised deferred tax assets at 30 June 2019 (2018: nil).



## 26. RECEIVABLES

	2019	2018
	\$	\$
Investment income receivables	11,844,770	6,680,809
Other receivables	106,175	97,978
GST receivable	5,274	-
Amount held in Escrow	236,361	-
	<u>12,192,580</u>	<u>6,778,787</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

	2019	2018
	\$	\$
Accounting fees	40,958	41,135
Actuarial fees	38,500	33,000
APRA fees	51,657	46,225
Audit fees	140,394	138,320
GST payable	-	64,532
PAYG withholding tax	12,023	17,205
Sundry creditors	13,392	125,032
	<u>296,924</u>	<u>465,449</u>

## 28. PROVISIONS

	2019	2018
	\$	\$
<b>Employee Benefits:</b>		
Annual leave payable	42,294	50,158
Long service leave payable	62,880	52,969
	<u>105,174</u>	<u>103,127</u>

## 29. CASH BENEFITS PAID

	2019	2018
	\$	\$
Retirement & resignation	8,925,633	7,415,593
Death	109,598	1,700,665
Financial hardship/Early release	99,763	20,000
Spouse	670,167	862,631
Excess contributions	51,904	4,775
First home saver scheme	7,822	-
	<u>9,864,887</u>	<u>10,003,664</u>

### 30. CASH FLOW INFORMATION

	2019	2018
	\$	\$
<b>(a) Reconciliation of cash flows from operating activities to result after tax</b>		
Net result after tax	(2,757,441)	18,386,663
Net change in defined benefit member benefits	34,442,921	11,285,783
Net benefits allocated to defined contribution member accounts	21,065,524	24,842,949
Net changes in fair value of investments	(26,223,279)	(33,235,991)
Distributions reinvested	(15,459,490)	(16,359,865)
Fee rebates reinvested	(1,285,182)	(717,958)
Investment expenses	702,352	652,798
(Increase)/Decrease in receivables	(5,133,603)	1,247,628
(Increase)/Decrease in deferred tax assets	(735)	4,285
(Increase)/Decrease in prepayments	548,978	(742,300)
Increase/(Decrease) in creditors and accruals	(168,525)	31,231
Increase/(Decrease) in employee entitlements	2,047	(42,075)
Increase/(Decrease) in current tax liabilities	(2,723,675)	(1,708,757)
Increase/(Decrease) in deferred tax liabilities	1,255,644	1,741,957
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,265,536</b>	<b>5,386,348</b>
<b>(b) Reconciliation of Cash</b>		
Cash at the end of the financial year as shown in the Statement of Cashflows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents	6,192,904	9,979,248

## 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:

	2019	2018
Compensation of board members of the Fund		
\$0 - \$9,999	1	2
\$10,000 - \$19,999	3	1
\$20,000 - \$29,999	1	1
Compensation of other senior officers:		
\$210,000 - \$219,999	-	1
\$220,000 - \$229,000	1	-
	2019	2018
	\$	\$
Short term employee benefits	263,374	240,242
Post employment benefits	28,896	25,013
Other long term benefits	444	(1,316)
Termination benefits	-	-
Total compensation of key management personnel	292,714	263,939

## 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 2019 and during the year then ended were:

### Directors

Frank Sciarrone (Chairman)  
 Dale Fulcher (resigned 18 August 2018)  
 Brian Longman  
 Karen Lamont  
 Kelly Wyeth  
 Kevin Jolly  
 Brendon Shepherd (appointed 1 November 2018)

### Alternate Directors

Frank Pasquale (resigned 18 August 2018)  
 Tania Longman  
 Paul Markovic  
 Richard Burnell (appointed 18 August 2018)

### Related Party Transactions

There are 9 (2018: 8) 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 \$65,591 in retirement benefits paid to Board members or their relatives who were members of the Fund (2018: \$45,387).

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 \$107,499 during the financial year (2018: \$117,351). There were no amounts payable at 30 June 2019 (2018: \$nil).

The Fund held an investment portfolio managed by Vantage Wealth Management totalling \$34,747,212 at 30 June 2019 (2018: \$33,211,156).

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 (refer Note 16) 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 2019 results to 2018 results

	Actual	Actual	Variance
	2019	2018	
	\$	\$	\$
<b>SUPERANNUATION ACTIVITIES REVENUE</b>			
Interest revenue	3,148,861	3,149,216	(355)
Distributions from unit trusts	27,240,675	22,853,880	4,386,795
Net remeasurement changes in fair value	26,223,279	33,235,991	(7,012,712)
Net rentals from directly held property	930,007	2,003,450	(1,073,443)
Other income	1,314,432	737,422	577,010
<b>TOTAL REVENUE</b>	<b>58,857,254</b>	<b>61,979,959</b>	<b>(3,122,705)</b>
<b>EXPENSES</b>			
Investment expenses	809,851	770,149	39,702
Administration expenses	2,521,914	2,532,727	(10,813)
Other operating expenses	344,828	422,064	(77,236)
<b>TOTAL EXPENSES</b>	<b>3,676,593</b>	<b>3,724,940</b>	<b>(48,347)</b>
<b>RESULT FROM SUPERANNUATION ACTIVITIES</b>	<b>55,180,661</b>	<b>58,255,019</b>	<b>(3,074,358)</b>
Net change in DB member benefits	(34,442,921)	(11,285,783)	(23,157,138)
Net benefits allocated to DC members	(21,065,524)	(24,842,949)	3,777,425
<b>RESULT BEFORE INCOME TAX</b>	<b>(327,784)</b>	<b>22,126,287</b>	<b>(22,454,071)</b>
Income tax expense	2,429,657	3,739,624	(1,309,967)
<b>RESULT AFTER INCOME TAX</b>	<b>(2,757,441)</b>	<b>18,386,663</b>	<b>(21,144,104)</b>

### 33. EXPLANATORY STATEMENT (continued)

	Actual	Actual	Variance
	2019	2018	
	\$	\$	\$
<b>MOVEMENT IN MEMBERS BENEFITS</b>			
Contributions & transfers in	38,800,046	40,450,752	(1,650,706)
Tax on contributions	(4,741,694)	(4,716,356)	(25,338)
Benefits paid	(34,106,456)	(24,146,955)	(9,959,501)
Insurance premiums charged to members	(476,266)	(455,991)	(20,275)
Income tax benefit on insurance premiums	71,440	68,399	3,041
Insurance premiums charged to DB formula	(2,400,939)	(2,180,393)	(220,546)
Income tax benefit on insurance premiums charged to DB formula	360,141	327,059	33,082
Death and disability benefits credited to members accounts	972,684	961,820	10,864
Reserve transfers to/(from) members	(894,637)	528,579	(1,423,216)
Net benefits allocated to members' accounts	21,065,524	24,842,949	(3,777,425)
Net change in defined member benefits	34,442,921	11,285,783	23,157,138
<b>TOTAL MOVEMENT IN MEMBERS BENEFITS</b>	<b>53,092,764</b>	<b>46,965,646</b>	<b>6,127,118</b>

#### EXPLANATION OF SIGNIFICANT VARIANCES

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

##### Distributions from unit trusts

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, 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 decrease in the changes in fair value was as a result of weaker investment markets in the current financial year compared to the prior year.

##### Net rentals from directly held property

The rent was less as one of the properties was sold and the rental reduced for the other property during the year.

##### Other income

This represents fee rebates paid by investment managers and the revenue was higher than the prior year due to the Fund's increased exposure to unit trusts.

##### Income tax expense

Income tax expense was lower in the current year due to more favourable tax outcomes provided in distributions received from unit trusts.

##### Contributions & transfers in

The decrease in contributions from last financial year was primarily due to a reduction in member voluntary contributions, action over which the Fund has no control.

##### Benefits paid

The increase in benefits paid from last financial year was due to more members electing to rollover their superannuation entitlement to other superannuation funds, action over which the Fund has no control.

### 33. EXPLANATORY STATEMENT (continued)

#### (b) Comparison Actual to Estimates

	Actual	Budget	Variance
	2019	2019	
	\$	\$	\$
<b>SUPERANNUATION ACTIVITIES REVENUE</b>			
Interest revenue	3,148,861	1,500,000	1,648,861
Distributions from unit trust	27,240,675	25,000,000	2,240,675
Net remeasurement changes in fair value	26,223,279	28,000,000	(1,776,721)
Net rentals from directly held property	930,007	2,300,000	(1,369,993)
Other income	1,314,432	730,000	584,432
<b>TOTAL REVENUE</b>	<b>58,857,254</b>	<b>57,530,000</b>	<b>1,327,254</b>
<b>EXPENSES</b>			
Investment expenses	809,851	800,000	9,851
Administration expenses	2,521,914	2,165,000	356,914
Other operating expenses	344,828	440,000	(95,172)
<b>TOTAL EXPENSES</b>	<b>3,676,593</b>	<b>3,405,000</b>	<b>271,593</b>
<b>RESULT FROM SUPERANNUATION ACTIVITIES</b>	<b>55,180,661</b>	<b>54,125,000</b>	<b>1,055,661</b>
Net change in DB member benefits	(34,442,921)	-	(34,442,921)
Net benefits allocated to DC members	(21,065,524)	-	(21,065,524)
<b>RESULT BEFORE INCOME TAX</b>	<b>(327,784)</b>	<b>54,125,000</b>	<b>(54,452,784)</b>
Income tax expense/(benefit)	2,429,657	1,200,000	1,229,657
<b>RESULT AFTER INCOME TAX</b>	<b>(2,757,441)</b>	<b>52,925,000</b>	<b>(55,682,441)</b>
<b>MOVEMENT IN MEMBERS BENEFITS</b>			
Contributions & transfers in	38,800,046	38,000,000	800,046
Contributions tax	(4,741,694)	(4,800,000)	58,306
Benefits paid	(34,106,456)	(25,010,000)	(9,096,456)
Insurance premiums charged to members	(476,266)	(400,000)	(76,266)
Income tax benefit on insurance premiums	71,440	-	71,440
Insurance premiums charged to DB formula	(2,400,939)	(2,000,000)	(400,939)
Income tax benefit on insurance premiums charged to DB formula	360,141	-	360,141
Death and disability benefits credited to members accounts	972,684	1,000,000	(27,316)
Reserve transfers to/(from) members	(894,637)	-	(894,637)
Net benefits allocated to members' accounts	21,065,524	-	21,065,524
Net change in defined member benefits	34,442,921	-	34,442,921
<b>TOTAL MOVEMENT IN MEMBERS BENEFITS</b>	<b>53,092,764</b>	<b>6,790,000</b>	<b>46,302,764</b>

### 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.

##### Net rentals from directly held property

The rent was less than budget as one of the properties was sold and the rent reduced for the other property during the year.

##### Other income

This represents fee rebates paid by investment managers and the revenue was higher than budget due to the Fund's increased exposure to unit trusts.

##### Income tax expense

The actual tax expense for the year was \$2.4 million which equates to 4.4% of the net surplus, whereas the budget was conservatively set at 2.2%.

### 34. AUDITOR'S REMUNERATION

	2019	2018
	\$	\$
Amounts paid or due and payable to Auditor General for the following services:		
• Audit of financial statements, controls and key performance indicators	127,631	125,745
• Other services	-	-
Amounts paid or due and payable to Ernst & Young for the following services:		
• Audit services – internal	85,564	142,248
• Other services	-	-
	213,195	267,993

### 35. COMMITMENTS

As at 30 June 2019, the Fund had commitments of \$23,626,508 (2018: \$46,850,000) in respect of uncalled capital payments relating to investments. The uncalled commitments relate to the Fund's private equity investments, property and infrastructure investments. Time bands cannot be placed on those commitments, as it is difficult to predict the exact timing and pace of capital calls for any commitment based investment. The Fund has appropriate liquidity planning in place to ensure a suitable allocation of resources will be available to cover these future commitments of capital.

### 36. SUBSEQUENT EVENTS

On 27 August 2019, the repayment date for the mortgage loan to Fresh Fields Projects (WA) No 1 was extended for a further term, and it is now due and payable on 13 November 2020.

Other than the above, there have been no events subsequent to reporting date which would have a material effect on the Fund's financial statements at 30 June 2019.

# Actuarial Opinion

This summary has been prepared as at 30 June 2019 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 2019.

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

Accrued benefits (DB and SDB)*	\$ 369,457,855
Vested benefits (DB and SDB)	\$ 346,467,593

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

## Statement of Financial Position

	2019	2018
<b>NET ASSETS AVAILABLE FOR MEMBER BENEFITS</b>	\$757,123,434	\$705,893,474
<b>MEMBERS BENEFITS</b>		
Defined contribution member liabilities	\$318,648,881	\$296,052,320
Defined benefit member liabilities (DB and SDB)	\$369,457,855	\$338,961,652
<b>TOTAL MEMBER LIABILITIES</b>	<b>\$688,106,736</b>	<b>\$635,013,972</b>
<b>NET ASSETS</b>	\$69,016,698	\$70,879,502
<b>EQUITY</b>		
Operational risk reserve	\$2,179,833	\$1,972,828
Smoothed option investment fluctuation reserve	\$8,465,779	\$7,631,893
Defined benefit investment fluctuation reserve	\$15,572,374	\$7,832,532
Supplementary disability benefits that are over/(under) funded	\$30,378,171	\$27,238,755
Defined benefits that are over/(under) funded	\$12,420,541	\$26,203,494
Unallocated surplus/(deficiency)	\$0	\$0
<b>TOTAL EQUITY</b>	<b>\$69,016,698</b>	<b>\$70,879,502</b>

## Statement of Changes in Member Benefits

	2019	2018
DB and SDB member liabilities (BOY)	\$338,961,652	\$332,419,600
Actual benefit payments	-\$25,409,510	-\$26,696,976
Interest cost	\$21,206,698	\$20,739,622
Change in base salary inflation assumption	-\$18,412,999	\$6,381,422
Change in investment return assumption	\$37,953,060	\$0
Addition accrual for 1 year	\$18,869,445	\$18,683,312
Experience	-\$3,710,492	-\$12,565,328
<b>DB and SDB member liabilities (EOY)</b>	<b>\$369,457,855</b>	<b>\$338,961,652</b>



### Statement of Changes In Equity

	Operational risk reserve	Smoothed option investment fluctuation reserve	Defined benefit investment fluctuation reserve	Supplementary Disability benefits over/(under) funded	Defined benefit over/(under) funded <sup>1</sup>	Unallocated surplus/ (deficiency)	Total equity
Opening balance as at 1 July 2018	\$1,972,828	\$7,631,893	\$7,832,532	\$27,238,755	\$26,203,494	\$0	\$70,879,502
Amount allocated from/(to) defined contribution members	\$60,751	\$833,886	\$0	\$0	\$0	\$0	\$894,637
Amount allocated from/(to) defined benefit members	\$84,101	\$0	\$7,739,842	\$0	-\$7,823,943	\$0	\$0
Operating profit / Experience	\$62,153	\$0	\$0	\$3,139,416	-\$5,959,010	\$0	-\$2,757,441
<b>Closing Balance as at 30 June 2019</b>	<b>\$2,179,833</b>	<b>\$8,465,779</b>	<b>\$15,572,374</b>	<b>\$30,378,171</b>	<b>\$12,420,541</b>	<b>\$0</b>	<b>\$69,016,698</b>

<sup>1</sup> Due to late asset revaluations, the defined benefit over/under funded was the only closing balance adjusted and the reserves will be rebalanced during 2019/20 financial year.

### 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 is assumed to be 4.5% pa (2018: 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 is assumed to be 1.5% pa for the first year and then 2.5% pa thereafter (2018: 1.5%pa first year , 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.

Key Assumptions	Base Case	Sensitivity Change	Accrued Benefits	Change	Change %
Discount Rate /Investment Return	4.50%	+1% per annum	\$351,542,413	-\$17,915,442	-5%
		-1% per annum	\$390,218,621	\$20,760,766	6%
Salary increase	2.5% + age based promotional increases <sup>1</sup>	+1% per annum	\$390,118,267	\$20,660,412	6%
		-1% per annum	\$351,278,672	-\$18,179,183	-5%

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

Defined Benefits (DB and SDB)	2019			2018		
	DB \$	SDB \$	Total \$	DB \$	SDB \$	Total \$
Defined benefit liability for accrued benefits (DB and SDB)	369,448,318	9,537	369,457,855	338,941,711	19,941	338,961,652
Defined benefit assets (excluding investment fluctuation reserve) (DB and SDB)	381,868,859	30,387,708	412,256,567	365,145,206	27,258,696	392,403,901
Defined benefit accrued benefits overfunded by (DB and SDB)	12,420,541	30,378,171	42,798,712	26,203,494	27,238,755	53,442,249
Defined benefit vested benefits (DB and SDB)	346,458,056	9,537	346,467,593	336,544,435	19,941	336,564,376

### Note 7: Vested Benefits

	\$
<b>Defined Contribution Vested Benefit</b>	
Category A - Defined Benefit Members	79,461,783
Category A - Notional Accounts	-6,178,583
Accumulation Members (Category B and 1A)	28,334,711
Family Law	2,318,419
Spouse Accounts	19,094,493
Allocated Pensions	91,894,499
Term Account Based Pensions	591,828
Retained Members	103,131,732
<b>Total defined contribution Vested Benefit</b>	<b>318,648,881</b>
Defined Benefit Members (DB)	346,458,056
Supplementary Disability Benefit pensions in payment (SDB)	9,537
<b>Total defined benefit Vested Benefit (DB and SDB)</b>	<b>346,467,593</b>
<b>Total Vested Benefit</b>	<b>665,116,474</b>

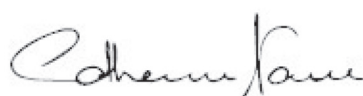
### Note 8: Reserves

	\$
<b>Investment Fluctuation Reserves</b>	
Smoothed Option Investment Fluctuation Reserve	8,465,779
Defined Benefit Investment Fluctuation Reserve	15,572,374
<b>Total</b>	<b>24,038,153</b>



**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

# Budget Estimates 2019/20

Statement of changes in net assets	ESTIMATE
	\$
<b>NET ASSETS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>757,123,434</b>
<b>INVESTMENT REVENUE</b>	
Trust Distributions	27,000,000
Interest	1,700,000
Changes in Net Market Value	30,000,000
Rental Income	700,000
Other Investment Revenue	1,400,000
<b>CONTRIBUTION REVENUE</b>	
Employer Contributions	32,500,000
Employee Contributions	3,300,000
Spouse Contributions	200,000
Transfers In	4,000,000
<b>OTHER REVENUE</b>	
Insurance Proceeds	1,000,000
Other	10,000
<b>TOTAL REVENUE</b>	<b>101,810,000</b>
<b>EXPENSES</b>	
Group Life Premiums	2,700,000
Direct Investment Expenses	1,101,000
General Administration Expenses	2,769,000
Benefits paid	30,100,000
<b>TOTAL EXPENSES</b>	<b>36,670,000</b>
Changes in net assets before income tax	65,140,000
Income Tax Expense	7,000,000
Changes in net assets after income tax	58,140,000
<b>NET ASSETS AT THE END OF THE FINANCIAL YEAR</b>	<b>815,263,434</b>

# Performance Indicators

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## 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 2019.



**F SCIARRONE**  
CHAIR  
10 October 2019



**B LONGMAN**  
BOARD MEMBER  
10 October 2019

## 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 the Fund's performance during 2018/19.

## 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 83% for active members and 95% for pension and retained members who had provided an email address for the 2018/19 financial year, against a target of 80%.

	Target %	Actual %	Actual %	Actual %
	2018/19	2018/19	2017/18	2016/17
Active Members who are fairly satisfied or extremely satisfied.	80	83	84	81
Pension Members who are fairly satisfied or extremely satisfied.	80	95	95	96

An additional 14.7% of active members and 3.3% 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 May 2019. Two versions of the survey were emailed to members: one survey focused on issues relevant to active members (i.e. members who contributed 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 1,517 active members and 409 pension/retained members who provided an email address were included in the survey that resulted in a sample size of 326 (21.5%) active and 193 (47%) pension/retained members who responded to the survey. This generated a margin of error of  $\pm 5\%$  for active members and  $\pm 5\%$  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.	7.7	5.1	2.6

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

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. 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
6.9	8.0	-1.1	7.8	7.8	0.0	6.6	7.1	-0.5

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

For the one year period, the Defined Benefit section of the Fund achieved a strong return of 6.9%, but was below its target of 8.0%. Over the three year period performance has been strong, with the portfolio performing in line with its target.

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

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

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

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

Investment Option	Investment Objective	Return Achieved %pa	Target Return %pa	Relative Performance %pa
Smoothed Option ("default" option)	To earn at least CPI + 4.0% per annum over a rolling 10 year period.	8.3	6.1	2.2
Growth Option	To earn at least CPI + 4.0% per annum over a rolling 10 year period.	8.3	6.1	2.2
Cash Option	To earn at least the benchmark return for Cash (Bloomberg Ausbond Bank Bill Index) over a rolling 12 month period.	1.8	1.7	0.1
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.	9.1	11.0	-1.9
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.	12.2	10.4	1.8
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.	6.1	8.1	-2.0

*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.

All of the Fund's other options, except for the Australian Shares and Fixed Interest options, 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.	9.4	6.1	3.3
Growth Option	To earn at least CPI + 4.0% per annum over a rolling 10 year period.	9.4	6.1	3.3
Cash Option	To earn at least the benchmark return for Cash (Bloomberg Ausbond Bank Bill Index) over a rolling 12 month period.	2.2	2.0	0.2
Moderate Option	To earn at least CPI + 2.0% per annum over a rolling 10 year period.	7.3	4.1	3.2
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.	9.1	11.4	-2.3
International Shares Option	To earn at least the benchmark return for Overseas shares (MSCI World ex-Australia Index in \$AUD) over a rolling 12 month period.	14.0	11.9	2.1
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.	7.2	9.6	-2.4

*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.

All of the Fund's other options, except for the Australian Shares and Fixed Interest options, 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.

	2014/15	2015/16	2016/17	2017/18	2018/19
Administration Cost – Target	\$794	\$1,056	\$1,043	\$1,160	\$1,142
Administration Cost – Actual	\$1,138	\$1,122	\$1,154	\$1,270	\$1,225

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 predominantly due to data software upgrades resulting from additional reporting requirements under the 2016 Federal Budget reform.

### 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 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18	Actual 2017/18	Target 2018/19
Investment management costs as a percentage of portfolio mean value invested.	0.41%	0.39%	0.36%	0.44%	0.36%	0.35%

The higher than expected Investment Management Expense Ratio – Actual against the Target was due to costs associated with the sale of 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 2018/19 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 2018/19 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 Australian Financial Complaints Authority (AFCA).

AFCA is an independent body set up by the Federal Government to assist members and beneficiaries to resolve complaints made by:

1. Fund members;
2. Persons with an interest in a death benefit; and
3. Parties (and intending parties) to a Family law agreement or order affecting superannuation.

AFCA will advise the complainant if they are able to deal with the complaint and, if so, the type of information that is required.

If a complaint is lodged directly with AFCA before it is raised with the Fund, AFCA will generally refer the complaint to the Fund to consider the matter within specified timeframes.

For more information on AFCA and the type of information that must be provided, contact 1800 931 678 for the cost of a local call anywhere in Australia.

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

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

## Governance Disclosures

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

The Fund held an investment portfolio managed by Vantage Wealth Management totalling \$34,747,212 at 30 June 2019. Vantage Wealth Management received management fees of \$107,499 during the 2018/19 financial year.

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

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 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 these arrangements, no other related parties have entered into a contract for services with the Fund.

## Ministerial Directions

No Ministerial directives were received during the financial year.

# Other Financial Disclosures

## Pricing policies of services provided

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

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

## Capital Works

No capital works were undertaken during the 2018/19 financial year and no capital works are planned for the next financial year.

## Occupational safety, health and injury management

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

Indicator	2019	2018
Number of fatalities	Zero (0)	Zero (0)
Lost time injury/disease (LTI/I) incidence rate	Zero (0)	Zero (0)
Lost time injury severity rate	Zero (0)	Zero (0)
Percentage of injured workers returned to work within 28 weeks	Zero (0) workers injured.	Zero (0) workers injured.

## Employment and Industrial Relations

### STAFF PROFILE

Employment Status	2019	2018
Full-time permanent	2	2
Full-time contract	0	0
Part-time measured on a FTE basis	2.4	1.6
Part-time contract	1	2
On secondment	0	0

### Staff development

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

During the 2018/19 financial year, our employees received in-house and on-the-job training on:

- Fraud Awareness, and
- Anti-Money Laundering and Counter-terrorism Financing Rules Awareness.



# Notes

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